

Public Document Pack

ADDITIONAL INFORMATION AND PRESENTATIONS

7 **LOCAL FUNDING FORMULA 2025-26 (SW)** (Pages 1 - 12)

Monday, 13 January 2025

Service Director, Legal & Governance

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SUBJECT: Local Funding Formula 2025-26
DATE: 21st January 2025
RECIPIENT: Schools Forum

1. Purpose of this report

1.1 To advise Schools Forum about the services funded from the Central Services Block (CSSB) in 2025/26 and the approvals required by Schools Forum.

1.2 To update the Schools Forum on the latest 2025/26 funding arrangements announced by the DfE. This report provides Schools Forum the detailed funding options to be considered for approval.

1.3 The Schools Forum is requested to deliberate and decide on the following key matters concerning the allocation of the Schools Block for the 2025/26:

- Approve the transfer of £220,000 from the Schools Block to the Central School Services Block (CSSB).
- Approve the proposed notional Special Educational Needs (SEN) budget allocations within school formula budget shares.
- Approve the proposed allocation for the Growth Fund.
- Approve the setting of the Minimum Funding Guarantee rate
- Select the option for implementing the National Funding Formula for Schools in 2025/26.
- Approve the delegation of the retained budget for Trade Union duties staff supply cover costs.

2. Background

2.1 The local authority is required to consult annually with all maintained schools and academies in their area about any proposed changes to the local schools funding formula including the method, principles and rules adopted.

2.2 This report highlights local considerations that may need to be addressed in the development of the mainstream funding formula for 2025/26. It also identifies the decisions required during the process.

2.3 Consistent with previous years, the Authority Proforma Tool (APT) must be submitted to the Education and Skills Funding Agency (ESFA) by **22nd January**

2025, subject to political approval. Individual budget share allocations will be notified to maintained schools by the end of February 2025.

3 DSG funding allocation for 2025/26

3.1 The DSG allocations reflect an increase of £15.52 million compared to the current allocations for 2024/25, as outlined in the table below. The additional grants, including the Teachers' Pay Additional Grant (TPAG), the Teachers' Pension Employer Contribution Grant (TPECG), and the Core Schools Budget Grant (CSBG), have been rolled into the Schools Block and Central School Services Block (CSSB) for the 2025/26 budget.

Block	DSG 2024/25	Additional Grants 2024/25	DSG & Additional Grants 2024/25	DSG 2025/26	Change to 2024/25	% Change to 2024/25
	£m	£m	£m	£m	£m	£m
Schools Block	£195.83	£11.47	£207.30	£210.82	£3.52	1.7%
Central School Services Block	£1.63	£0.16	£1.79	£1.72	£(0.07)	-4.0%
High Needs Block	£45.79		£45.79	£50.18	£4.39	9.6%
Early Year Block	£26.96		£26.96	£34.64	£7.68	28.5%
Total DSG	£270.21	£11.63	£281.84	£297.36	£15.52	5.5%

**DSG Allocations reflect the pre-recoupment allocation values.*

3.2 Overall, there is a decrease of £0.55m compared to the provisional allocations published in November 2024 for the Schools, High Needs and Central Schools Services Blocks. The DSG allocations in 2025/26 have been updated to reflect latest pupil numbers, resulting in a reduction in 134 pupils, as well as a reduction to the growth fund of £0.25m. Refer to Appendix A for details.

3.3 The initial 2025/26 allocation for the Early Years Block indicates an increase of £7.68 million compared to the 2024/25 budget, driven by higher funding rates and the introduction of new entitlements.

3.4 The allocations will be adjusted in-year to account for the Early Years mid-year adjustment, based on the January 2025 pupil census return, and the High Needs import/export adjustment for cross-border placements.

3.5 Analysis of the 151 councils showing that Southampton ranks as an average-funded local authority for the schools' block on a per-pupil basis, placing 69th for primary per-pupil costs and 44th for secondary per-pupil costs.

4 Central School Services Block (CSSB)

4.1 The CSSB allocation for 2025/26 totalled £1,72m. This is split between pupil led funding of £1,55m (90.4%) and funding for historic commitments of £0.16m (9.6%).

4.2 The overall change to the CSSB in 2025/26 is a net reduction of £0.07m. Funding for on-going functions has reduced by £0.03m which is due to a reduction in pupil number of 134 and a reduction in the unit rate of 75p. Funding for historic commitments has reduced by £0.04m due to a further 20% reduction to the allocation.

4.3 As with the previous year, Southampton proposes to transfer £220,000 from the Schools Block to CSSB for the 2025/26 financial year. This amounts to approximately 0.11% of the Schools Block allocation and will be utilised to address the ongoing pressures associated with essential duties.

4.4 Further information on the impact and rationale for the block transfer is outlined separately on the agenda. The time pressures don't allow a full consultation to take place with all schools regarding the proposed use of the block transfer.

4.5 Should Schools Forum not agree to the proposed £0.220m transfer from the Schools Block to the Central School Services Block, there would need to be an amendment to the proposed redesign and the service plan to be delivered under it.

4.6 To avoid the creation of additional cost pressures incurred through any redundancy processes, vacant roles would be prioritised for removal to make the 0.220M reduction. This would also remove an element of the risk of funding positions through a presumption of transfers between blocks, which can only be agreed annually.

4.7 While the specific details of this process would be determined by the nature of the agreement to the transfer, whether the transfer is not agreed altogether, or a reduced amount is agreed, it is likely that that following changes would be made to the proposed redesign:

The removal of the vacant strategic Director of Education post	£0.126m
Reduction to legal support, notably legal representation	£0.016m
Reduction to Education Access services, including navigation of deregistered pupils and CME and EHE support	£0.036m
Reduction to Education Integration services, including Attendance Support, Exclusion & Reintegration and Pupils with Medical Conditions	£0.040m

4.8 If the vacant Director for Education post was to be prioritised for implementation, there would be a significant impact to the services the Local Authority would be able to deliver within its budget envelope, to additional costs for redundancies, and to the costs that would need to be met through income generation to ensure that key functions were still delivered for schools.

4.9 The table below presents a comparison of the budgeted and actual figures for 2024/25, along with the proposed budget for 2025/26.

Service	2024/25 Budget £m	2024/25 Forecast £m	Change £m	2025/26 Budget £m	Note
Pupil led funding	£1.42			£1.55	
Funding for historic commitments	£0.21			£0.16	
Total DSG allocation (Published on 19.11.2024)	£1.63			£1.72	
Additional grants (TPECG and CSBG)	£0.16				
Schools Block contribution	£0.22			£0.22	Subject to Schools Forum Approval
Total Allocation	£2.01	£2.01	£0.00	£1.94	
Committments	£2.01	£2.01	-£0.00	£1.94	
MASH Contribution (Preventative Social Care)	£0.50	£0.50	£0.00	£0.50	
Admissions	£0.42	£0.43	£0.01	£0.42	
Copyright Licences	£0.17	£0.16	-£0.01	£0.19	
Statutory Regulatory	£0.75	£0.75	£0.00	£0.75	
Centrally employed teachers	£0.16	£0.16	£0.00	£0.07	
(Underspend)/ Overspend	£0.00	£0.00	£0.00	-£0.00	

4.10 Schools Forum approval is required each year for the budgets held centrally.

Schools Forum members are asked for provisional agreement on:

- Approve the transfer £220,000 from Schools Block to Central School Services Block

5 Schools Block 2025/26

5.1 Funding through the mainstream schools is increasing by 2.3% per pupil on average in 2025 to 2026, compared to 2024 to 2025. This includes a 1.28% increase to ensure that the 2024 teachers and support staff pay awards continue to be fully funded at national level in 2025 to 2026. The initial DSG allocation for SCC provides an increase of £3.52m (1.7%) for the Schools Block compared to the 2024/25 allocation.

5.2 This reflects an update to the provisional allocation published in November 2024, based on the following:

- October 2024 census figures, which show a decrease of 134 pupils (0.41%) compared to October 2023. Specifically, there is a reduction of 205 pupils in Primary schools, offset by an increase of 71 pupils in Secondary schools.
- Growth Fund National Funding Formula, which uses growth in pupil numbers at middle layer super output area (small geographical areas)

between the October 2024 and October 2023 pupil census (decrease in funding of £255,000).

5.3 The overall position for schools in Southampton is that the level of funding required to implement the National Funding Formula (NFF) levels is in excess of total school block funding.

5.4 There is a shortfall of £1.56m (0.75%) between the budget and the cost of the school budget shares based on the national funding formula unit values. This is after applying the National Funding Formula rates and the minimum funding guarantee of 0.0%

Total SB funding available (excluding 25-26 NFF NNDR allocation)	£208.67m
Less: Growth Funding	£ (1.07)m
Revised Funding Available	£207.60m
Total funding allocated through the SB after deduction of 25-26 NNDR	£209.16m
Shortfall/(Surplus)	£1.56m

5.5 The shortfall in funding is also due to a change in pupil characteristics. To calculate the LA-level Schools Block 2025/26 units of funding and provisional impacts at LA level of the NFF, DfE have used pupil and school characteristics data from the 2024/25 APT, which is based on October 2023 school census data, as adjusted by LA. Funding will be provided to schools in 2025/26 based on the characteristics of pupils on the October 2024 pupil census. Appendix B details the shifts in the number of pupils across all factors, as well as the corresponding rate changes.

5.6 The factor that has the greatest impact is Free School Meals (FSM) and FSM6 where in the Secondary phase the proportion of pupils with FSM has increased from 35.4% in 2024/25 to 39.0% in 2025/26 and the proportion of pupils in FSM6 has increased from 36.6% to 39.4%. In the Primary phase, the proportion of pupils with FSM and FSM6 has increased from 34% in 2024/25 to 35% in 2025/26.

5.7 SCC are currently mirroring the NFF, however, the shortfall means a deviation away from the national formula is required.

5.8 Proposed notional SEN budget

5.8.1 Each year, mainstream schools are notified of a notional SEN budget within their school budget allocation. This budget is intended to cover the costs associated with fulfilling their duty to make their 'best endeavours' to ensure that special educational provision for pupils with SEN is provided. Local authorities are responsible for determining the amount of this notional budget, using funds from the schools block of the dedicated schools grant (DSG) and taking into account the local mainstream schools funding formula factors.

5.8.2 There is no national standard for calculating a school's notional SEN budget. In guidance released this year, the Department for Education (DfE) indicated that the notional SEN budget should include:

- A small portion of the basic entitlement funding
- A larger portion of deprivation funding, reflecting the higher prevalence of lower-level SEN among disadvantaged children
- The majority, or entire, allocation of low prior attainment factor funding, as this is considered the best indicator for pupils with low-cost, high-incidence SEN.

5.8.3 In Southampton, the notional SEN budget is currently based on 100% of low prior attainment funding for both primary and secondary schools. For the year 2024/25, the total funding for the Schools Block Formula for notional SEN is £13m with the notional SEN funding per SEN pupil amounting to £1,633.

5.8.4 This figure is one of the lowest in the country, placing Southampton 143rd out of 152 local authorities. In comparison, the median value for all LAs in England for 2024/25 is £3,841.

5.8.5 For 2025/26, DfE mandates that the calculation must reach at least £1,800 per SEN pupil at the LA level. The average cost of special educational provision for a pupil on SEN support is £3,500 per year, while supporting a pupil with high needs costs around £6,000 per year. Local authorities are encouraged to consider local average costs when determining the additional special provision required for pupils on SEN support.

5.8.6 For 2025/26, SCC proposes calculating the notional SEN funding as follows:

- 2% of basic entitlement
- 25% of deprivation
- 100% of low prior attainment

5.8.7 As a result, the notional SEN funding per SEN pupil would average £3,461, which is close to the DfE's target of £3,500.

5.8.8 The notional SEN funding for each school will be higher than in previous years, resulting in a larger portion of the School Budget Share being allocated to cover the costs of supporting SEN pupils. However, the overall School Budget Share allocation for each school **remains unchanged**.

Schools Forum members are asked for provisional agreement on:

- Approve to revise the calculation of notional SEN budgets

5.9 Minimum Funding Guarantee (MFG)

5.9.1 On the 5th of November, the DfE confirmed the MFG for 2025/26 must be set between -0.5% and 0%. SCC proposes to set the MFG at 0%, maximising stability for schools as far as possible. Choosing an MFG of 0.00% is a measured and equitable approach, striking a balance between ensuring funding stability for schools and addressing the budget shortfall. While this decision results in a slightly higher shortfall (£0.09M), the benefits of maintaining current funding levels and safeguarding schools outweigh the marginal financial impact.

Schools Forum members are asked for provisional agreement on:

- Approve the minimum funding guarantee at 0%

5.10 Growth Fund

5.10.1 Growth funding is allocated to Schools to manage an increase in pupil numbers in 2025/26 before the lagged funding catches up. The DfE allocates growth funding based on the differences between primary and secondary pupils at school within each Middle Layer Super Output Area (MSOA) between the October 2024 and October 2023 census figures.

5.10.2 As it is within the Schools Block, a movement of funding from the schools' formula into the growth fund would not be treated as a transfer between blocks, but the Schools Forum would still need to agree the total growth/falling rolls fund.

5.10.3 Appendix C sets out the movement in pupil numbers in October 2024 when compared to the October 2023 census.

Phase	Oct 24 NOR Pri	Oct 24 NOR Sec	Oct 23 NOR Pri	Oct 23 NOR Sec	Primary Movemen t	Secondar y Movemen t	Net
All-through	423	545	421	360	2	185	187
Primary	18,719		18,926		-207		-207
Secondary		12,612		12,726		-114	-114
	19,142	13,157	19,347	13,086	-205	71	-134

5.10.4 The £1.56m shortfall cannot be covered by the Growth Fund allocation. SCC allocated a Growth Fund of £375,832 for 2024/25. However, SCC proposes to opt out of using this approach for the current year, citing insufficient budget availability.

5.10.5 If the entire 2025/26 Growth Fund is allocated to individual school budgets, the funding shortfall would reduce to £0.49m (0.24%).

Total SB funding available (excluding 25-26 NFF NNDR allocation)

£208.67m

Total funding allocated through the SB after deduction of 25-26 NNDR	£209.16m
Shortfall/(Surplus)	£0.49m

5.10.6 However, the increase at St Mark's Church of England School, driven by the additional year groups as the school becomes an all-through school, is recommended to be allocated an amount of extra funding for growth based on a lump sum rather than pupil numbers. This is in accordance with the Growth Funding Policy previously agreed at Schools Forum. The lump sums are £66,000 for the extra classes at primary schools and £88,300 for the extra secondary classes.

5.10.7 There are 6 additional classes in the secondary phase for the 7 months September 2025 to March 2026, totalling £0.31M as laid out in the following table

Lump sum per class	£ 88,300	(a)
Number of classes	6	(b)
Number of months	7	(c)
Full year	12	(d)
Calculated total	£ 309,050	= a x b x c / d

5.10.8 As a minimum, local authorities will need to provide funding to a level which is compliant with the following formula:

Primary growth factor value (£1,570) × number of pupils × Area Cost Adjustment (ACA).

Assuming 180 pupils this would equate to £282,600 before ACA is applied. ACA for SCC is 1.01479; after ACA the amount would be £286,780

Schools Forum members are asked for provisional agreement on:

- Approve the proposed growth funding allocation of £309,050 to St. Mark's Church of England School to support its additional secondary classes.
- Agree that the remaining growth funding should be used to support the overall Schools Block budget, addressing the shortfall.

5.10.9 If the funding is allocated to St. Mark's Church of England School, the funding shortfall will increase by £309,050, resulting in a total shortfall of £800,214, which represents 0.38% of the total budget.

Total SB funding available (excluding 25-26 NFF NNDR allocation)	£208.67m
Total funding allocated through the SB after deduction of 25-26 NNDR and after adjusting funding for St Mark	£209.47m
Shortfall	£0.80m

5.10.10 The table below summarises the changes in the shortfall across different growth funding allocation approaches:

Description	Amount (£m)
Total SB Funding Available (excluding 25-26 NFF NNDR allocation)	£208.67m
Less: Growth Funding	(£1.07m)
Revised Funding Available	£207.60m
Total Funding Allocated through the SB (after NNDR)	£209.16m
Shortfall	£1.56m
If Growth Fund is fully allocated	
Shortfall (after Growth Fund allocation)	£0.49m
After adjusting for St Mark's funding	
Total SB Funding Available (excluding 25-26 NFF NNDR and after adjusting for St Mark)	£209.47m
Shortfall	£0.80m

5.11 Local Schools Funding Formula 2025-26

5.11.1 Factors Considered in Developing the School Budget

5.11.1.1 The initial step was to adjust the projected number of secondary pupils at St Mark's to reflect the addition classes starting in September 2025. This adjustment increased the total number on rolls from 32,299 (as recorded in the October 2024 census) to 32,335.50, accounting for only 7 months of the year (September 2025 to March 2026).

5.11.1.2 Funding associated with PFI schools was uplifted with the latest available RPIx, 2.3%.

5.11.1.3 Schools gaining through the formula have not been capped.

5.11.2 Budget Modelling

5.11.2.1 In the event of a funding shortfall after applying the National Funding Formula (NFF) in full and accounting for the growth fund budget, the proposed approach is as follows:

- Option 1: Reduce the basic per pupil funding factor values within the formula to address the shortfall directly.
- Option 2: Transfer £220,000 to the Central School Services Block (CSSB) to mitigate the ongoing reduction in its funding. The remaining shortfall would then be allocated to schools by reducing the basic per pupil funding factor values in the formula.

5.11.2.2 A number of scenarios for each option to manage the deficit have been modelled and the impact of these on the individual schools' allocations have been compared to the NFF allocation and adjustments for the PFI Factor and growing schools. Adjusting the Minimum Funding Guarantee (MFG) alone wouldn't manage the deficit, so this has been used in conjunction with adjustments to the AWPU. Adjustment to the minimum per pupil funding level was considered as a lever to balance the deficit but this requires a disapplication which hasn't been sought.

- a) Scenario 1 – MFG 0.0% reduce AWPU on all schools with the relative reduction same/similar for primary/secondary
- b) Scenario 2 – MFG -0.5% reduce AWPU on all schools with the relative reduction same/similar for primary/secondary

5.11.3 The key findings of the proposed funding models, excluding transfers from the Schools Block (Option 1), are outlined as follows:

Option 1	2024/25 SCC Rates	Baseline (NFF)	Scenario 1	Scenario 2
MFG (%)	0.5%	0.0%	0.0%	-0.5%
AWPU Primary (£)	£ 3,882.32	£ 3,903.90	£ 3,873.57	£ 3,878.28
AWPU KS3 (£)	£ 5,472.38	£ 5,502.19	£ 5,471.86	£ 5,476.57
AWPU KS4 (£)	£ 6,169.50	£ 6,203.41	£ 6,173.08	£ 6,177.79
Primary: Secondary Ratio	1:1.35	1:1.36	1:1.36	1:1.36
Shortfall (£)		£ 0.80m	0	0
Schools Protected (Number)	7	9	16	9
Budget required to support schools below the funding floor (MFG)	£ 0.33 m	£ 0.22m	£ 0.35m	£ 0.61m
Impact on Schools		This model cannot be adopted and is only provided for information	Reductions shared equally and more schools protected	Reductions shared equally

5.11.4 Similarly, the key findings for Option 2 are outlined below.

Option 2	2024/25 SCC Rates	Baseline (NFF)	Scenario 1.1	Scenario 2.1
MFG (%)	0.5%	0.0%	0.0%	-0.5%
AWPU Primary (£)	£ 3,882.32	£ 3,903.90	£ 3,864.69	£ 3,870.28

AWPU KS3 (£)	£ 5,472.38	£ 5,502.19	£ 5,462.98	£ 5,468.57
AWPU KS4 (£)	£ 6,169.50	£ 6,203.41	£ 6,164.20	£ 6,169.79
Primary: Secondary Ratio	1:1.35	1:1.36	1:1.36	1:1.36
Shortfall (£)		£ 1,0m	0	0
Schools Protected (Number)	7	9	21	11
Budget required to support schools below the funding floor (MFG)	£ 0.33 m	£ 0.22m	£ 0.40m	£ 0.23m
Impact on Schools		This model cannot be adopted and is only provided for information	Reductions shared equally and More schools protected	Reductions shared equally

5.11.5 The APT is subject to agreement by the Department for Education, and in the event of any amendment SCC would like to request that Schools Forum agrees the principle by which a revision is allocated to balance the APT.

Schools Forum members are asked for provisional agreement on:

- Approve using the Basic Entitlement for Pupils Factor to allocate shortfall schools block funding to Mainstream Maintained Schools and Academies in 2025-26.

5.11.6 Individual school budget shares are still subject to further adjustments which may have an impact on the final unit values and budgets set. Appendix D illustrates the budget implications on individual school based on all proposed scenarios.

5.12 Delegation for Trade Union

5.12.1 Schools in Southampton can opt to create a central pot to provide fund trade union activity. The fund provides the backfill for the school which employs the trade union representatives.

5.12.2 Maintained schools can vote to have an element of their individual school budget de-delegated to be held centrally. Academies, special schools and Pupil Referral Units can elect to buy into the fund via a service level agreement.

5.12.3 In recent years maintained primary schools have voted for the de-delegation of their budgets. An accumulated surplus amount had been de-delegated prior to 2022/23 which has meant that for the following financial years, 2022/23, 2023/24 & 2024/25, no amounts were de-delegated from schools' budgets.

5.12.4 The outturn for the last 3 years is shown in the table below. Based on the spend continuing at these levels there will be insufficient surplus for 2025/26.

	2021/22	2022/23	2023/24
Expenditure	28,287.67	31,873.43	35,126.63
SLA income	-9,378.00	0.00	-3,994.20
Net Spend	18,909.67	31,873.43	31,132.43

5.12.5 A full review of all Trade Union activity, within both SCC and schools is to take place later in the year. This means that the findings won't be available before a decision is made regarding the de-delegation of funds from LA maintained schools' budgets. It is therefore recommended to use the net spend of the last few years as a guide for the amount to de-delegate; a sum of £30,000.

5.12.6

Schools Forum members are asked for provisional agreement on de-delegation for Trade Union funds:

- Secondary LA Maintained Schools Reps only
- Primary LA Maintained Schools Reps only

5.12.7 For maintained schools the following table summarises the amounts that would be de-delegated based on variable unit values:

De-delegated Unit - Primary AWPU	£1.00	£1.70	£3.00
De-delegated total - Primary	£10,197.00	£17,334.90	£30,591.00
De-delegated Unit - Secondary AWPU	£1.00	£1.70	£3.00
De-delegated total - Secondary	£7,615.50	£12,946.35	£25,892.70
Total	£17,812.50	£30,281.25	£56,483.70

Report Author:

Van Furtado – Finance Analyst
 Email: Van.furtado@southampton.gov.uk

Steve Wade – Finance Business Partner
 Email: Steve.Wade@southampton.gov.uk