

This Appendix provides more detail on the Local Government Finance settlement the Schools funding settlement and the Public Health Grant

1. Core Spending Power

1.1 Core Spending Power (CSP) is the Government’s measure of the change in funding an authority receives from year to year. The national average increase in CSP for 2024/25 was 7.5% with Havering receiving a 7.2% increase.

Core Spending Power for Havering for 2024/25

	23/24 Core Spending Power (£M)	24/25 Core Spending Power (£M)	Increase (£M)	Proportion of increase
Settlement Funding Assessment	37.750	39.501	1.751	0.79%
Compensation for under-indexing the business rates multiplier	6.107	7.177	1.070	0.49%
Services Grant	1.398	0.241	-1.157	-0.52%
New Homes Bonus	0.352	0.724	0.372	0.17%
<b>Core Spending Power (Corporate Element)</b>	<b>45.607</b>	<b>47.643</b>	<b>2.036</b>	<b>0.92%</b>
Improved Better Care Fund	6.825	6.825	0.000	0.00%
Social Care Grant	14.246	18.772	4.526	2.05%
ASC Market Sustainability and Improvement Fund	2.355	4.400	2.045	0.93%
ASC Discharge Fund	0.957	1.595	0.638	0.29%
Adjusted rolled in grants*	1.529	0.000	-1.529	-0.69%
<b>Core Spending Power (Social Care element)</b>	<b>25.912</b>	<b>31.592</b>	<b>5.680</b>	<b>2.58%</b>
Council Tax Requirement **	149.070	157.178	8.108	3.68%
	<b>220.589</b>	<b>236.413</b>	<b>15.824</b>	<b>7.18%</b>

\* Rolled in grant relates to 2023/24 Market sustainability funding

\*\* Government Council Tax assumption is 4.99% + Tax base growth

1.2 For authorities like Havering much of Core Spending Power relates to our ability to generate income through Council Tax and as such just under 60% of our CSP increase relates to assumed additional Council Tax yield.

## 2. Settlement Funding Assessment (SFA) (Retained Business Rates and Revenue Support Grant)

- 2.1 Havering's Settlement Funding Assessment has increased by £1.751m. This is reflective largely of increased assumed Business Rate Yield. The final actual increase will be confirmed once the DLUHC considers the Council's NNDR1 2023/24 Business Rate Estimate.

### Settlement Funding Assessment Havering

Settlement Funding Assessment	2023/24 (£M)	2024/25 (£M)	Increase (£M)
Revenue Support Grant	1.899	2.025	0.126
Assumed Business Rates (including top up element )	35.851	37.476	1.625
<b>TOTAL</b>	<b>37.750</b>	<b>39.501</b>	<b>1.751</b>

## 3. Social Care Funding in Core Spending Power

- 3.1 All the main social care grants will be continue to be distributed based on the 2013/14 Adult Relative Needs Formula. £160m nationally of the Adult Social Care precept will be equalised as part of the grant distribution. The settlement announcement as expected provided an additional £1.1bn of funding in 2024/25 but crucially the Government failed to change the apportionment method. This is particularly disappointing for Havering who had made a strong case for using updated formulae to distribute the Social Care Grants rather than the chosen data which is now 10 years old.

### Social Care Grant Funding for Havering 2024/25

Social Care Grants in Core Spending Power	23/24 Core Spending Power (£M)	24/25 Core Spending Power (£M)	Increase (£M)	Havering's Share of the National Pot
Improved Better Care Fund (£2.140bn Nationally)	6.825	6.825	0.000	0.32%
Roll over of Social Care Grant (£3.852bn)	14.246	14.246	0.000	0.37%
Additional Grant allocated through ASC Precept equalisation (£160m)		0.202	0.202	0.13%
Additional Social Care Grant (£532m Nationally)		2.229	2.229	0.42%
Additional grant announced Jan 2024 (£500m Nationally)		2.095	2.095	0.42%

ASC Market Sustainability and Improvement Fund (1.050bn)	3.884	4.400	0.516	0.42%
ASC Discharge Fund (500m)	0.957	1.595	0.638	0.32%
<b>Core Spending Power (Social Care element)</b>	<b>25.912</b>	<b>31.592</b>	<b>5.680</b>	<b>0.36%</b>

3.2 The table shows that Havering has received on average 0.36% of the National Funding pot for Social Care. 2022 DHSC Government exemplifications on a potential updated formula reflecting actual need of local residents would have increased Havering's share of the national pot to 0.48% and had this been applied to Havering's Social Care allocations Havering would have been over £10m better off. We have lobbied the Government on this point in the past and have done so again in our response to the settlement.

3.3 The Council does recognise that extra funding has been put into the Social Care system, however it is far short of the amount needed for the council to be able to deliver against the objectives set by government. It is of note that despite representations made to Government repeatedly over the course of the last two years to ensure a fairer settlement for adults and children's social care costs in future local government settlements, the allocation of funding has again been via the ASC RNF or the IBCF distribution formula, meaning that Havering gets a lower proportion of funding compared to our neighbours as shown in the table below, as set out in the table below:

#### North East London borough allocations of social care monies 2024/25

2024/25 CORE SPENDING POWER	ASC Discharge Fund iBCF direct to councils (£M)	Adult Social Care Market Sustainability and Improvement Funding (£M)	Social care grant	TOTAL 2024/25 (£M)	POPULATION 65+ (2021 Census)
			(CSC & ASC) (£M)		
Newham	4.017	6.424	36.701	<b>47.142</b>	25,100
Tower Hamlets	3.928	6.409	34.012	<b>44.349</b>	17,300
Hackney	3.887	6.147	34.857	<b>44.891</b>	20,500
Redbridge	2.356	4.882	22.814	<b>30.052</b>	37,900
Waltham Forest	2.217	4.763	23.491	<b>30.471</b>	28,400
<b>Havering</b>	<b>1.595</b>	<b>4.400</b>	<b>18.872</b>	<b>24.867</b>	46,200
Barking And Dagenham	2.502	3.995	21.725	<b>28.222</b>	19,000

3.4 The council considers the allocations received unfair, given for example, the older people's population in Havering is the highest in North East London (a larger driver of hospital admissions and discharge cost pressure), and the borough has the most care home beds in the footprint and yet receives the lowest allocation of funding.

#### 3.5 Social Care Grant

The Social Care grant increased as expected by the values set out by the Government in December 2022. Havering received an additional 2.2m which was the value we had anticipated in the MTFs. It was disappointing that once again the Government distributed £160m of this funding nationally using precept equalisation.

As Havering receives a high yield from the ASC precept we get a much lower share of grant funding through this method. This is unfair as the taxpayers of Havering are in effect paying for services which are grant funded in other boroughs with a lower tax yield. The Government supplemented this with a further national allocation of £500m for Social Care on January 24<sup>th</sup> for which Havering received £2.095m.

### 3.6 Discharge Funding

The Government has increased the level of discharge funding to £1bn nationally which is split between the ICB and local councils £0.5bn each. The funding will be used to support hospital discharge, freeing up hospital beds for those who most need them. Havering's share of this funding is adversely affected by the distribution formulae on the direct element of this grant. The allocation from the ICB fund is subject to local negotiation

### 3.7 Adult Social Care Market Sustainability and Improvement Funding

Last year the Council calculated that moving to the assessed median cost care would result in a cost pressure of £9m as set out in the table below:

#### Estimated Cost Pressures

Cost Of Care *	2023/24	2024/25	2025/26	2026/27
Residential	2,813	2,842	2,877	2,915
Nursing	2,840	2,840	2,840	2,840
Home Care	3,221	3,255	3,295	3,338
<b>Total Fair Cost of Care at 2022/23 prices</b>	<b>8,874</b>	<b>8,936</b>	<b>9,011</b>	<b>9,092</b>

\*assumes uplifting to cost of care median from April 2023 for illustrative purposes

It can be seen therefore that the 2024/25 allocation of £4.4m to ensure market sustainability is woefully insufficient to address low fee rates, let alone the other government objectives that have been set out.

### 3.8 Other Grant Announcements:

There has been a further round of New Homes Bonus as had been widely expected. Havering was just above the threshold and has received £723k in NHB. The Business Rate Multiplier has been frozen again at 49.9p. The Government provide a compensatory grant for the loss of Business Rates which now totals £7.7m for Havering.

The Services Grant has been reduced nationally from £483m to £87m. Havering's grant has reduced from £1.398m to £0.241m. The Council had anticipated a 50% reduction in services grant in its medium term planning but the provisional decrease exceeded that level. The grant reduction has been used to fund other aspects of Core Spending Power including the Precept equalisation grant and the 3% Funding Guarantee. DLUHC have indicated that a small amount of grant has also been held back to cover any late adjustments to settlement figures nationally

### **3.9 Public Health Grant**

The Public health grant is outside Core Spending Power and is announced separately from the settlement itself. The Government has announced that the Public Health grant will increase from £12.001m to £12.287m. This represents a 2.3% increase which is significantly below inflation and therefore a cut in real terms

## **4 Dedicated Schools Grant and Schools Funding**

- 4.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that is allocated to local authorities to meet their responsibilities for early years' education, the funding of schools and for provision and support for pupils with special educational needs and disabilities and for pupils requiring alternative provision. The grant is allocated in four "blocks" and the Havering's allocation for financial year 2024-25 is shown in table 1 below.
- 4.2 There has been a large apparent increase in the overall DSG this year – however this is in part the result of the rolling in of a previously separate grant and the new responsibility for wider entitlement to Early Years Education and Childcare.
- 4.3 Previously, as part of the Autumn Spending Review 2021, the Government announced that the total core school budget is increasing to £56.8 billion by 2024-25, a £7 billion cash increase compared with 2021-22. 2024-25 will be the final year of the three-year funding settlement. In Autumn 2022, central Government announced that the overall core schools funding (including funding for mainstream schools and high needs) is increasing by a further £2 billion in 2023-24 compared to the previous year, on top of the previously announced increases. This was provided in the form of an Additional grant in the 23-24 financial year but will be rolled into the main DSG for 2024-25. For Havering this was £7.479m and is shown separately in the tables below for comparison purposes.
- 4.4 In the 2023 budget the government announced the extension of Early Year's funding. From April 2024 working parents will be able to access 15 hours of funded childcare for two year olds. This will be extended in September to all children over nine months. This is in addition to the existing provision for disadvantaged two year olds and three and four year olds. The indicative funding for this for Havering is £9.592m and is shown in the table below.
- 4.5 Each local authority will, as usual, receive funding in four blocks, all of which have now been confirmed for 2024-25. (Note that these figures are pre Recoupment ie they include funding for Academies and Free Schools which will be adjusted for based on Census data.)

Financial year	Pupil Numbers	Schools Block allocation - pupil led £	Premises Factors inc NNDR and Growth £	Mainstream School Additional Grant £	Total Schools Block £	Allocation per pupil (exc growth, premises, NNDR) £	Central Services to Schools Block £	High Needs Block £	Early Years £	Early Years New Funding £	TOTAL DSG £
2024-25	39,654.00	233,444,021	4,171,950	0	237,615,971	5,940	1,746,589	42,958,919	23,777,354	9,592,561	315,691,394
2023-24	38,898.00	217,322,297	4,475,617	7,479,093	229,277,007	5,842	1,695,829	40,629,829	21,438,665		293,041,330
Difference	756.00	16,121,724.00	-303,667.00	-7,479,093.00	8,338,964.00	98.00	50,760.00	2,329,090.00	2,338,689.00	9,592,561.00	22,650,064
	1.94%				3.64%	1.68%	2.99%	5.73%	10.91%		7.73%

## 4.6 Schools Block

4.6.1 Funding through the mainstream schools national funding formula is increasing by 1.9% per pupil in 2024-25. Combined with the rolling in of the Mainstream Schools Additional Grant this provides an overall average funding rate of £5,170.75 for each primary pupil and £6,980.96 for each secondary pupil.

4.6.2 Due to pressures on the High Needs Block Havering Schools Forum have agreed to transfer 0.5% (£1.18m) of the Schools Block Funding to the High Needs Block. They have also agreed to use £0.146m to increase the growth fund to the level required for additional school places. This leaves £234,215,673 to be distributed to schools through the formula.

4.6.3 In setting its Local Formula Havering has followed the national funding formula in full and provided a minimum 0.5% per pupil increase for all mainstream schools and academies. In order to remain within the funding available an affordability cap of 2.5% for schools has been used. This impacts 30 primary schools and 8 secondary schools.

4.6.4 Although this provides an increase in funding for all schools in Havering, this is below the general level of inflation and many schools will continue to struggle to set balanced budgets as a result of past and continuing financial pressure in having to fund national pay awards for teachers and support staff, and inflationary increases on goods and services. School governors and head teachers are therefore continuing to implement efficiencies in the costs of running of their schools in an attempt to avoid falling into deficit.

## 4.7 Early Years Block

4.7.1 During 2023-24 additional funding was allocated to Early Years Providers to meet rising costs including increases in pay. This funding has now been incorporated into the 2024-25 rates as shown below.

Early Years	EYNFF Funding 2023-24	TOTAL FUNDING 2023-24 £/hr	FUNDING 2024-25 £/hr	Change £/hr	Change %
Under 2	n/a	n/a	12.11		
2 Year Olds	6.52	8.64	8.90	0.26	0.03
3/4 Year Olds	5.65	5.98	6.16	0.18	0.03

4.7.2 The 2023-24 funding rate for 3&4 year olds is £8.64 which incorporates the Early Years supplementary grant of 19p and the Teachers Pay and Pensions Grant of 14p. The funding rate for 2024-25 is £6.16 – an increase of 3%.

4.7.3 The 2023-24 funding rate for 2 year olds is £8.64 which incorporates the Early Years supplementary grant of £2.12. The funding rate for 2024-25 is £8.90 – an increase of 3%. The new rate for under 2s (from September) is £12.11.

4.7.4 These rates are the overall funding for Local Authorities including an allocation for central costs, commissioning, advice, support and quality assurance and administration. The pass-through rate to providers is a minimum of 95%, including contingencies and an inclusion fund to support access for children with special educational needs and disabilities.

Consultation with early years' providers is currently underway to confirm Havering's funding arrangements for 2023-24.

## **4.8 High Needs Block**

4.8.1 As with schools' funding, the distribution of funding from central to local government is through a national formula which includes a number of factors including historic funding, pupil population, deprivation and the number of pupils attending special schools and post 16 provision.

4.8.2 Havering has received an additional £2.125m (5%) in the High Needs Block, bringing the total in High Needs Block to £42.959m.

4.8.3 However the rate of increase of funding is lower than the rate of increase in demand and in common with many other local authorities, Havering is projecting a deficit on the High Needs Block in 2023-24 and all following years. This is due to increasing numbers of Education, Health and Care plans and increasing complexity of need and rising costs of provision.

4.8.4 Havering is participating in the DfE Delivering Best Value (DBV) programme. This aims to support LAs in delivering high quality provision within the allocation of funding

## **4.9 Central School Services Block**

4.9.1 This block is made up of two elements. £1.652m funds the statutory education functions of local authorities such as school admissions, the funding of national copyright licences, servicing the Schools Forum and other statutory duties previously funded from an Education Services Grant. In addition, there is £0.094m funding for historic commitments previously funded within the Schools Block. This second element is being phased out over time.