

Meeting:

SCHOOLS FUNDING SETTLEMENT AND LOCAL FUNDING FORMULA 2024/25

Report of the Director of Children's Services

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 To update the Cabinet on the key announcements made by the Department for Education (DfE) on the education funding settlement for 2024/25.
- 1.2 To approve the local funding formula models to be used to determine the individual 2024/25 budgets for early years providers and schools in Stockport.

2. DEDICATED SCHOOLS GRANT (DSG)

- 2.1 The 2024/25 dedicated schools grant (DSG) will continue to be provided to the Local Authority (LA) in four notional blocks, with each individual block allocation determined by application of the national funding formula (NFF) models assigned to each block as previously determined by the DfE. The key headlines include:

- The early years national funding formula (EYNFF) model will rise nationally to over £6bn and will extend to include the new funding entitlements for working parents of two years old children from April 2024 and the under two's cohort from September 2024 as per the ministerial announcement in spring 2023. This will provide a baseline funding allocation for the three elements as outlined below:
 - Three and four years old - £5.47 per hour (nat. average £5.91)
 - Two years old - £7.55 (nat. average £8.28); and
 - Under two's - £10.27 (nat. average £11.22)
- Maintained Nursery Schools supplementary grant funding will continue as per current arrangements in the early years national funding formula (EYNFF) model from April 2024 and provide an additional £4.84per hour (inclusive of former teachers pay and pension grants)
- The schools block will increase by c.1.9% per pupil to a national quantum of £59.6bn nationally as the final part of the three-year investment in schools across the latest comprehensive spend review period ending in 2024/25;
- The maintained schools additional grant (MSAG) allocated to schools in 2023/24 will be streamlined into the NFF model and LA schools block allocations from April 2024;
- A further £440m has been allocated targeted at high needs/SEND and allocated to LA's through the NFF model,
- Minimum funding levels (MFLs) per pupil within the NFF model increase from £4,405 to £4,610per pupil primary and from £5,715 to £5,995per pupil secondary;
- Schools' block funding ring-fenced with limited flexibility to transfer up to 0.5% of the block funding to another block subject to receiving Schools' Forum approval;

- 95% minimum pass-through rate of early year's funding to front line providers;
- Minimum funding guarantee (MFG) protection will continue to be applied to schools delegated budgets ensuring stability and protection, this must be set locally between 0 – 0.5% per pupil;
- The LA continues to remain responsible for determining and administering the local early years single funding formula (EYSFF) model for providing budget allocations to early years providers; and
- The LA will continue to be responsible for determining and administering the local schools' funding formula model to provide individual budget allocation to schools 2024/25 as part of the continued "soft" transition phase of moving to a direct NFF model, 2024/25 will continue to be a year of further "transition" as prescribed by central government and local funding formula models must be compliant with transition arrangements (i.e. move factor values a min 10% closer to NFF where already not at or mirroring NFF levels).

The 2024/25 Schools Funding arrangements provide Stockport an initial baseline DSG allocation at £314.392m, (before any Academy/High Needs recoupment). The table below provides further detail:

Narrative	Early Years £m	Schools £m	High Needs £m	CSSB £m	Total £m
2023/24 DSG Allocation	23.039	216.807	46.827	2.020	288.693
MSAG allocation		7.305			7.305
2023/24 Revised DSG	23.039	224.112	46.827	2.020	295.998
Pupil numbers/NFF adjs.	2.477	3.350	1.495	(0.052)	7.270
New EY Entitlements	11.124				11.124
2024/25 DSG Allocation	36.640	227.462	48.322	1.968	314.392

*The above figures will be subject to in-year adjustments (i.e. Academy recoupment and update of early years funding based on January 2024 & 2025 data)

** The above figures do not include any funding relating to the Teachers pay additional grant (TPAG) and new Teachers Pensions grant due April 2024, which will be provided as separate ring-fenced grants for schools nationally via the DfE.

2.2 Early Years National Funding Formula

The early years block funding within the DSG funding framework moved to a national funding formula basis for the purpose of distributing the national envelope of funding ear-marked for three and four years old children from April 2017 which following DfE consultation in summer 2022 was updated / refreshed with latest national data sets.

Further to the above and in line with the government's pledge to extend the early years funding entitlements from April 2024 as per the Chancellors announcement in

March 2023, the national funding models will be updated and extended further from April 2024 as per the summer 2023 consultation to account for the new funding entitlements (i.e. two years old offer to working families and under two's offer from Sept 2024)

The EYNFF comprises of a single national base rate plus three supplements (free school meals, English as an additional language and disability living allowance) with the combined total for each LA adjusted by the area cost adjustment (ACA).

The EYNFF model for the two years old offer will also include use of the additional income deprivation affecting child index (IDACI) proxy indicator from April 2024 as per the outcomes of the DfE consultation undertaken in summer 2023.

The EYNFF model provides Stockport a total funding envelope of c. £36m inclusive of the new funded entitlements to be implemented from April/September 2024.

The finance regulations aligned to the funding reforms introduced alongside the EYNFF model in April 2017 require all local authorities to provide funding to all EY settings via one single base rate and all local authorities are required to pass through direct to providers a minimum of 95% of funding via the local funding formula model arrangements.

The extended regulations to account for the new funding entitlements, specifically relating to the two years old offer specify that the funding level assigned to the disadvantaged cohort must be at least equivalent to the funding level assigned to the working parents cohort.

All EY funding streams to ensure compliance with the 95% pass through rate calculation as per regulations.

A further 8p per hour funding for the teachers' pay and pensions grant has been allocated nationally on top of the base 8p streamlined into the EYNFF model from April 2023 will also be distributed via the three and four years old local funding formula (quality supplement 16p in total) direct to providers.

In addition to the base rate, a deprivation formula factor supplement is allocated at £0.31per hour across all EY funding streams; and

Maintained nursery school (MNS) schools supplementary grant from DfE will continue to be provided as a top-up to the core funding above in the EYNFF model from April 2024 at £4.84per hour (inclusive of the former teachers pay and pension grants) and such funding must be distributed to MNS only.

The funding retained by the LA for each of the EY funding streams will be used to finance the additional EYSFF model supplements (i.e. deprivation) and other central LA early year's support service costs/the council's overall MTFP position.

2.3 Pupil Premium Grant

The Pupil Premium is additional funding given to schools so that they can support their disadvantaged pupils and close the attainment gap between them and their fellow peers. In 2023/24, Stockport attracted c.£13m of funding (including academies).

The 2024/25 per pupil funding rates are detailed in the table below:

Narrative	£
Primary	1,480
Secondary	1,050
Service Children (Armed Forces)	340
Looked after Children, Adopted Children and Children with Guardians	2,570

3. Local Formula

3.1 Early Years:

The construction of the early years budget is largely governed by the statutory regulations and reforms as set by the DfE within the EYNFF framework. The updated 2024/25 local EYSFF model will include:

- A single base rate to all early year's providers within the local EYSFF model for three and four years old universal and extended 30 hours offer (set at £5.00 minimum);
- LA central spend is restricted to a capping level set nationally at 5% (i.e. 95% statutory pass-through rate of funding to providers);
- Additional funding provided to local authorities with maintained Nursery School provision to continue and be ringfenced to protect their baseline level of funding; and
- A central SEN inclusion fund extended to all ages to support SEN accessing the free entitlement.

3.2 In addition to the above, the 2024/25 Early Years Budget block will include:

- Two years old offer local funding will be allocated to settings at £7.20 per hour for both the disadvantaged families and new working parents cohort groups;
- Under two's local funding allocated at £9.65 per hour; and
- LA allocate other specific funding (i.e. Early Year's Premium (£388p.a.) and Disability Access Fund £910p.a.) directly to providers in accordance with grant conditions.

3.3 School Budgets:

The current 2023/24 local funding formula model is constructed on the basis of previous discussions and consultations with all stakeholders and provides for the below:

- Primary schools – funded via a local funding formula model determined at a local level; and
- Secondary schools – funded via a local funding formula model constructed on basis of “mirroring” the NFF model as close as possible.

As outlined earlier in the report the 2024/25 financial year will continue to be a further phase of “transition” towards implementation of a “direct” NFF model therefore requiring LAs to adjust their local funding formula models to be more reflective of the NFF model where required.

In line with the above regulatory requirements, the LA consulted with all school governing bodies in the autumn term on the local model updates required by regulations and other LA proposals, which were then shared and discussed further with Schools Forum. The local funding formula model for secondary schools already “mirrors” the NFF model as far as possible and no structural changes to the model are planned from April 2024.

The LA funding model for primary schools will be constructed from April 2024 on the following key principles/basis:

- Retain a higher than NFF model value for basic entitlement and lump sum factors;
- Increase deprivation factors in line with the minimum 10% transition regulatory requirements;
- Implement the new mandatory NFF factor for split site school funding;
- Cap EAL and SEN LPA factor values at current levels;
- Provide MFG protection where required at 0.5% per pupil (subject to affordability)
- The local funding model will minimise the number of schools on the MFG protection level; and
- Continuation of the local model will ensure no significant financial turbulence will be experienced by schools in 2024/25.

The schools’ block quantum level of funding allocated to the LA is determined by the aggregated total of the “indicative” budget calculated via the NFF model for each individual school.

The LA remains responsible for determining and administering the local funding formula model to determine actual delegated budget share for each individual school under the “soft” formula option again in 2024/25 subject to compliance with the “10% transition” requirements of a move to a “direct” NFF model.

The LA propose to allocate delegated funding to schools as follows:

- a) Primary – A local based funding model that is adjusted to comply any further “10% transition” requirements to move towards a “direct” NFF model; and
- b) Secondary – Mirror the NFF model as far as possible.

3.4 The key controls that remain in 2024/25 linked to the reforms/implementation of the Local/NFF model, include:

- The formula model must contain a basic entitlement and deprivation funding factors as minimum;
- Deprivation funding must be based on both free school meal (FSM) data and/or FSM 6 data;
- Resourced Provision pupils in a mainstream school will be funded via the local schools funding formula model;
- Schools with split sites must be allocated funding based on the new mandatory formula factor as provided by DfE;
- National restriction on the data sets permitted for use to determine eligibility or distribution of funding within factors;
- Lump sum value must be defined for each sector; and
- Minimum 70% distributed by pupil-led funding factors.

- 3.5 In addition to the above and linked to either national reform updates or local options/flexibility the following will be applied:
- Application of the updated minimum funding levels (MFL) to £4,610 per pupil primary and £5,995 per pupil secondary for any school (adjusted level for new/growing schools) not afforded such by application of the formula model.
 - Provide stability to any school with a fall in pupil population and/or a reduction in delegated funding via application of the minimum funding guarantee (MFG) to be set locally at 0.5% per pupil; and
 - Retain the total costs of each sector's formula funding model within the quantum allocation provided by the DfE via application of the NFF model wherever possible.

4. Programme of Work Leading to the Recommendations to the Cabinet

- 4.1 The Schools' Forum continues to be the main conduit/partnership arrangement for all schools funding matters as part of the annual cycle of budget preparation, monitoring and ensuring the local system is reflective of the latest regulatory requirements linked to ministerial announcements.
- 4.2 The LA undertook separate Schools & Early Years Funding Consultations 2023 with all school governing bodies for two weeks after the October half-term following discussions with Schools' Forum members which focused on key budgetary aspects including:
- Early years budget options relating to the new funding entitlements.
 - Local schools funding model (primary sector) updates in line with "10% transition" requirements to the "direct" NFF model; and
 - 0.5% transfer from schools' block to central services and high needs.
- 4.3 The LA has continued to provide regular updates to Schools' Forum on the latest news and developments as they emerged. The key elements/messages shared and discussed with Schools' Forum members included:
- October 2023 – Ministerial announcements relating to Schools Funding 2024/25, NFF Models update (i.e. increased MFLs) high needs funding increase, budget options, principles, consultation requirements and timeline;
 - December 2023 – DSG estimates, consultation outcomes/LA plans, budget options and indicative central service budget requirements; and
 - January 2024 – Final details of the Local Funding Formula models to be presented to Cabinet.
- 4.4 The meetings held with Schools' Forum members have discussed the latest reform updates, local funding arrangements and local flexibility permissible and members have expressed their views and/or approved (where applicable) the following aspects:
- The local model for primary schools should be retained (where possible) for 2024/25 subject to compliance with further "10% transition" requirements towards the "direct" NFF model;
 - That the MFG level be set locally at 0.5% per pupil (subject to affordability);

- Approved the transfer of up to 0.5% of schools block funding (c. £1.1m) to the high needs and central school services blocks to support cost pressures/budget sustainability.

4.5 The total cost of the schools' local funding formula model and other associated school/LA costs (i.e. central infant class size initiative and 0.5% transfer to high needs block) will remain within the total envelope of funding provided for the schools' block at £227.462m as determined by the NFF model.

4.6 Other Schools' Forum Considerations

4.6.1 Schools' Forum Primary and Secondary phase representatives have discussed with their sector colleagues and agreed which service areas are to be de-delegated back to the LA in 2024/25 (i.e. continuation of all/current 2023/24 arrangements).

4.6.2 Schools' Forum members have approved initially the retention of a central reserve within the schools' block of £1.350m for 2024/25. This will be used to support schools with issues relating to compliance with infant class size legislation, support to new/growing schools re dis-economies of scale and additional basic need secondary school places required from Sept 2024.

4.6.3 Schools' Forum members have approved the budgetary resource levels to be retained by the LA for the central school services block (i.e. statutory function/service areas (i.e. School Admissions, Schools Forum, Copyright Licences, etc.) in 2024/25.

5. Director's Consideration of the Proposals

5.1 The Director of Children's Services and the Director of Education following review of the current baseline expenditure position of the DSG, the ongoing increase in SEN demand, previous deployment of DSG reserves, transfer of schools' block funding to support the DSG high needs block and assessment of the latest schools funding announcements and discussions with Schools' Forum have considered the proposals in the following context:

- The EYNFF model continues provides a clear and defined local envelope of funding linked to national proxy indicators/needs as per the formula components for local deployment across the different service areas.
- Additional per hour funding increases applied across the individual EY funding allocations, though not sufficient in the current landscape is welcomed and the increases will be largely pass-ported to EY settings via the local funding mechanisms subject to the LA maximising the 5% central retention where permissible.
- The Local early year's funding model will continue to be fully compliant in 2024/25 with all the statutory requirements linked to the reforms.
- The primary and secondary schools local funding formula models will continue to be constructed locally on the same structural arrangements as 2023/24 (i.e. primary local model, secondary NFF model) but will be updated to ensure

compliance with the further “10% transition” requirements towards the “direct” NFF model.

- Continuation of the local funding formula model will ensure no significant financial turbulence will be experienced by Stockport schools in 2024/25, which is considered important at this time when all our schools are still experiencing significant additional costs and operational challenges including pay awards, energy and general inflationary cost pressures.
- All schools are afforded the MFG control mechanism protection (where required) and this has been set locally at 0.5% per pupil (in accordance with regulatory requirements to set locally between 0 to 0.5% max), to any schools (12) due to receive a reduced delegated budget level – (cost £0.186m).
- The local funding formula model applied in both sectors will also comply with the updated mandatory MFLs set nationally by the DfE to ensure all schools receive a minimum £4,610 per pupil (primary) and £5,995 per pupil ((secondary).
- The high needs block continues to be the area of greatest costs pressure within the DSG funding framework and the LA is working closely with Schools’ Forum members via the DSG Review Group to assess need, requirements, operational options to deliver a long-term sustainable budget position. The increase in national funding levels is supportive and welcomed but is still short of the required levels to address the SEN demand levels. The LA has recently embarked on a central government “Delivering better Value” (DbV) support program led by external consultants and we have received our first part payment of our successful £1m non-recurrent grant application which will be deployed to support implementation of our SEN development plan / transformation program.

5.2 Members of the Schools’ Forum at their meeting of 18 January 2024 received final detail of the 2024/25 local schools funding formula models to be applied to determine individual schools delegated budget share allocations. The final funding formula model information has also been submitted to the DfE for their annual compliance checks on application and adherence to statutory regulations.

5.3 The Director of Children’s Services concludes that the proposals for the 2024/25 schools local funding formula are constructed on the current operating models (subject to update with mandatory “10% transition requirements), which was supported and acknowledged by Schools’ Forum members at the meeting held on 7 December 2023.

The increased level of funding provided via the updated NFF model and the increased MFLs requirements have largely been pass-ported directly to schools and will ensure all schools receive a minimum per pupil funding at £4,610 per pupil primary and £5,995 per pupil secondary. These figures are inclusive of the additional MSAG funding provided to schools in 2023/24 as outlined in the table at section 3.6 above.

Any school subject to a reduced level of funding (i.e. fall in pupil numbers, school profile changes, etc.) will continue to be protected via application of the MFG at the rate of 0.5% per pupil.

The Schools' Forum members approved a transfer of up to 0.5% of funding (c. £1m) from the schools' block in 2023/24 to high needs/central school services block budget shortfalls.

Cabinet Considerations

- 6.1 In setting the local formula for early years and schools for 2024/25, the Cabinet should be mindful of:
- (i) Local funding/budget arrangements for 2024/25 are finalised following consultation with key stakeholders in the autumn term and final budget proposals discussed with Schools' Forum members.
 - (ii) The requirement to ensure all activity/service budget costs relating to each of the four blocks are sustainable within the overall envelope of funding now provided via the introduction of a NFF model for each block.
 - (iii) The LA is compliant with the statutory 95% pass through funding rate to providers in the early years' block.
 - (iv) The statutory requirement to implement the MFLs set and updated by the DfE for 2024/25 will ensure that all schools receive an increased minimum level of funding at £4,610 per pupil primary and £5,995 per pupil secondary from April 2024 where this is not directly allocated via application of the local/NFF model.
 - (v) The budget plan continues to provide stability and protection where required to school budgets via the MFG set locally at 0.5% per pupil.
 - (vi) In addition to the above settlement / local funding formula arrangements, schools will continue to receive the teacher's pay additional grant (TPAG) for the full year as a separate source of grant funding outside of their delegated budget share.
 - (vii) The views of Schools' Forum members.
- 6.2 Accepting the recommendation would mean the local formula for early years and schools will be constructed based on the following parameters:

Early Years:

Local Funding formula for the educational free entitlement offer to three and four years old:

Narrative	Nursery Schools	Nursery Classes / PVI
Universal and Extended 3 & 4 years old funding:		
Base rate funding	£5.00 per hour	£5.00 per hour
Supplementary funding	£2.97 per hour	n/a
Deprivation supplement	£176.70 p.a.	£176.70 p.a.
Quality supplement (TP&P)	£6,000 lump sum per school & £0.82 per hour	£0.16 per hour
Lump Sum – core funding	£37,000 per school	n/a
2 Years old offer:		
Base rate funding	£7.20	£7.20
Deprivation supplement	£176.70 p.a.	£176.70 p.a.
Under 2's offer:		
Base rate funding	£9.65	£9.65
Deprivation supplement	£176.70 p.a.	£176.70 p.a.

Schools:

Narrative: Primary Model	Funding Value £	2023/24 Funding £m	Funding Value £	2024/25 Funding £m
Basic Entitlement	3,533	87.354	3,690	90.643
Deprivation - FSM	57	0.262	110	0.519
Deprivation – FSM6	1,097	5.197	1,041	4.991
Deprivation – IDACI 1	156	0.351	168	0.377
Deprivation – IDACI 2	162	0.336	179	0.367
Deprivation – IDACI 3	256	0.220	280	0.226
Deprivation – IDACI 4	328	0.290	349	0.303
Deprivation – IDACI 5	338	0.395	360	0.399
Deprivation – IDACI 6	472	0.634	502	0.695
English as an additional language	680	1.331	646	1.479
Mobility	113	0.011	212	0.038
SEN – low prior attainment	614	4.480	684	5.193
Lump Sum	133,987	11.867	139.919	12.033
Split sites	4,970	0.010		0.081
Rates	Variable per school	1.675	Variable per school	1.925
Total Local Formula		114.114		119.271
MFL / MFG		2.368		2.570
Total Funding	116.782	116.782		121.841
Pupil Numbers		24,727		24,562

Implementation of the above provides for the outcomes as summarised below:

Narrative	2023/24 Base	2024/25 Proposal
Min pp funding	4,412	4,617
Max pp funding	6,387	6,018
Range	1,975	1,402
Ave pp funding	4,790	5,026
MFG Schools	11	11

The above per pupil figures are pre de-delegation decisions for specific central services and do not include Bridge Hall PS as a significant outlier at £6,444/6,750 per pupil. And St Mary's RCP in 2024/25 as a significant low number on roll school to avoid distorting the figures.

Narrative: Secondary Model	Funding Value £	2023/24 Funding £m	Funding Value £	2024/25 Funding £m
Basic Entitlement – KS3	4,790	46.099	5.009	48.330
Basic Entitlement – KS4	5,399	33.666	5.646	35.531
Deprivation – FSM	483	1.610	489	1.736
Deprivation – FSM 6	1,031	3.969	1,198	4.506
Deprivation – IDACI 1	337	0.495	340	0.496
Deprivation – IDACI 2	447	0.627	449	0.625
Deprivation – IDACI 3	623	0.355	629	0.373
Deprivation – IDACI 4	684	0.434	689	0.454
Deprivation – IDACI 5	734	0.633	739	0.641
Deprivation – IDACI 6	935	0.814	944	0.804
English as an additional language	1,567	0.581	1,583	0.818
Mobility		0	1,378	0.025
SEN – low prior attainment	1,752	5.748	1,773	5.840
Lump Sum	128,149	1.794	134,211	1.879
Split sites	18,269	0.018		0.081
Rates	Variable per school	0.819	Variable per school	0.912
Total Local Formula				103.050
MFL / MFG		0.123		0.137
Total Funding		97.783		103.187
Pupil Numbers		15,858		15,942

Implementation of the above provides for the outcomes as summarised below:

Narrative	2023/24 Base	2024/25 Proposal
Min pp funding	5,737	6,030
Max pp funding	6,831	7,382
Range	1,094	1,352
Ave pp funding	6,218	6,536
MFG Schools	2	1

The above per pupil figures are pre de-delegation decisions for specific central services.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 There are no revenue or capital consequences for the Council from the report recommendations as the matters within the report relate specifically to the ring-fenced dedicated schools grant (DSG) provided from central government for such education funding matters.

7.2 The effect of the decision

7.2.1 The direct effect of the decision is the delegated budget allocations for individual schools, academies and early years providers.

7.3 Risks

7.3.1 There are no direct risks associated with this decision.

7.4 Options

7.4.1 The alternative option (i.e. use NFF model) relating to the primary local funding formula model has been assessed as part of the budget setting process considerations and discussed with Schools' Forum members. Implementation of the NFF model in full for primary schools has been discounted at this time, based on not wishing to have financial turbulence in the schools' system given the operational cost pressure challenges facing our schools and whilst we also await further DfE updates on the next step of reforms to a "direct" NFF model.

7.5 Future savings/ efficiencies

7.5.1 N/A

8. LEGAL CONSIDERATIONS

8.1 The report and the proposals are governed by the Schools Finance Regulations and are in accordance with the annual schools' budget setting process which form part of the overall Council's budget position.

9. HUMAN RESOURCES IMPACT

9.1 There are no Human Resources considerations for this report

10. EQUALITIES IMPACT

10.1 Equalities impact assessment completed as part of the budget planning options/considerations.

11. ENVIRONMENTAL IMPACT

11.1 N/A

12. CONCLUSIONS AND RECOMMENDATIONS

- 12.1 The general increase (c. 1.9%pp) to the NFF model formula factors combined with the new MFLs set by the DfE; within the overall DSG settlement continues to provide national investment in education in a challenging period for the public sector, with additional separate grant funding provided in recognition of the costs associated with the recent teacher pay award. Albeit schools are dealing with ongoing cost pressures (i.e. pay award, inflation, energy, etc.) and still feel the ongoing impact of the Covid-19 pandemic, the above funding position coupled with the MFG for some schools, will ensure all schools have budget stability within a reasonable range.
- 12.1.1 Those schools with significant numbers of pupils from deprived areas will continue to attract the Pupil Premium grant.
- 12.1.2 The proposed amendments to the local funding formula for early years and schools are supported by Schools' Forum members and in line with the budget principles agreed for each block in the DSG funding framework.
- 12.1.3 The Cabinet notes the details of the Education Funding Settlement for 2024/25; and
The Cabinet approves the construction of the early year's budget as defined at section 3.1 to 3.2 and the updated local schools funding formula model as outlined in section 3.3 to 3.5 and summarised in the tables provided at section 6.2

BACKGROUND PAPERS

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Peter Hughes on Tel: 0161 474 3947 or by email on peter.hughes@stockport.gov.uk