

Meeting date: 11 January 2024
Report to: Solihull School Forum
Subject/report title: School Funding Update – DfE 19th December Announcement
Report from: Director of Children's Services and Skills
Report author/lead contact officer: Steve Fenton Head of Commissioning for Learning



Schools affected:

☒ All Primary | ☒ All Secondary ☒ All Early Years ☒ All Special and AP

Type of Report For information
Forum Voting Not a voting matter - for information item
Public/private report: Public

1. Purpose of Report

- 1.1 For School Forum to consider the key changes to mainstream school funding arrangements for 2024-25 following the government school funding announcements on 19 December 2023, and how the announcements will translate into school funding for 2024-25.

2. Decision(s) recommended

- 2.1 For information.
- 2.2 Approve MFG of 0.5% for Special schools and AP schools as for mainstream schools (para 3.14).

3. Matters for Consideration

- 3.1 On 19 December 2023 the government published the updated arrangements for the national funding formula and the funding of mainstream schools for 2024-25. They also published details of High Needs and Early Years Funding.
- 3.2 Solihull's Dedicated Schools Grant Block allocations:

DSG Grant Final Settlement 2024-25	2023-24	2024-25	Difference	% change
Schools Block (incl Supplementary Grant)	202,841,671	204,469,546	1,627,875	0.8%
Central Services Schools Block	2,460,961	2,488,352	27,391	1.1%
High Needs Block (before deductions, incl supplementary grant)	41,377,695	43,069,502	1,691,807	4.1%
EY Bloc, 3&4 and Admin	16,971,915	27,760,899	10,788,984	63.6%
	263,652,242	277,788,299	14,136,057	5.4%

3.3 Schools Block - the detailed breakdown is as follows:

DSG 2024-25 Allocation - Schools Budgets	DSG Schools Block 2023-24	DSG Schools Block 2024-25	Change in DSG Schools Block
	£	£	£
Final 2024-25 NFF funding through the NFF pupil-led and NFF school-led factors, with transitional protections applied at individual school level	192,616,509	201,265,871	8,649,362
DSG - premises (PFI/Split Site factors)	967,302	1,144,878	177,576
DSG - Growth Fund	809,212	40,694	-768,518
Business Rates	1,736,607	2,018,103	281,496
Mainstream School Additional Grant 2023-24	6,712,041	0	-6,712,041
Total Schools Budget	202,841,671	204,469,546	1,627,875
% Change			0.8%

3.3.1 Pupil premium rates have increased by around 1.58%:

Pupil Premium Grant unit rates - 19-12-23:

	2023-23	2023-23	2024-25	2024-25
	Pri	Sec	Pri	Sec
	£	£	£	£
FSM/Ever 6 eligible	1,455	1,035	1,480	1,050
Adopted or left care	2,530	2,530	2,570	2,570
Looked after	2,530	2,530	2,570	2,570
Service pupil premium	335	335	340	340

[Pupil premium: overview - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

3.3.2 There will be a separate pay grant for teachers' pay in 2023 to 2024 and 2024 to 2025. The methodology for the 2024 to 2025 TPAG, in respect of the increase in teachers' pay from September 2023 has now been published and can be found at [teachers' pay additional grant: 2024 to 2025](#). Details on the 2023 to 2024 TPAG can be found at [teachers' pay additional grant: 2023 to 2024](#).

3.3.3 The key features of the July announcement are unchanged:

- Rolling the 2023-24 schools supplementary grant into the NFF.
- Local authorities must move their local formula factor values at least a further 10% closer to the NFF (building on the movement towards the NFF made in 2023 to 2024), except where local formulae are already mirroring the NFF.
- local authorities only allowed to use NFF factors in their local formulae.
- local authorities must use all NFF factors.
- local authorities must use the new national formulaic approach to split sites

- (f) local authorities must follow the new local formula requirements for growth funding, whereby additional classes (driven by basic need) must be funded by at least the minimum funding level set out in the funding calculation - *primary growth factor value (£1,550) × number of pupils × ACA*.
- (g) Local authorities have the freedom to set the MFG in their local formulae between +0.0% and +0.5% per pupil – Solihull will use 0.5%.
- (h) Local authorities should review their notional SEN budget methodology. All local authorities should review this calculation each year alongside their local formula to make sure that their schools notional SEN budget is a realistic amount for meeting the costs of additional SEN support up to £6,000 per pupil.
- (i) Local authorities must submit their local school funding formula to the DfE by means of the Authority Proforma Tool by 22 January 2024, which I have done.

3.4 Application to school budgets 2024-25

- 3.4.1 In the school budget calculations to be submitted to the ESFA for quality assurance checking, I will exactly emulate the NFF for all funding factors, except AWPU, and factoring in the items in 3.3.3 and 3.7.2 below.
- 3.4.2 As agreed at the Forum meeting of 12 October 2023, school budgets for 2024-25 will be finalised as follows:
 - (a) MFG of +0.5%
 - (b) Brought forward deficit of £259,000 from previous years is financed from 2024-25 schools block
 - (c) Apply new split site factor (Valley School)
 - (d) Applying the central spend grants, growth fund, and de-delegations as approved by Forum at this meeting (report elsewhere on the agenda)
 - (e) Fully emulate NFF for all funding factors (set local formula at NFF values), using AWPU as “balancing” figure.
 - (f) Confirmation there is no school block transfer for 2024-25.
 - (g) Calculate notional SEN Budget according to methodology agreed by Forum at your 12 October meeting.

3.5 Early Years

3.5.1 The DfE have published detailed figures for funding rates for 2024-25 reflecting the expansion of the funded place offer to 2 and under 2's.

2023-24 funding rate	Change		2024-25 Funding rate	Units /PTE	Value	% Change
1. National Unit Rates for Solihull						
£5.01	£0.56	Basic hourly Rate	£5.57	3,429.59	10,888,605	11.99%
£5.01	£0.56	15 Hours entitlement	£5.57	1,779.04	5,648,274	11.99%
£0.62	£0.06	Pupil Premium Hourly Rate	£0.68	605.05	234,517	10.00%
£828.00	£82.00	Disability Access Fund - per eligible child	910.00	128.00	116,480	10.25%
£5.85	£2.17	2YO Disadvantaged Basic hourly Rate	£8.02	500.68	2,288,809	38.68%
	£8.02	2YO Working Basic hourly Rate	£8.02	1,086.47	4,966,689	
	£0.68	All 2YO Pupil Premium	£0.68	341.06	132,195	
	£910.00	All 2YO Disability Access Funding	910.00	51.00	46,410	
	£10.91	U2 Basic hourly Rate	£10.91	550.47	3,423,208	
	£0.68	U2 Pupil Premium	£0.68	17.05	6,609	
	£910.00	U2 Disability Access Funding	910.00	10.00	9,100	
					27,760,896	

3.5.2 I am still working through the implications of the requirements and awaiting a response from the DfE on a number of matters raised relating to the new 2YO requirements. The DfE have issued supplementary guidance on 2 YO funding formula requirements – shown in Appendix 1.

3.5.3 There remains considerable work to do to build a new funding formula; a report will be brought to the next Forum meeting. Now we have the grant figures as shown above the next steps are:

- Consider central spend totality across all the categories (the 95% figure is calculated separately for each component)
- Consider amount for SENIF (SEN Inclusion Fund)
- Consider approach to 2 YO formula as per Appendix 1
- Consider approach to contingency, given uncertainty over take-up of new offer.

3.6 High Needs Block

3.6.1 The government has announced in the High Needs Operational Guide a number of requirements in respect of special and AP school funding:

3.6.2 Local authorities are required to apply a minimum funding guarantee. LAs must set a minimum percentage by which the budget of any special school or special academy would change from the 2023 to 2024 financial year to the 2024 to 2025 financial year. The % must be in the range 0% to 0.5%. Forum are asked to recommend 0.5% be used, consistent with the recommendation for mainstream schools.

- 3.6.3 Special schools and AP will also continue to receive teacher pay and pension grant additional allocations relating to 2020-21, as in 2023-24, at £676 per place, minimum 40 places).
- 3.6.4 There will be a separate teachers' pay additional grant (TPAG) for 2024 to 2025 which reflects the additional costs of the 2023 teachers' pay award. Further information on the TPAG can be found at [teachers' pay additional grant for 2024 to 2025](#). There will also be a new teachers' pensions grant for 2024 to 2025. These separate grants should not be confused with the historic teachers' pay and pensions funding covered in this section, which is part of the DSG high needs funding block.
- 3.6.5 The HNB grant includes an element for "additional high needs funding". The Operational guide sets out the calculation LAs must use for maintained special schools, special academies, pupil referral units and AP academies.
- 3.6.6 For special schools, local authorities must allocate the same amount per place as in 2023 to 2024, using the total number of places being funded in academic year 2023 to 2024. If a revised number of places has been agreed with the school for the academic year 2024 to 2025 - through the place change process where applicable - the local authority may use that number to calculate seven-twelfths of the allocation (for the period September 2024 to March 2025) and add that to five-twelfths of the annual amount determined based on the number of places funded in academic year 2023 to 2024. There is a different calculation for AP schools, which the DfE have published here:
[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattach ment_data%2Ffile%2F1170988%2FPupil referral unit and alternative provision academy additional funding allocations for 2024 to 2025.ods](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattach ment_data%2Ffile%2F1170988%2FPupil%20referral%20unit%20and%20alternative%20provision%20academy%20additional%20funding%20allocations%20for%202024%20to%202025.ods)
- 3.6.7 As for last year, the DfE have reaffirmed their further clarification with reference to belonging regulations: Annex 3 [High needs funding: 2024 to 2025 operational guide - GOV.UK \(www.gov.uk\)](#). This sets out the DfE view that where a Solihull looked after child with an EHCP is resident in another local authority, then that local authority, not Solihull is responsible for funding that EHCP, as well as maintaining the EHCP. This is a different interpretation to that currently operated across the Midlands.

4. List of appendices referred to

- 4.1 Appendix 1 – Further guidance on 2 year old funding formula.

5. Background papers used to compile this report

- 5.1 Schools operational guide 2024 to 2025, DfE 19 December 2023
[Schools operational guide: 2024 to 2025 - GOV.UK \(www.gov.uk\)](#)
- High Needs operational guide 2024 to 2025, DfE 19 December 2023
[High needs funding: 2024 to 2025 operational guide - GOV.UK \(www.gov.uk\)](#)
- 5.2 DSG Grant notifications 2024-25
[Dedicated schools grant \(DSG\): 2024 to 2025 - GOV.UK \(www.gov.uk\)](#)

Early Years Funding Formula**2-year-old funding formula – additional information (DfE)****2-year-old funding rates**

Local authorities (LAs) are required to ensure that the final hourly rate (that is the base rate, plus supplements if applicable) they pay to providers for the disadvantaged 2-year-old entitlement is at least equal to (or more than) the final hourly rate paid for the 2-year-old working parent entitlement at individual provider level. This is to ensure that providers are not disincentivised from offering the disadvantaged 2-year-old entitlement.

This means that LAs should ensure that no provider attracts a final hourly rate for a child taking the disadvantaged 2-year-old entitlement that is lower than the amount paid to that provider for a child taking the working parent 2-year-old entitlement.

In general, we would encourage LAs to ensure that all children taking the disadvantaged 2-year-old entitlement attract at least the same final hourly rate that any child taking the working parent 2-year-old entitlement receives, across all providers.

However, we recognise that in a small number of cases, an LA might find that there are some providers which attract a higher final hourly rate than others (due to the use of supplements), and so a child taking the disadvantaged 2-year-old entitlement in one provider may attract a slightly lower final hourly rate than a child taking the working parent 2-year-old entitlement in another provider within the LA. This would be permissible. But it remains the case that, the disadvantaged 2-year-old entitlement final hourly rate must be at least equal to the working parent 2-year-old final hourly rate within the same provider within the LA.

After setting their local formulae, if an LA finds there is an individual provider for whom the final hourly disadvantaged 2-year-old rate is lower than the final hourly working parent 2-year-old rate and the LA determines it is either unaffordable or undesirable to adjust their overall local formulae, they are permitted to address the issue for the affected provider only. This could be done by topping up the final hourly disadvantaged 2-year-old rate at individual provider level to ensure the final hourly rate for both 2-year-old cohorts, in that provider, are at least equal (see example 'e', below). In all cases, LAs must ensure the final hourly disadvantage 2-year-old rate is at least the same as the final hourly rate for working parent 2-year-olds for an individual provider.

LAs will need to consider the way in which they construct their local 2-year-old formula or formulae to achieve this. LAs have the flexibility to determine the approach. 2

95% pass through rate

LAs are also reminded that the minimum 95% pass through rate applies to each of the 2-year-old and under 2 funding streams individually. This means that LAs must plan to pass on at least 95% of their disadvantaged 2-year-old entitlement funding, and 95% of their working parent 2-year-old entitlement funding.

Even if LAs set a single 2-year-old local formula, for the purposes of the pass-through calculation they will need to separate that out across each of the two funding streams, and ensure they are passing on at least 95% of each entitlement.

LAs may wish to consider setting different pass-through rates across both two 2-year-old funding streams. For example, an LA may set a higher pass-through rate on their disadvantaged 2-year-old funding stream in order to ensure that they meet the above requirement to have a disadvantaged 2-year-old rate that is at least equal to the working parent 2-year-old rate within each provider.

Example approaches to funding the 2-year-old entitlements

To help LAs with their planning, below are some examples of how an LA might choose to set up their local 2-year-old funding arrangement. This is a selection of examples only and not an exhaustive list, and there may be alternative approaches that LAs wish to take which are different to these examples:

- a) A simple single 2-year-old formula with just a base rate and no supplements – this would result in all 2-year-olds attracting the same rate.
- b) Separate 2-year-old formulae for the two entitlements, with a higher base rate for the disadvantaged entitlement and no supplements – this would result in all disadvantaged 2-year-olds attracting a higher rate than those taking the working parent entitlement.
- c) A single 2-year-old formula with a deprivation supplement. In this case, the LA could, for example, set the eligibility criteria for the deprivation supplement to be “2-year-olds accessing the disadvantaged entitlement” which would ensure all those on the disadvantaged entitlement attract a higher rate.
- d) Separate 2-year-old formulae, with separate base rates and supplements e.g.
 - i Disadvantaged 2-year-olds: base rate
 - ii. Working parent 2-year-olds: base rate + deprivation supplement

In this scenario, the disadvantaged base rate would need to be set at a higher rate that is more than the working parent base rate plus the deprivation supplement in total, to meet the requirement for the final hourly rate for disadvantaged 2-year-olds to be at least equal to or more than the final hourly rate for working parent 2-year-olds.

- e) Separate 2-year-old formulae, with separate base rates and supplements e.g.
 - i Disadvantaged 2-year-olds: base rate
 - ii Working parent 2-year-olds: base rate + deprivation supplement + quality supplement

In this scenario, the base rate for the disadvantaged 2-year-olds would need to be set higher than the base rate plus deprivation supplement for working parent 2-year-olds.

However, for certain providers (e.g. those receiving both the deprivation and quality supplement on the working parent rate), the final hourly rate for disadvantaged 2-year-olds – i.e. the base rate alone – could still be lower than the final hourly rate for working parent 2-year-olds.

Therefore, this approach alone would not guarantee that the LA is meeting the requirement on 2-year-old funding rate. In such cases, the LA would either need to:

- A) adjust the respective formulae as required to ensure there are no providers left in this position; or
- B) top up the final hourly disadvantaged 2-year-old rate at individual provider level to ensure the final hourly rate for both 2-year-old cohorts, in that provider, are at least equal.

If doing approach (A) is either unaffordable or undesirable, LAs could consider approach (B). For example, approach (B) could be achieved by including a deprivation supplement in the disadvantaged 2-year-old formula, which would only be provided to affected providers who require it to ensure at least the same rates are paid on both 2-year-old entitlements.