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Report title:	Dedicated Schools Grant – 2025-26 Schools Funding Formula
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PURPOSE OF REPORT

1. This report provides the Schools Forum with the details of the mainstream school funding formula for 2025-26. The budgets need to be formally submitted to the Education & Skills Funding Agency (ESFA), using their spreadsheet template called the Authority Proforma Tool (APT), by 22nd January 2025.

RECOMMENDED ACTIONS FOR SCHOOLS FORUM

2. Schools Forum confirms its earlier agreement to the priorities used in the operation of the 2025-26 funding formula for mainstream schools.
 - To set the minimum funding guarantee (MFG) at the maximum level allowed.
 - 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.
3. Recommend the proposals as set out in the paper for formal approval.

BACKGROUND

4. The DfE provides local authorities (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.
5. 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.)

6. 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.
7. 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, even if the funding rate does not fall.
8. 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.
9. 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.
10. 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.
11. 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).
12. 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).
13. 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

14. The Local Authority may set aside schools block funding to create a fund for growth and falling rolls fund. The funding must be set aside before the funding formula is calculated.

Growth Fund

15. This fund is managed by the schools financial support panel, which comprises three headteachers. The fund is used to support the costs of bulge classes where these have been set up. Bulge classes are only funded where the needed has been identified and agreed with the local authority.
16. It is proposed for 2025-26 to maintain the growth fund at a minimal level of £55,179.60, enough to support a single class of expansion should this be required as a contingency provision.

Falling Rolls Fund

17. This fund is also managed by the schools financial support panel. The criteria for this fund is set out in national regulations albeit with a small scope for local adjustments.
18. It is proposed that the falling rolls fund reduce to the level of £80,000 as a contingency amount, as under current conditions it is unlikely that any school would be eligible within the nationally required criteria.

Schools Block transfer

19. 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).
20. The block transfer for 2025-26 was agreed in the September Forum meeting. This funding needs to be put aside before running the formula.

ESFA mandated movement towards the National Funding Formula

21. 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)

22. The permissible range for the MFG has been set by the DfE, with a range of -0.5% to 0%. Under the proposed formula, the rate has been set at 0.0%, the maximum possible level.

23. With the proportion of funds being delivered through formula factors changing as we move closer to the NFF, the number of schools on the MFG continues to rise with the 2025/26 percentage rising to 73% from 47%.

Match the Mayor Of London Per Meal Funding Rate

24. 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. Forum previously agreed the FSM rate used in the funding formula is set at a minimum £3.00 thereby ensuring FSM pupils are not funded at a lower level than non-FSM pupils. The available funds have allowed the FSM funding rate for the 2025/26 financial year to be set at £3.15.

Set Formula Lump-Sum Rate To Maximum

25. 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.
26. The maximum permissible lump-sum rate has increased for 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 into the DSG. Increasing the formula rate to match the new higher limit:
- a) Increases the formula allocation for all schools,
 - b) Reflects the additional grants,
 - c) Assists small schools, where the impact will be proportionately larger, and
 - d) Assists schools struggling with pupil recruitment, whilst Keeping Education Strong strategy work is ongoing.

Ensure No Formula Rates Fall Out Of The NFF Matching Zone

27. The DfE considers LA's schools funding formulas to match the NFF if their rates are within 2.5% of the NFF rates. Schools Forum agreed that no formula rates that are currently within or above the matching zone are allowed to fall below 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.

28. In the table at the end of this report, members will see the 2025/26 formula factors and how they compare to the NFF funding rate. Schools Forum agreed to use any funds remaining after the above requirements and decisions to minimise the shortfall between our rates and the NFF rates.
29. This year it has been possible to match and exceed the NFF funding rates in all allocation rates. Generally, funding rates for the 2025/26 financial year have been set at 2.23% above the NFF rates.

30. Exceptions are the lump-sum which has been set at the maximum allowable rate as agreed and secondary AWPU rates, which jointly are set at 2.23% above the NFF, but which individually are 3.21% and 1.32% above the NFF for KS3 and KS4 respectively.

National Fund Formula Summary

31. In summary, in building next year's formula
- We were able to achieve all the agreed priorities
 - Including setting the MFG to the maximum permissible level
 - And to raise all funding rates to at least 2.23% above the NFF.

Notional SEN Funding Calculation

32. Mainstream maintained schools and academies are notified each year of a clearly identified but notional SEN budget, within their overall budget allocation. This SEN budget should be used towards the costs of fulfilling their duty to use their 'best endeavours' to secure that special educational provision for their pupils with SEN is made. Local authorities are responsible for calculating the amount of this notional budget using funds from the schools block of the dedicated schools grant (DSG), with reference to their local mainstream schools funding formula factors.
33. The notional SEN budget is not a budget that is separate from a school's overall budget. It is an identified amount within a maintained school's delegated budget share or an academy's general annual grant. It is intended as a guide for a school's spending decisions and is neither a target nor a constraint on a school's duty to use its 'best endeavours' to secure special provision for its pupils with SEN.
34. It has been many years since a review of the Notional SEN funding figure, which is a part of the NFF for maintained Primary and Secondary Schools, has been undertaken in Southwark.
35. Southwark currently has a notional SEN percentage of 7.83% with a notional SEN per pupil value of £2,830, meaning 7.83% of a mainstream primary and secondary school main budget is notionally allocated for SEN provision. This rate puts Southwark as one of the lowest levels in the country, being 132nd out of 151 authorities. Comparing to closer neighbours in inner London, Southwark has the lowest rate of the 12 inner London boroughs.
36. Given the low ranking, a benchmarking exercise was undertaken to consider a more appropriate rate. The following table sets out the rates against which the notional SEN rate can be attributed, with the current and proposed rates for Primary and Secondary phase.

	Primary	Secondary	Secondary	Secondary	
Element	Current	Proposed	Current	Proposed	Rationale
Basic Entitlement	0.30%	4.80%	0.30%	4.80%	Set in line with inner-London mean plus amount to make up for not counting any EAL allocation as SEN funding. Still in line with inner-London AWPU mode.
FSM	0%	0%	0%	0%	Southwark FSM allocation is based on the meal cost for catering provision, so does not contain any SEN funding.
FSM6	26.50%	60.00%	28.00%	60.00%	Set at average for inner-London plus the amount required to make up the loss from not counting any FSM allocation as SEN funding
IDACI	25.00%	50.00%	27.00%	50.00%	In line with inner-London mean.
EAL	0%	0%	0%	0%	Not considered to be correlated with SEN need
Mobility	0.0%	60.00%	0.0%	60.00%	Inner London divided between 0-10% and 90-100% with a mean of 58.3%. Link between movement between schools and SEN.
Low Prior Attainment	100.00%	100.00%	100.00%	100.00%	11 inner-London LA's use 100%.
Lump Sum	0%	0%	0%	0%	10 inner-London LA's use 0%.

37. It is proposed that the notional SEN rate is increased to 14.8% and a notional SEN funding rate per pupil of £7,177 based on the rationale held in the above table.
38. Raising the rate to 14.8% will set Southwark as the 33rd highest out of 151 authorities nationally, and 8th out of 12 inner London authorities.

39. To reiterate, the raising of this rate will not impact the calculation of any Primary or Secondary school budget, nor will it increase the funding any school will receive as this is a notional rate from within the existing calculation.

Appendix A – Proposed Rates for the 2025-26 Funding Formula with comparisons

Factor	2024/25 Southwark Rate of Funding	Difference between Southwark 24/25 and 24/25 NFF	2025/26 Southwark Rates - Proposed	2025/26 Distance from NFF £	2025/26 Distance from NFF %
KS1/2 AWPU	£4,626.36	£399.48	£4,658.16	+£101.70	+2.23%
KS3 AWPU	£6,628.09	£668.68	£6,628.09	+£206.16	
KS4 AWPU	£6,649.45	-£68.23	£7,335.60	+£95.24	+2.23%
Primary FSM	£518.96	-£62.50	£599.37	+£13.08	+2.23%
Secondary FSM	£518.96	-£62.50	£599.37	+£13.08	+2.23%
Primary FSM6	£948.73	-£24.33	£1,283.51	+£28.02	+2.23%
Secondary FSM6	£1,388.39	-£35.60	£1,882.81	+£41.11	+2.23%
Primary IDACI F	£248.94	-£29.93	£284.55	+£6.21	+2.23%
Primary IDACI E	£301.88	-£36.32	£345.09	+£7.53	+2.23%
Primary IDACI D	£471.35	-£56.71	£538.83	+£11.76	+2.23%
Primary IDACI C	£561.14	-£14.39	£593.32	+£12.95	+2.23%
Primary IDACI B	£597.07	-£14.06	£629.64	+£13.74	+2.23%
Primary IDACI A	£720.35	-£86.58	£829.44	+£18.11	+2.23%
Secondary IDACI F	£382.48	-£20.98	£411.69	+£8.99	+2.23%
Secondary IDACI E	£506.23	-£27.77	£544.89	+£11.90	+2.23%
Secondary IDACI D	£724.20	-£23.40	£768.90	+£16.79	+2.23%
Secondary IDACI C	£798.33	-£20.47	£841.54	+£18.37	+2.23%
Secondary IDACI B	£856.18	-£21.95	£902.08	+£19.69	+2.23%
Secondary IDACI A	£1,093.36	-£28.03	£1,150.31	+£25.11	+2.23%
Primary EAL3	£624.94	-£75.19	£720.48	+£15.75	+2.23%
Secondary EAL3	£1,679.00	-£201.86	£1,931.37	+£42.22	+2.23%
Primary Low Prior Attain	£1,293.14	-£149.25	£14,22.79	+£31.10	+2.23%
Secondary Low Prior Attain	£1,879.18	-£226.43	£2,161.44	+£47.25	+2.23%
Primary mobility	£1,110.17	-£28.48	£1,168.48	+£25.51	+2.23%
Secondary mobility	£1,596.65	-£40.94	£1,677.03	+£36.61	+2.23%
Primary lump sum	£180,023.52	£20,536.42	£190,342.12	+£18,482.78	+10.75%
Secondary lump sum	£180,023.52	£20,536.42	£190,342.12	+£18,482.78	+10.75%

Split Site Basic	£62,130.55	-£1,593.09	£65,382.37	+£1,423.69	+2.23%
Split Site Distance	£31,123.13	-£798.02	£32,693.12	+£713.78	+2.23%

Appendix B – Schools Block Spend by Element

Breakdown Of Schools Block Spend

Basic Entitlement (AWPU)	201,908,791
Free School Meals	8,576,341
Free School Meals Ever 6	23,981,544
Income Deprivation Affecting Children Index(IDACI)	15,819,933
English As A Additional Language (EAL)	4,160,216
Mobility	453,052
Low Prior Attainment	14,263,101
Lump-Sum	16,750,107
Split Sites	530,394
NNDR (Business Rates)	3,841,190
Minimum Funding Guarentee (MFG)	<u>7,402,894</u>
	297,687,562
Growth Fund	55,180
Falling Rolls Fund	80,000
High Needs Transfer	1,200,000
	<u>299,022,742</u>
Total Schools Block Spend	<u>299,022,742</u>
Schools Block Funding	299,022,742
Variance	0