



# Basic need allocations 2023-24 and 2024-25: Explanatory note on methodology

## Overview of Methodology

The basic need allocations announced in March 2022 are paid to local authorities (LAs) to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and by establishing new schools. This is un-ringfenced capital funding that is not time-bound, so that local authorities can make the best decisions for their local area.

Local authorities are required to verify this funding has been spent on capital projects through the section 151 officer's return, as well as providing data through the annual School Capacity (SCAP) survey. We also ask local authorities to provide details on their final expenditure through the Capital Spend Survey. The funding methodology we use to calculate allocations for 2023-24 and 2024-25 remains almost identical to that used in 2022-23, except for some minor refinements explained herein.

## Mainstream allocations for 2023-24 and 2024-25

The Department for Education has provided basic need allocations of £746m to create school places needed by September 2024, and a further £195m to create school places needed by September 2025. The basic need allocations are based principally on data collected from local authorities in the 2021 School Capacity Survey (SCAP). This survey collects information on the capacities of schools in each planning area<sup>1</sup> of each local authority, as at May 2021, and local authorities' forecasts of pupil numbers for several years ahead. Statistics based on the 2021 SCAP were published on 24<sup>th</sup> March 2022<sup>2</sup>.

Basic need funding is allocated on the basis of a comparison of school capacity (not pupil admission numbers) against forecast mainstream pupil numbers from reception to year 11 uplifted to provide a 2 per cent operating margin. Where capacity is lower than forecasts, we fund the gap. The allocations for the 2023-24 financial year are based upon the projected need for new places by September 2024 (the start of academic year 2024/25). The allocations for the 2024-25 financial year are based upon the projected need for new places by September 2025 (the start of academic year 2025/26).

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<sup>1</sup> Planning Areas are groups of schools, often (but not exclusively) in a similar geographic area, reflecting patterns of provision. Primary planning areas are different from secondary planning areas.

<sup>2</sup> <https://www.gov.uk/government/collections/statistics-school-capacity>

## Calculating school capacity

Capacity is apportioned to each year group using the aggregate of Published Admission Numbers (PANs) in each planning area. For secondary planning areas, capacity is apportioned using PAN data for year groups 7 to 11 and number on roll (NOR) data for year groups 12 to 14. We have refined this aspect of methodology in recognition that some school sixth-form students leave part way through the year, using numbers on roll in the January 2021 census rather than the May census.

The raw figures for school capacity that existed in 2021 do not represent everything we know about what capacity will exist in 2024 and 2025. So adjustments are made to account for school places for which central government funding (other than basic need) has already been provided, but which are not yet reflected by the data collected through SCAP because they were not yet operating in May 2021. This avoids double-funding these places. Specifically the department:

- adds to school capacities the full number of additional school places we expect to be delivered by September 2024 and September 2025 through the Targeted Basic Need and Priority School Building programmes, Selective Schools Expansion Fund, the Condition Improvement Fund, the Voluntary Aided Schools Capital Scheme, and expansions of University Technical Colleges;
- adjusts the capacity recorded in SCAP of those free schools that opened from September 2015 to September 2020, to reflect the places anticipated to be in use by September 2024 and September 2025, as we know not all year groups will be operating in those schools by that date. We have refined this aspect of the methodology, looking back over a longer period than in previous years and making the adjustment for both centrally- and locally-delivered ('presumption') free schools;
- includes the places expected to be in use by September 2024 and September 2025 for those free schools that opened in September 2021 and are due to open in September 2022 (and so were not captured in the May 2021 SCAP survey); and
- where appropriate, removes capacity to account for known and anticipated school closures.

## Calculating how many places are needed

The number of places to fund is calculated by comparing:

- the capacity in each school year group in each planning area (adjusted as described above); with
- the number of pupils local authorities expect to have in each school year group in each planning area, uplifted by 2 per cent.

The 2 per cent uplift in pupil forecasts is designed to provide an operating margin for local authorities. This helps to support parental choice, pupil population movement, and general manageability of the system. Where pupil forecasts exceed available capacity this is considered to be a 'shortfall'. Conversely any surplus in capacity beyond those uplifted forecasts is counted as 'zero', meaning we do not use any spare places to offset shortfalls elsewhere (such as in another planning area or another year group). We then aggregate any shortfalls for each year group, in each planning area, to give an overall total of additional places needed by September 2024 and September 2025 for each local authority. This produces a 'raw shortfall', a total figure that measures

the gap in places between our assessment of capacity based on SCAP 21, and forecasts of pupil numbers for September 2024 and September 2025. We then adjust this figure to account for previous basic need funding allocated, as outlined below.

## **Adjusting for previous basic need funding**

Since allocations are announced a number of years in advance of the academic year to which they relate, we need to account for previously announced allocations that will not yet have delivered places that show in the SCAP survey we are using (otherwise we would risk funding the same places twice). To do this we take the raw shortfall figure and subtract the number of places funded in the previous years of allocations:

- for 2023-24 allocations this is the 2020-21, 2021-22 and 2022-23 allocations; and
- for 2024-25 allocations this is the 2020-21, 2021-22, 2022-23 and 2023-24 allocations

We call this process 'abatement' and we do it because we expect local authorities will still be in the process of delivering those places and they will not have been counted in SCAP 21. The assumption is that local authorities will use that previously announced funding to deliver the number of places for which it was allocated. So each year we fund only places needed in addition to those previously funded.

There is a degree of inherent uncertainty in forecasting a number of years ahead: pupil growth can materialise more quickly or more slowly than expected. Where the gap between capacity and a local authority's forecasts goes up, we provide the additional funding in the next year's allocations. Where the gap between capacity and forecasts goes down, instead of reducing an announced allocation the mechanism described above means that we offset the excess against future allocations.

Our methodology also offsets any primary over-funding (i.e. where past places funded exceeds the need for new places for academic years 2024/25 and 2025/26) against both primary and secondary allocations. The same applies to any secondary over-funding. We call this 'mixed abatement', and only places funded via the preceding year of allocations are eligible to be offset in this fashion. This means past overfunding will be 'paid off' more quickly and efficiently, and it therefore enables us to target available resources more effectively to address the need for places. This feature of the methodology was first introduced for the 2020-21 allocations.

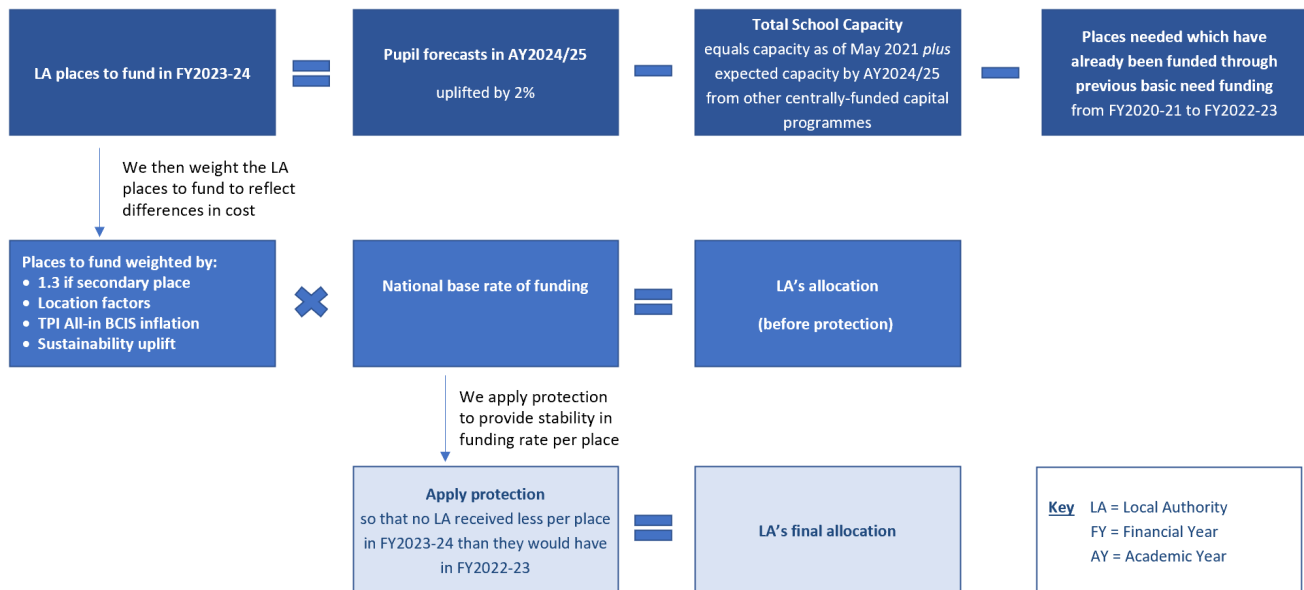
## **Calculating how much money to allocate for those places**

The resulting figures, after the adjustments above, represent the number of additional places that we estimate local authorities will need to provide for the academic years 2024/25 and 2025/26 – that is the places over and above those that we have either already funded or are being provided by centrally-delivered programmes such as the free schools programme. These figures are multiplied by a rate per place that is weighted for primary and secondary (so that funding for secondary places is 30 per cent higher than primary) and to take account of regional differences to reflect the relative costs of building across the country.

Rates are inflated according to BCIS All-in TPI<sup>3</sup>. For the 2023-24 and 2024-25 allocations, the department has also uplifted basic need grant funding rates to support costs associated with achieving the sort of sustainability standards set out in its updated School Output Specification<sup>4</sup>. The rate per place has been uplifted by around 10%, based on estimates of the costs associated with meeting improved sustainability standards for a typical school or college project, including considerations relating to buildings that are net zero carbon in operation and with additional climate resilience measures<sup>5</sup>.

We then ensure that no local authority receives less per place for these allocations than for previous allocations. The basic need funding to be allocated is distributed according to the resulting figures.

**Figure 1: Summary of the methodology for 2023-24**



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<sup>3</sup> <https://www.rics.org/uk/products/data-products/insights/new-tender-price-index-bcis/>

<sup>4</sup> <https://www.gov.uk/government/collections/school-design-and-construction>

<sup>5</sup> The uplift has also been applied to the 2022-23 basic need rates and therefore increased local authority allocations for that year (originally published in February 2021). In order that local authorities receive the amount they would have been allocated if the change had been made in February 2021, the uplift has been applied to the unprotected 2022-23 rate per place.