

DATE: 19 SEPTEMBER 2024	ITEM 9 TYPE OF REPORT: DECISION
Report title:	DSG 2024-25 Schools Funding Formula
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PURPOSE OF REPORT

1. This report outlines the authority’s approach to the 2025-26 schools funding formula and seeks Schools Forum’s views on the priorities shown.

RECOMMENDED ACTIONS FOR SCHOOLS FORUM

2. Schools Forum is asked to approve the Schools Block transfer of £1.2m.
3. Schools Forum is asked for its views on the following ranking of priorities when calculating the 2025-26 funding formula for schools
 - To set the minimum funding guarantee (MFG) at the maximum affordable level (within the permissible range).
 - Ensure formula rates that are in the National Funding Formula (NFF) matching zone do not fall below that zone.
 - Set FSM formula rate to £3.00 to match Mayor of London’s KS2 funding rate
 - Set lump-sum formula rate to the maximum
 - To apply any remaining resources to those formula factor rates furthest below NFF rates.

Agreeing priorities at this point provides strategic direction which allows work on the allocations to proceed. Proposed allocations are presented to January Schools Forum. Final school budgets have to be submitted to the ESFA in mid-January.

4. To note that the scheduled DfE July funding data release has been delayed as a result of the election, with no release date yet provided. Final allocations are still anticipated in late December as per previous years.
5. To note the additional funding announced over the summer break in response to the teachers’ pay award, including the Core Schools Budget Grant and the Early Years Budget Grant.

BACKGROUND

6. The DfE provides LAs with funding for education via the Dedicated Schools Grant (DSG), which is the accumulation of separately calculated blocks, Schools Block, High Needs Block, Early Years Block and Central Support Services Block.
7. The Schools Block is distributed to schools, primarily through a formula administered by the LA, covered by statutory regulations and agreed with the Schools Forum. (Other distribution methods are the Growth Fund and the Falling Rolls Fund.)
8. The LA formula for calculating each School's Budget Share (SBS) uses data relating to pupil numbers and characteristics (FSM eligibility, home postcode deprivation, prior attainment, EAL, irregular admission date) and school characteristics (NNDR charges and split-site status). The formula also contains a lump-sum that awards a flat-rate amount as a contribution towards fixed costs.
9. Laying over the top of the funding formula is the Minimum Funding Guarantee (MFG). The MFG is a statutory requirement for all local authorities and sets a minimum amount by which a school's per pupil funding must increase (or at times a maximum amount by which it can decrease). The per pupil nature of the MFG means that it is not a cash guarantee: a school that loses pupils will still see a fall in its funding, just not in the amount per pupil.
10. The operation of the MFG is laid out in statutory regulations, but at present the MFG rate is set at a local authority level, within a range stipulated by the DfE.
11. The DfE uses the National Funding Formula (NFF) to calculate the Schools Block for each LA. The NFF uses the same formula factors available to local authorities to calculate a notional allocation for each school and includes MFG protection. Lagged amounts for premises, growth and falling rolls are then added to this along with a split-site amount to complete the schools block.
12. The current system, whereby the DfE uses the NFF to calculate the Schools Block, but the LA is free to use its own formula to calculate the Schools' Budget Shares is referred to as a soft-NFF. The DfE intends to move to a direct-NFF, whereby the DfE calculated figures will be the actual allocations to schools. The DfE intends to complete the implementation of the direct-NFF by the 2027/28 financial year at the latest.

Each summer the Education & Skills Funding Agency (ESFA) uses data from the previous year to run the NFF to create allocations for schools. The primary school allocations are aggregated and then divided by the number of primary pupils to arrive at the Primary Unit of Funding (PUF) and the secondary school allocations are aggregated and then divided by the number of secondary pupils to arrive at the Secondary Unit of Funding (SUF).

13. Usually, in July of each year the DfE publishes the PUF and SUF for the following financial year. These amounts will be multiplied by the October census primary and secondary pupil numbers to calculate the pupil-led element of the Schools Block (to which premises, split-sites, growth and falling rolls are added).
14. The DfE notifies Local Authorities of their final DSG Schools Block allocation each December and at the same time provides a spreadsheet which must be used to show the DfE the calculation of each school's School Budget Share. This spreadsheet, the Authority Proforma Tool (APT), contains the data that must be used in the calculation and restricts the calculation to that which falls within the regulations.

KEY ISSUES FOR CONSIDERATION

Main considerations for building the formula

Schools Block transfer

15. Members will be aware of the Safety Valve Funding Agreement that is in place with the DfE. The application contained a Schools Block transfer, moving funds from Schools Block to the High Needs Block of £1.2m (which is below the 0.5% threshold for the Schools Forum to agree without ministerial approval).
16. In turn £0.6m of this transfer is handed back to schools in the form of the EHCP inclusion fund. The transfer also funds the SEND consultants supporting schools (£0.3m) and invest to save initiatives (£0.3m). This funding needs to be put aside before running the formula.

ESFA mandated movement towards the National Funding Formula

17. As part of the move towards the implementation of the NFF as a means to allocate schools' budget shares, the ESFA have introduced funding bands for each formula factor, within which each local authority's funding rates must fall. These bands will narrow each year, bringing local authority funding rates ever closer to the NFF.

Minimum Funding Guarantee (MFG)

18. The permissible range for the MFG has not yet been set by the DfE, and this has the potential to change under the new Government. As a result, we may need to review the approach to the MFG and will take any change in proposal to a subsequent School Forum.
19. The current proposal is to provide the maximum affordable MFG within the permissible range which is set by the DfE.

Match the Mayor Of London Per Meal Funding Rate

20. For the 2024/25 academic year, the Mayor of London is providing a grant to cover the cost of free meals for KS2 pupils that are not free school meal eligible. The funding made available provides £3.00 per meal. It is proposed that the FSM rate used in the funding formula is set at a minimum £3.00 thereby ensuring FSM and non-FSM pupils are funded at the same rate.

Set Formula Lump-Sum Rate To Maximum

21. The lump-sum rate in the schools' funding formula is currently set at the maximum possible level. This formula element allocates a set amount to each mainstream primary and secondary school regardless of any school or pupil characteristics. The allocation is a contribution towards fixed costs that do not vary with pupil numbers or FSM rates, for example the basic costs of a headteacher, an SBM or a SENCO.
22. The maximum permissible lump-sum rate is expected to increase in the 2025/26 financial year. This is a consequence of adding in the Teachers' Pay Additional Grant, Teachers' Pensions Employers' Contribution Grant and the Core Schools Budget Grant. It is proposed that the formula rate be increased to match the new higher limit. This will:
 - a) Increase the formula allocation for all schools,
 - b) Reflect the additional grants,
 - c) Assist small schools, where the impact will be proportionately larger, and
 - d) Assist schools struggling with pupil recruitment, whilst Keeping Education Strong strategy work is ongoing.

Ensure No Formula Rates Fall Out Of The NFF Matching Zone

23. The DfE considers LA's schools funding formulas to match the NFF if their rates are within 2.5% of the NFF rates. It is proposed that no formula rates that are currently within or above the matching zone are allowed to fall out of that zone. This prevents rates that are currently matching the NFF from becoming problems that need to be dealt with in future years.

Distribution of any remaining funding.

24. In the table at the end of this report, members will see the 2023/24 formula factors and how they compare to the NFF funding rate. The factors that are furthest below the NFF in percentage terms are Low Prior Attainment, EAL, primary Income Deprivation Affecting Children Index (IDACI) and FSM. In a similar approach to that taken for the current year, we propose using any remaining funds to minimise the shortfall between our rates and the NFF rates.

Low prior attainment

25. This funding is for

- primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP)
- secondary pupils not reaching the expected standard at KS2 in either reading or writing or maths

Pupil deprivation

26. In 2024/25 the NFF allocated 10.2% of its funding to deprived pupils. Pupil deprivation is based on three deprivation measures – current Free School Meal (FSM) eligibility, FSM eligibility at any time in the last 6 years (“FSM6”), and the level of deprivation in the postcode where the pupil lives, which is measured using the Income Deprivation Affecting Children Index (IDACI).

English as an additional language (EAL)

27. The EAL factor provides funding based on the number of pupils identified as having a first language other than English in the October census. These pupils will attract funding for the 3 years following their entry into the statutory school system.

Summary

28. In summary, in building next year’s formula we are proposing to adopt the following priorities

- Set the schools block transfer at £1.2m
- To set the minimum funding guarantee (MFG) at the maximum affordable level (within the permissible range)
- Ensure formula rates that are at or above the National Funding Formula (NFF) rates do not fall below the DfE range for matching the NFF
- Set FSM formula rate to £3.00 to match Mayor of London’s KS2 funding rate
- Set lump-sum formula rate to the maximum
- To apply any remaining resources to those formula factor rates furthest below NFF rates.

Additional Funding Announced Over Summer Break

29. At the end of July, the DfE announced an additional £1.2bn of funding to assist schools with costs, including the September 2024 teachers’ pay award. This funding covers the Autumn and Spring term of the 2024/25 financial year.

30. £1.1bn of this will be delivered via the Core Schools Budget Grant, which will provide additional funds to mainstream and special schools. (The 2023/24 Teachers' Pay Additional Grant totalled £482.5m.)
31. Mainstream schools will be funded on this basis of pupil numbers, FSM6 numbers and a lump-sum. This mirrors the Pay and Pension grants, MSAG and the Schools Supplementary Grant. Allocations will be published in September and payments will be made in December. The funding will be rolled into School Budget Shares in 2025/26. The DfE has published an estimator and Southwark's Grants Estimator on Southwark Stats has been updated to incorporate this.
32. LA's will be funded for special schools, hospital schools and PRU's on the basis of pupil numbers. It is up to LA's, in consultation with its schools, to decide how to distribute this funding. Payments will be made in December.
33. An Early Years Budget Grant will fund early years provision. No details have been announced other than it will work in the same manner as the 2023/24 early years teachers' pay grant, which was used to increase the pay and pension grant supplement of the early years formula.
34. There is also funding for post-16 provision, but no details of how this will be distributed are available yet.

Schools Balance Control Mechanism

35. At last forum we advised we would bring consideration of planned action on the schools who triggered the BCM for this year. Eleven schools triggered the BCM this year, but due to the change in government, and uncertainties around what the impact may be on schools financial position, we will not look to cap balances this year.

Appendix A

Factor	2024/25 Southwark Rate of Funding	Difference between Southwark 24/25 and 24/25 NFF	2025/26 NFF including Area Cost Adjustment	2025/26 minimum Allowed	2025/26 maximum Allowed
KS1/2 basic entitlement	£4,626.36	£399.48			
KS3 basic entitlement	£6,628.09	£668.68			
KS4 basic entitlement	£6,649.45	-£68.23			
Primary FSM	£518.96	-£62.50			
Secondary FSM	£518.96	-£62.50			
Primary FSM6	£948.73	-£24.33			
Secondary FSM6	£1,388.39	-£35.60			
Primary IDACI F	£248.94	-£29.93			
Primary IDACI E	£301.88	-£36.32			
Primary IDACI D	£471.35	-£56.71			
Primary IDACI C	£561.14	-£14.39			
Primary IDACI B	£597.07	-£14.06			
Primary IDACI A	£720.35	-£86.58			
Secondary IDACI F	£382.48	-£20.98			
Secondary IDACI E	£506.23	-£27.77			
Secondary IDACI D	£724.20	-£23.40			
Secondary IDACI C	£798.33	-£20.47			
Secondary IDACI B	£856.18	-£21.95			
Secondary IDACI A	£1,093.36	-£28.03			
Primary EAL3	£624.94	-£75.19			
Secondary EAL3	£1,679.00	-£201.86			

Primary Low Prior Attain	£1,293.14	-£149.25			
Secondary Low Prior Att	£1,879.18	-£226.43			
Primary mobility	£1,110.17	-£28.48			
Secondary mobility	£1,596.65	-£40.94			
Primary lump sum	£180,023.52	£20,536.42			
Secondary lump sum	£180,023.52	£20,536.42			