


Agenda Item 3

	<p>London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 3rd October 2023</p>
<p>Schools, High Needs And Early Years National Funding Formulae update for 2024-25</p>	
<p>Open</p>	
<p>Classification - For Scrutiny Review & Comment</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: (All Wards); All</p>	
<p>Accountable Director: Jacqui McShannon, Strategic Director of Children's Services</p>	
<p>Report Authors: Peter Haylock Operational Director for Education and SEND</p> <p>Tony Burton Head of Finance for Children's Services and Education</p>	
<p>Purpose of the report</p> <p>The report provides a briefing on the National Funding Formula for schools 2024-25 as published by the Department for Education (DfE) in July 2023. This sets the scene for the 2024/25 Provisional Schools Block Budget Share Options report later in the agenda.</p> <p>There are important changes in the National Funding Formula for Early Years with additional funding confirmed from September 2023 and information on the extended childcare offer with phased changes from April 2024.</p>	

Schools Block National Funding Formula

1. Funding through the core schools budget is increasing to £59.6 billion in 2024/25. This total includes the additional funding for teachers' pay announced in July 2023. The Teachers Pay Additional Grant (TPAG) provides an additional £482.5m in 2023/24 and £827.5m in 2024/25. This grant is payable to mainstream, special and alternative provision schools. The TPAG is not included in the National Funding Formula (NFF) for 2024/25 as it is being allocated as a separate grant.

2. Funding through the mainstream schools NFF is increasing nationally by 2.7% per pupil in 2024/25 compared to 2023/24. Taken together with the funding increases seen in 2023/24, this means that funding through the schools NFF will be 8.5% higher per pupil nationally in 2024/25, compared to 2022/23. This increase includes the 2023/24 Mainstream Schools Additional Grant (MSAG) supplementary grants which is included in the 2024/25 NFF funding baseline.
3. For Hammersmith & Fulham the overall increase in schools block funding for 2024/25 based on October 2022 pupil numbers is only 1.04% in core funding. This is based on the provisional allocation notified by the ESFA in July 2023 and will be updated in December 2023 following the publication of the October 2023 census.
4. The Teachers Pay Additional Grant will be received from September 2023/24 with a full year effect in 2024/25.

	2023/24	2024/25	% increase
Schools Block Baseline (excludes growth funding)	£114.940m	£116.175	
MSAG – included in baseline	£3.865m	£3.865m	
Revised baseline	£118.805m	£120.040m	1.04%
Provisional amount allocated – Teachers Pay Additional Grant (TPAG)	£1.157m	£1.983m	
	£119.962m	£122.023m	

5. The main features of the NFF in 2024/25 are:
 - A formulaic approach to allocating split sites funding has been introduced. This ensures that split site funding will be provided on a consistent basis across the country.
 - The core factors in the schools NFF (such as the basic entitlement, and the lump sum that all schools attract) will increase by 2.4%.
 - Through the minimum per pupil funding levels, every primary school will receive at least £4,655 per pupil and every secondary school at least £6,050 per pupil.
 - The funding floor will ensure that all schools attract at least 0.5% more pupil-led funding per pupil compared to its 2023/24 NFF allocation.
 - Rolling the 2023/24 mainstream schools additional grant (MSAG) into the schools NFF ensuring that this additional funding forms an on-going part of schools' core budgets. Appropriate adjustments have been made to NFF factor values and baselines to reflect this.
6. 2023/24 was the first year of transition to the direct schools NFF. Every mainstream school in England is funded through the same national formula without adjustments being made through local funding formulae.
 - As in 2023/24, local authorities can only use NFF factors in their local formulae, and must use all NFF factors, except any locally determined

premises factors. In Hammersmith & Fulham this means that we must use the IDACI, FSM and FSM6 factors for deprivation but cannot use the LAC factor. This represents a change from previous years prior to 2023/24 when local funding formula factors were used.

- Local authorities are also required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2023/24, unless they are already mirroring the NFF. The DfE has published a set of minimum and maximum values for factors for each local authority.
7. The mainstream schools additional grant (MSAG) has been baselined into the NFF for 2024/25. The grant was introduced into 2023/24 and allowed schools flexibility in how they used the grant to support their pupils, for example, staff salaries and energy costs.
- The DfE have tried to ensure that the additional funding that schools attract through the NFF is as close as possible to the funding that would have been received had the MSAG remained a separate grant in 2024/25.
 - The DfE has followed the same approach that was used to roll in the Schools Supplementary Grant into the 2023/24 NFF. This is by increasing per pupil funding factors, FSM6 factors and to the lump sum, increasing the minimum per pupil funding levels and by adding an amount onto schools' baselines to ensure that funding protection can be calculated for schools whose allocations are determined by the funding floor factor.
 - The rolling of MSAG into the schools' notional NFF allocations will affect the core budgets that maintained schools will receive from April 2024, and that academies will receive from September 2024.
 - To avoid an unfair gap in the support provided to academies, academies will continue to receive separate grant payments up until the end of August 2024. The MSAG will then cease to operate as a separate grant.
8. Local authorities will continue to set a Minimum Funding Guarantee (MFG) in local formulae, which in 2024/25 must be between +0.0% and +0.5%. This allows them to match the protection in the NFF, which it is expected local authorities to continue to do where possible. The MFG ensures a minimum increase year on year in funding via pupil led factors in the NFF.
9. Local authorities will again be able to transfer up to 0.5% of their total schools block allocations to other blocks of the Dedicated Schools Grant (DSG), with schools forum approval. A disapplication will continue to be required for transfers above 0.5%, or for any amount without Schools Forum approval.

High Needs Block National Funding Formula

10. The national increase in high needs funding between 2023/24 and 2024/25 is £440m or 4.3% totalling £10.54bn.

11. The high needs NFF includes:
- The funding floor – this ensures that all LA allocations per head of the population will increase by a minimum percentage compared to the baseline. For 2024/25 the funding floor has been set at 3%.
 - The gains cap – this limits the gains per head of the population compared to the baseline. For 2024/25 the gains cap has been set at 5%. This means that LA's can see an increase of up to 5% before their gains are capped.
 - The funding floor and gains cap are compared against an adjusted baseline which reflects the additional high needs funding allocated to LA's in December 2022, following the Autumn 2022 statement.
12. The basic structure of the high needs NFF for 2024/25 has not changed from the 2023/24 NFF. However, due to the Covid-19 pandemic there is no appropriate 2020 or 2021 attainment data to use for the 2 low attainment factors. The use of 2019 data will continue to be used as a proxy for the 2020 data in the NFF calculations for 2024/25. The 2022 data can be relied on and will be used as a proxy for the 2021 data.
13. For 2024/25 the provisional funding allocated to Hammersmith and Fulham through the high needs National Funding Formula has increased by 4.1% or £1.368m meaning that the 5% gains cap doesn't apply for 2024/25.

Central Schools Services Block National Funding Formula

14. For 2024/25 the formula for allocating funding through the Central Schools Services Block follows the same approach as in 2023/24.
15. The block will continue to comprise two distinct elements; on-going responsibilities and historic commitments.
16. The provisional funding nationally for on-going responsibilities is £304m in 2024/25. £299m of this is calculated using a simple per-pupil formula. 90% is distributed through a basic per pupil factor and 10% through a deprivation factor based on the proportion of pupils eligible for free school meals within the past 6 years (FSM6) in mainstream schools.
17. LA's will continue to be protected so that the maximum per pupil year-on-year reduction in funding for on-going responsibilities is 2.5% and the gains cap will be set at 5.1%.
18. An additional £5m has been provided nationally to cover the exceptional increase in copyright license costs in 2023/24 due the update following the increased use of technology. This will be distributed in line with the increase in each LA's charge for copyright licenses in 2023/24.
19. The funding for historic commitments funding will continue to reduce by 20% in 2024/25.

Early Years Block Updates

Early Years Supplementary Grant (EYSG) - from September 2023 to March 2024

20. At Spring Budget the Chancellor announced an additional investment in Early Years of £204m for the existing entitlement.
21. The Early Years Supplementary Grant will provide supplementary funding in 2023-24 for most existing funding elements of Early Years, i.e. 2 year-old, 3&4 year-old, Maintained Nursery Supplement, Disability Access Fund and Early Years Pupil Premium Grant funding.
22. The additional funding will be applied from September 2023 to March 2024 and the initial local authorities allocations will be published in late September 2023. It is expected that local authorities will pass on this funding in full to providers.
23. As this is a mid-year increase, the EYSG will initially be distributed as a separate grant (i.e. it is not added to the DSG allocation for the Early Years block), and it will therefore be treated as such when payments are made to the settings. Supplementary amounts will be showed as separate lines in remittance advices sent to schools for each element they receive.
24. Below are the additional EYSG rates as they will be paid by H&F:

Entitlement		Rate/Hr 23-24	Additional EYSG Rate
Disadvantaged	2 year olds	£7.56	£3.24
universal	3 and 4 year olds	£6.48	£0.08
extended hours	3 and 4 year olds	£6.48	£0.08
Early Years Pupil Premium (EYPP)	3 and 4 year olds only	£0.62	£0.04
Disability Access Fund (DAF)	3 and 4 year olds only	£828.00	£30.92
Maintained Nursery Schools	Supplement	£6.32	£0.35

The extension of Early Years funding entitlements – Phased from April 2024 to September 2025

25. In the spring budget of 2023, the Chancellor announced that funded childcare hours would be extended to children of eligible working parents in England from nine months old to support increased parental engagement in the labour market.

26. The measures announced will expand the existing system by offering up to 30 funded hours of childcare per week over 38 weeks of the year to children aged nine months and over whose parents meet the same income eligibility criteria as applied to the existing 30 hours entitlement for three and four-year-olds.

27. This will be gradually implemented as per the timetable below:

From April 2024: all working parents of 2YO can access 15 hours per week

From September 2024: all working parents of children from 9 months old up to 3 years old can access 15 hours per week

From September 2025: all working parents of children from 9 months old up to 3 years old can access 30 hours per week

28. It is proposed there will be 3 hourly funding rates for local authorities from 2024-25:

- Under 2's rate
- 2 Year Old rate applicable to both the disadvantaged the new working parents entitlements
- 3&4 Year Old rate for universal and extended hours

29. It is anticipated that the Under 2 rate will be higher than the 3&4 Year Old Entitlement to reflect the higher ratio of staff to provide the service to this cohort.

30. It is proposed a **new formula** will be used to calculate the funding from 9 months up to 2-year-olds and for both 2-year-old entitlements. This is because the current 2 YO formula was designed to fund the disadvantaged children and would not be suitable for a 2 YO cohort which also includes working parent families.

LA hourly funding rate = [Base Rate (89.5%) + Additional Needs (10.5%)] x Area cost Adjustment

31. **An additional Needs** factor is proposed to be included in the new funding formula to reflect differences in levels of disadvantage between areas. This factor will be weighted at **10.5%** overall and is made up of the following elements:

- FSM (4%)
- IDACI (4%)
- EAL (1.5%)
- DLA (1%)

32. Deprivation funding within the Additional Needs factor is therefore the same as in the 3&4 YO (8% in total) but it is equally split between FSM and IDACI at 4% each.

33. **An Area Cost Adjustment (ACA)** is proposed to ensure that areas which have higher running costs in staffing and premises mainly, are funded accordingly. It will be the same currently used in the 2YO formula which is made up as follows:

- Staffing Costs (80%)
- Premises Costs (10%)
- Other costs (10%)

34. It is also proposed to extend eligibility for the EYPP and the DAF to all eligible children accessing the entitlements from April 2024.

35. There are no changes to the entitlements of the 3&4 year olds, and the formula used is expected to remain the same.

Early Years Budget 2024/25 Next Steps

36. The government will release the results of the Summer consultation together with provisional funding and grant regulations during the Autumn term.

37. Detailed proposed local budget allocations will follow for consultation in Hammersmith and Fulham in the Autumn and into the Spring Term.

Report Ends