



## Schools Funding Forum 19th October 2023

## ITEM 5

**Subject Heading:**

**Schools funding formula options for 2024-25**

**Report Author:**

**Nick Carter – Education Finance Group Manager**

**Eligibility to vote:**

**All school and academy members**

### SUMMARY

This report provides options on allocating funding to schools, including a transfer to the High Needs Block and to funding for growth and falling rolls.

### RECOMMENDATIONS

That the Schools Funding Forum:

- (i) considers the options presented on allocating funding to schools for 2024-25
- (ii) considers a transfer of funding from the Schools Block to the High Needs Block
- (iii) considers the funding of pupil growth and falling rolls
- (iv) agrees the options that will form the consultation with schools on the 2024-25 funding allocations

## REPORT DETAIL

### **1. Background**

In 2018-19 a “soft” National Funding Formula (NFF) was implemented. In that year, and in subsequent years, Havering has used the NFF rates in calculating funding for its schools. Following consultation last year, the DfE are now moving towards a direct NFF.

At the meeting held on 21<sup>st</sup> September 2021, the Schools Funding Forum agreed that NFF funding factors and values should again be used in the calculation of schools’ funding allocations for 2023-24. This means that the changes to funding arrangements for 2024-25 announced as part of the move towards a direct NFF will not have any impact for Havering schools.

Since the introduction of the soft NFF the Schools Funding Forum has made decisions each year on whether funding should be transferred from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG) and whether to supplement the funding received from the DfE for growth and falling rolls.

The Schools Funding Forum has then gone on to make decisions on the minimum funding guarantee (MFG) and a gains cap. For 2023-24, the MFG was set at 0.5% and a gains cap of 3.15% was applied to ensure affordability.

### **2. DSG Schools Block 2023-24**

Details of funding for 2024-25 and NFF factor values, as revised by the DfE in October 2023, are contained in Agenda item 4. Details of the minimum funding guarantee and gains cap are also contained in Agenda item 4.

When released in December 2023, the final Schools Block allocation for 2024-25 will also include funding for pupil growth and falling rolls. In recent years this has proved insufficient to meet the cost of funding growth and falling rolls. The best estimate at present is that the sum required to protect funding for growth and falling rolls at current levels will £500k. The allocation is expected to be around £1.8m and projected costs are £2.3m.

### **3. Minimum Per Pupil Funding Level (MPPL)**

In allocating funding to schools LAs need to ensure that minimum pupil funding levels are met. For 2024-25 these are set at £4,610 for primary schools and £5,995 for secondary schools. The increase includes an adjustment to reflect the consolidation of the Mainstream Schools Additional Grant into the NFF. The MPPL values for 2024-25 were reduced by the DfE in October 2023, along with other NFF values.

### **4. Transfers between DSG blocks and schools’ High Needs funding**

For 2023-24, with the agreement of the Schools’ Funding Forum, LAs will continue to be able to transfer up to 0.5% of their Schools Block to other DSG blocks. Using the indicative figure for 2024-25, this equates to £1,154,781 for Havering.

For 2023-24 the Schools' Funding Forum agreed to a transfer of 0.5%, a sum of £1,108,990. This was used, together with an additional £1,760,760 received in the High Needs Block in December 2023, to support increases in a number of the funding rates for schools' high needs allocations.

The Forum agreed at the meeting held on 21<sup>st</sup> September 2023 to re-establish the High Needs Funding task and finish group in order to review high needs funding rates for 2024-25. When the high needs funding rates for 2022-23 and 2023-24 were determined, the 0.5% transferred from the School Block was included in the calculations. Without a similar 0.5% transfer for 2024-25, the base rates forming the starting point for discussion of 2023-24 rates, would need to be reduced to reflect the absence of the funding transferred.

The transfer from the Schools Block to the High Needs Block for 2023-24 enabled the hourly rate in support of pupils with an EHCP to be increased from £16.00 an hour after 9.6 hours, to £16.50 an after 9.3 hours. The transfer also enabled the total funding for each Additional Resourced Provision (ARP) place to rise by 5.2% from £20,726 to £21,860.

## 5. School Funding Options

At this stage, all calculations are based on October 2022 data. These show the sums that each school would receive if there were no changes in pupil numbers or other data since October 2022 but using the 2024-25 funding rates.

Once the revised data is received in December, the LA will apply the NFF funding factors for each school to the data from the October 2023 census. Until the October 2023 data is received from the DfE it is not possible to calculate final figures for 2024-25. Changes may be needed to any decisions made by the Forum prior to the calculation of final funding figures.

Given that the LA is using the NFF factors and rates to allocate funding to schools, the options to considered are whether to transfer funding from the Schools Block to the High Needs Block, the level of the minimum funding guarantee and the level of any gains cap.

A summary of two possible options is shown below. The impact on individual schools, shown anonymously, is included at Appendix A.

The minimum funding guarantee can be set between 0.0% and 0.5%. Formula modelling shows that reducing the MFG from 0.5% to 0.0% reduces the sum allocated by £103k. In both the options considered the rate is set at 0.5%.

Funding available to distribute to schools through the formula is as follows:

<b>Funding available</b>	<b>£</b>
Schools Block allocation	230,950,158
Less: funding for business rates	-2,106,175
<b>Total Schools Block excluding rates</b>	<b>228,849,983</b>

### **Option A – Transfer 0.5% of the Schools Block to High Needs. Requires gains cap**

0.5% is the maximum transfer that the Schools Forum is permitted to authorise.

Based on current figures, if 0.5% is transferred from the School Block to the High Needs Block, a gains cap of 2.4% is required. An MFG of 0.5% together with a gains cap of 2.4% would enable a transfer of 0.5% from the Schools Block to the High Needs Block, and the allocation of additional funding for growth and falling rolls.

<b>MFG 0.5%, Gains cap 2.4%</b>	<b>£</b>
School Block (excluding rates)	228,849,983
Less transfer of 0.5% to High Needs Block	-1,154,781
Less transfer to growth and falling rolls	-500,000
<b>Schools Block available</b>	<b>227,195,202</b>
<b>Allocated through formula</b>	<b>227,185,732</b>
<b>Unallocated</b>	<b>9,470</b>

It should be noted that when indicative allocations for 2023-24 were calculated a gains cap of 2.6% was required to facilitate a transfer of 0.5% from the Schools Block to the High Needs Block. When the final funding allocation was announced in December 2022 it was possible to increase the gains cap to 3.15%.

### **Option B – No gains cap. Transfer available balance to High Needs.**

With no gains cap, after allowing for a £500k transfer to growth and falling rolls, there is a balance unallocated of £301,286. This balance would be transferred to the High Needs Block.

<b>MFG 0.5%, no gains cap</b>	<b>£</b>
School Block (excluding rates)	228,849,983
Less transfer to growth and falling rolls	-500,000
<b>Schools Block available</b>	<b>228,349,983</b>
<b>Allocated through formula</b>	<b>228,048,697</b>
<b>Available for transfer to High Needs Block</b>	<b>301,286</b>

The impact on schools of these options is shown below:

Option	MFG	Cap	No. of schools on MPPL		No. of schools on MFG		No of schools capped		Cost of MFG £000s	Saving from cap £000s
			Prim	Sec	Prim	Sec	Prim	Sec		
A	0.5%	2.4%	1	0	2	1	25	5	103	863
B	0.5%	-	1	0	2	1	-	-	103	-

Havering has 59 primary schools and 18 secondary schools

## 6. Pupil Growth and Falling Rolls Fund

Funding for growth and falling rolls is calculated by looking at the change in pupil numbers in Middle Layer Super Output Areas (MSOA), a geographical area defined by postcode, between October 2022 and October 2023. The DfE will notify LAs of allocations for 2024-25 in December.

After falling for several years, Havering's funding rose in 2023-24 but is expected to fall slightly in 2024-25.

2019-20	£2.5m
2020-21	£1.6m
2021-22	£1.6m
2022-23	£1.5m
2023-24	£2.0m
2024-25	£1.8m"

\* The figure for 2024-25 is an LA estimate.

### Growth

Havering's formula for allocating growth funding is as follows:

#### Primary

Single form of entry expansion or bulge class

28 pupils x AWPU £3,684.29 = £103,160

Cost in financial year 2024-25 (7/12 September to March) = £60,177

This is repeated as the cohort moves through the school to recognise the need to open an additional class and appoint additional staff until the school has reached its new PAN in every year group.

If a bulge classes fills, the following year it will be funded by the pupils on roll. If it does not fill funding is topped up to 28 pupils.

## Secondary

### Expansion or bulge class

Smaller increases in numbers are expected to be absorbed into existing classes. This is reflected in the pupil numbers funded as follows, using an example of an increase in PAN from 180 to 210.

Increase = 30 less 1 pupil absorbed into each of the existing 6 classes = 24 to be funded

e.g. 24 pupils x AWPU £5,194.26 = £124,662

Cost in financial year 2024-25 (7/12 September to March) = £72,720

This is repeated as the cohort moves through the school to recognise the need to open an additional class and appoint additional staff until the school has reached its new PAN in every year group.

### **Falling rolls**

From 2024-25 funding is no longer restricted to schools that are good or outstanding, however, it must be demonstrated that the capacity will be required within three years.

Havering's formula is as follows:

PAN x 85% minus NOR in intake year (YrR/Yr3/Yr7) x AWPU x 90%

Plus

PAN x 85% minus NOR in intake year +1 (Yr1/Yr4/Yr8) x AWPU x 50%

If a school is 30 or more pupils below PAN funding will be based on 85% of the next multiple of 30 above the number on roll, and not the PAN. For example if a school has a PAN of 90 pupils and admits 50 then the school would be funded to 85% of 60 and not 85% of 90.

Havering also has local arrangements that support primary schools that have significantly and consistently low numbers in some year groups.

Costs cannot be calculated accurately until the census data has been received from the DfE but are expected to be around £2.3m, slightly higher than last year, which would require £500k additional funding from the Schools Block.

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