

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: 2024/25 Funding Update – October 2023 Announcement

Report of: Directorate Finance Lead – Children’s and Schools

Summary

This report provides a summary and impact of the Department of Education (DfE) October 2023 funding announcements:

- National Funding Formula (NFF) 2024/25 update due to technical error.
- Teacher pension contribution increase and expected funding from April 2024.

Initial allocations for the 2024/25 of the schools National Funding Formula for primary and secondary schools were published in July 2023, however pupil numbers had been under-forecast by the Department for Education (DfE)

In October 2023, DfE advised councils of a technical error that had been made in their July 2023 National Funding Formula (NFF) 2024/25 announcements. This recalculation means that where before mainstream school funding was promised an uplift of 2.4% across most NFF factor values, this **uplift will now be reduced to 1.4%** to accommodate the wider pupil cohort. The report includes implications on the 2024/25 primary and secondary school funding due to be received by the Council.

The outcome of the valuation of the Teachers’ Pension Scheme, confirmed an increase to the employer contribution rate by 5% from 1 April 2024. The DfE have stated there will be additional funding to cover the increase in the employer contribution for financial year 2024/25.

Conclusions and recommendations

The Council is due to receive the 2024/25 settlement in December 2023. Schools are likely to receive smaller budget increases than they may have anticipated following initial DfE announcements in July.

All School Forum members are asked to note and comment on:

- DfE revised 2024/25 NFF allocations and the implications for Manchester.
 - Teacher’s pension increase and expected funding 2024/25.
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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

Supporting Reports:

18 th September 2023	School Forum Agenda Item 4: Funding Updates Summer 2023
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1. Introduction

1.1 Department for Education (DfE) announcement was made in October 2023 to inform local authorities of a technical error made during the initial calculations of the 2024/25 National Funding Formula (NFF) published in July 2023. The DfE have since published **revised** allocations for the 2024/25 NFF, which now allocate the same pot of £59.6b core schools' budget between a larger pupil cohort. This recalculation means a reduction in the promised 2.4% factor uplift to 1.4%. The changes affect the Schools Block of the 2024/25 Dedicated Schools Grant (DSG).

2. Schools Block – National Funding Formula (NFF) 2024/25

2.1. **Revised 2024/25 NFF Allocations** – Initial allocations for the 2024/25 NFF were published in July 2023, however pupil numbers had been under-forecast by the DfE, which means they had under-budgeted by 0.62% for the 2024/25 pupil cohort. This recalculation means that where before mainstream school funding was promised an uplift of 2.4% across most NFF factor values, this **uplift will now be reduced to 1.4%** to accommodate the wider pupil cohort.

2.2. These changes do not affect current year funding, and revision of the indicative allocations does not mean adjusting any funding that schools have already received. At this point in time, the local funding formula (LFF) 2024/25 has not yet been agreed, as this is subject to the DSG settlement to be received December 2023 and consultation with Schools Forum January 2024.

2.3. The changes impact the NFF values only, which represent Stage One of the funding process, i.e., funding received from the DfE by the LA. The LA then uses NFF factor values to set LFF factor values for local schools for the new financial year, within strict parameters prescribed by the DfE. Appendix One sets out the difference in the NFF factor values under the 2.4% proposed uplift (July 2023 announcement) and the revised 1.4% proposed uplift (October 2023 announcement).

3. Implication at Local Authority (LA) Level

3.1. The Council's funding from the DfE is determined by multiplying primary and secondary units of funding (PUF and SUF) by pupil numbers. The 2024/25 PUF and SUF were re-calculated by DfE with revised 2024/25 NFF allocations published in October 2023. Table one below shows Manchester's PUF and SUF have decreased by £46 and £47 respectively relative to the July 2023 NFF announcement.

Table one: Changes in unit rates of funding under both announcements

	PUF	SUF
July 2023 NFF	£5,605	£7,502
Oct 2023 NFF	£5,559	£7,455
Difference	-£46	-£47

3.2. This reduction in the unit rates of funding means that the Council will receive **£3.8m less** in funding for the 2024/25 Schools Block DSG allocation than what was anticipated following the initial July 2023 NFF publications.

4. Implications at School Level

The Council has modelled implications of the revised 2024/25 NFF allocations on several Manchester schools with varying sectors and capacities. Table two below outlines the **average** changes in funding for primary school one-form, two-form, three-form entry, and a secondary school under both models. The table depicts the average funding per school that the LA would have received under the July 2023 model and the average funding per school the LA will receive under the revised October 2023 NFF.

Table two: Average DfE to LA funding differences under both models

Sector	2.4% Uplift Avg. NFF Funding £'000	1.4% Uplift Avg. NFF Funding £'000	Difference £'000
Primary 1FE	£1,200	£1,196	-£4
Primary 2FE	£2,137	£2,122	-£15
Primary 3FE	£3,263	£3,234	-£29
Secondary	£8,072	£8,030	-£42

- 4.1. As evidenced in table two above, the average reduction in NFF funding the Council will receive for a one-form entry primary school will be £4k. Comparative values for a two-form primary, three-form primary, and a secondary school are £15k, £29k, and £42k respectively. If NFF factor values had been uplifted by the initial 2.4% announced in July 2023, these are, on average, the additional budgets schools could have received, subject to the local formula.
- 4.2. Further analysis on a school-level basis, table three below, indicates the ranges in funding differences for Manchester schools in each sector, as a result of the revised NFF values.

Table three: Ranges of funding impact across sectors

Sector	Lowest Impact of Revised NFF £'000	Highest Impact of Revised NFF £'000
Primary 1FE	-£1	-£14
Primary 2FE	-£2	-£12
Primary 3FE	-£17	-£35
Secondary	-£4	-£94

5. Teachers Pensions Increase from April 2024

- 5.1 The outcome of the valuation of the Teachers' Pension Scheme confirmed a need to increase the employer contribution rate. The rate has increased by 5% to 28.6% from 1 April 2024, to ensure that the Scheme continues to meet present and future obligations.
- 5.2 DfE has secured additional funding, to cover the increase in the employer contribution rate for directly funded scheme employers for the financial year 2024/25.

The additional funding will cover:

- Mainstream 5-16 schools and high needs settings: distributed via a separate grant.
- 16-19 education and further education settings: distributed via the existing teachers' pension employer contribution grants (TPECG) that settings continue to receive since the previous increase in 2019.
- Early years: will be included in core rates for 2024-25.

DfE will be announcing further details, including funding rates and allocations, in due course.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Manchester is due to receive the 2024/25 settlement in December 2023, after which budget planning will be undertaken to set the LFF for 2024/25. Schools are likely to receive smaller budget increases than they may have anticipated following initial DfE announcements in July.

All Schools Forum members are asked to note and comment on:

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- Teacher's pension increase and expected funding 2024/25.

			July 2023 2.4% Uplift	Oct 2023 1.4% Uplift	
		National Funding Formula	National Funding Formula	National Funding Formula	Change
		2023/24	2024/25	2024/25	2024/25
Per Pupil Factors		£	£	£	£
Basic Entitlement	Primary	3,394	3,597	3,562	-35
	KS3	4,785	5,072	5,022	-50
	KS4	5,393	5,717	5,661	-56
FSM	Primary	480	490	490	0
	Secondary	480	490	490	0
FSM Ever 6	Primary	705	830	820	-10
	Secondary	1,030	1,210	1,200	-10
IDACI Primary	Band A	670	685	680	-5
	Band B	510	520	515	-5
	Band C	480	490	485	-5
	Band D	440	450	445	-5
	Band E	280	285	285	0
	Band F	230	235	235	0
IDACI Secondary	Band A	930	950	945	-5
	Band B	730	750	740	-10
	Band C	680	695	690	-5
	Band D	620	635	630	-5
	Band E	445	455	450	-5
	Band F	335	345	340	-5
EAL	Primary	580	595	590	-5
	Secondary	1,565	1,605	1,585	-20
Mobility	Primary	945	970	960	-10
	Secondary	1,360	1,395	1,380	-15
Prior Attainment	Primary	1,155	1,185	1,170	-15
	Secondary	1,750	1,790	1,775	-15
Minimum Funding Level	Primary	4,405	4,655	4,610	-45
	Secondary	5,715	6,050	5,995	-55
School-led factors					
Lump Sum	Pri & Sec	128,000	135,700	134,400	-1,300
Funding Floor (per pupil)	Pri & Sec	0.50%	0.50%	0.50%	0