

# South Gloucestershire Council

## SCHOOLS FORUM – For Formal Consultation

5 December 2024

### Setting the Schools Budget 2025-26

#### Purpose of Report

1. To formally consult with the Schools Forum on options for setting the Schools Budget 2025-26. The Forum is being asked to give a formal view on a block transfer of up to £3m, which will be presented to Cabinet and Full Council in February 2025 for their consideration in setting the final Schools Budget for 2025-26.

#### Policy

2. The Financing of Maintained Schools Regulations 2024 requires local authorities (LAs) to set the Schools Budget each year. The Schools Budget is defined in regulations and broadly represents all the expenditure incurred by local authorities that relate to schools. The source of funding to support the Schools Budget is a ring-fenced grant received by local authorities known as the Dedicated Schools Grant (DSG). Local Authorities must distribute an element of the Schools Budget to their maintained schools using a formula which accords with the regulations made by the Secretary of State for Education and enables the calculation of a budget share for each maintained school. The financial controls within which delegation works are set out in the Scheme for the Financing of Schools.
3. The DSG is allocated to local authorities in 4 blocks as follows:
  - Schools Block: relates mainly to funding for mainstream school budget shares
  - High Needs Block: relates to funding to support children and young people with SEND
  - Early Years Block: relates to funding for supporting nursery education providers and other general early years education responsibilities
  - Central Services Block: relates to funding to support LA statutory responsibilities relating to schools
4. Requirements relating to each of the blocks and the DSG in totality are covered in the regulations previously mentioned.
5. The Schools Forum has a key responsibility to act as a consultative body with the local authority on the strategic financial management of the Schools Budget and the

DSG. A key priority in this area is to take decisions that ensure sound financial management of the Schools Budget.

## **Background**

6. This report sets out the latest information available and proposed options to consider in setting the 2025-26 Schools Budget including setting the formula for calculating school budget shares.
7. The DfE has announced some of the funding arrangements for 2025-26 but has not yet announced the final DSG funding values for LAs. As all the required information is not yet available all figures in this report are subject to change but the figures presented are sufficiently robust to allow the Forum to make considered views. Funding for Special Schools is more closely linked to DSG values and so this report focuses on Mainstream school funding, Special Schools will be provided with funding information after the DSG rates are announced in December.

## **The National Funding Formula (NFF) for Schools 2025-26**

8. The Government announced that it was increasing funding for education with an additional £2.3 billion for mainstream schools and young people with high needs for 2025-26. This means that overall core school funding will total almost £63.9 billion next year compared to £61.6 billion in 2024-25.
9. £1 billion of the £2.3 billion increase is being allocated as high needs funding in 2025-26. This will bring total high needs funding to £11.9 billion. The high needs NFF will ensure that every local authority receives at least a 7% increase per head of their projected aged 2-18 population, with the majority of authorities seeing higher gains. There is a limit on the gains of 10% per head.
10. The mainstream schools national funding formula (NFF) is increasing by 2.23% per pupil on average in 2025-26, compared to 2024-25. 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 2025-26.
11. The DfE also recognised that the timescale for the publication of the NFFs this time has been unprecedented. The DfE usually publishes the NFF allocation in July to help schools with their planning as early as possible. This year, due to the timing of the general election, that was not possible and they were published on 28 November 2024. This has meant Officers have had an even shorter period of time to analyse the data announced and produce this report.
12. Key features of the 2025-26 schools NFF include: -
  - An increase in factor values in the NFF to increase the amount of funding available to schools. Through the minimum per pupil funding levels, every primary school will attract at least £4,955 per pupil, and every secondary school at least £6,465 per pupil. 4 –
  - The funding floor will continue to protect schools from sudden drops in their per-pupil funding.

- Rolling the 2024-25 Teachers' Pay Additional grant (TPAG), Teachers' Pension Employer Contribution grant (TPECG) and Core Schools Budget grant (CSBG) into the schools NFF, ensuring that this additional funding forms an on-going part of schools' core budgets.
13. Local authorities will continue to use funding through the schools NFF to determine final allocations for all local mainstream schools. Local authorities will be required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2024 to 2025, unless they are already mirroring the NFF.
  14. The structure of the high needs NFF will remain largely unchanged. While the mainstream elements of the TPAG, TPECG and CSBG are rolled into the school NFF for 2025-26, for high needs we will continue to pay local authorities the funding currently allocated through the separate TPAG, TPECG and CSBG for special schools and alternative provision outside of the high needs NFF in 2025 to 2026. These funding streams will be brought together and paid as a single 2025 to 2026 CSBG, and we will announce details of this 2025 to 2026 CSBG shortly.
  15. Central school services funding funds local authorities for the ongoing responsibilities they continue to have for all schools, and some historic commitments entered into before 2013-14. The total provisional funding for ongoing responsibilities is £342 million in 2025-26. Final allocations of mainstream schools and central schools services funding for 2025-26 will be calculated in December 2024, based on the latest pupil data at that point.
  16. The December DSG allocations will also include updated high needs funding allocations, based on the latest pupil data, but these are not final because, as usual, there will be further adjustments in March 2025 and subsequently. As normal, local authorities will use the December allocations to finalise their schools and high needs budgets for 2025-26.
  17. In addition to the funding allocated through the NFFs, further funding in respect of the increase in employer's National Insurance contributions will be provided in 2025 to 2026 by a grant outside the NFF. The DfE will provide further details on this as soon as possible.
  18. Rolling the additional grant funding into the schools NFF The mainstream schools elements of TPAG, TPECG and CSBG are being rolled into the schools NFF for 2025-26. The approach to rolling in these grants is very similar to how previous grants were rolled into the 2023-24 and 2024-25 NFFs. In particular, the grants have been rolled up, in three ways, to reflect the three different ways in which schools attract funding through the NFF:
    - Increasing the basic entitlement, FSM6 and the lump sum factor values for schools funded through the main formula factors (before protections);
    - Increasing the minimum per pupil levels; and
    - Increasing the baseline for each school, which is used to calculate funding protections for schools funded through the funding floor.

19. For TPAG and TPECG, the amount rolled in represents the equivalent amounts in the 2024 to 2025 grants. For CSBG, the amount rolled in is larger than the amount allocated through the grants in 2024 to 2025. That is because the 2024 to 2025 CSBG funding was calculated to match, at a national level, the funding needed to meet the full-year cost of the support staff pay award, as well as the part-year cost of the 2024 teachers' pay award (from September 2024). When rolling in this grant, an uplift was added to ensure that the full twelve months of salary costs are fully funded at a national level in 2025 to 2026.

20. This "CSBG uplift" has been reflected in all three ways in which the grants have been rolled in: the core factor uplift, the minimum per pupil uplift and the baseline uplift. The table below shows the amounts that have been added to the core factor values in respect of the grants – including the CSBG uplift. These same amounts have been used when uplifting each school's baseline in the NFF. The existing Area Cost Adjustment (ACA) calculation within the NFF ensures that the per pupil rates added to these factors are uplifted to reflect geographical variation in labour market costs, as is currently the case with the grants.

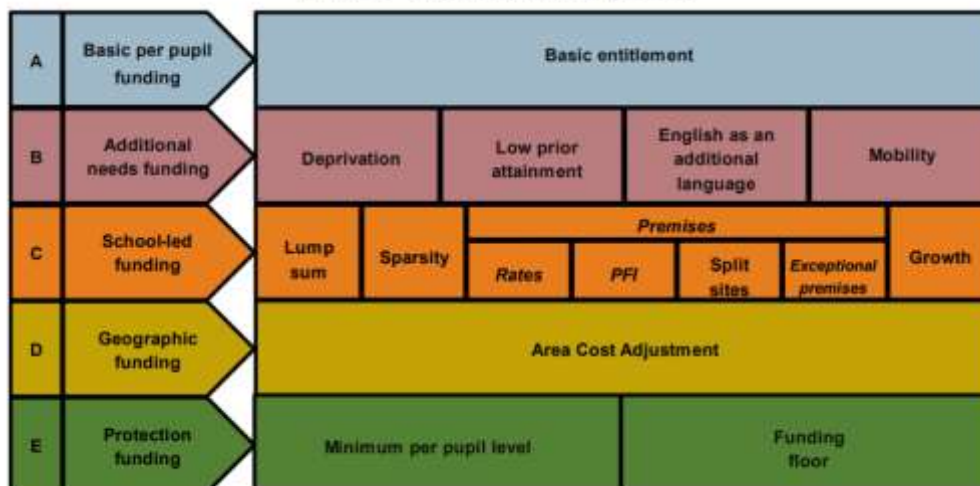
21. The factor value uplifts from the rolling in of grants are shown in the following table:

Table 11: Factor value uplifts from the rolling in of grants

Factor	TPAG	TPECG	CSBG	CSBG uplift	Total
Primary basic per-pupil	£62	£75	£76	£51	£264
KS3 basic per-pupil	£86	£106	£108	£71	£371
KS4 basic per-pupil	£98	£119	£122	£80	£419
Primary FSM6 per-pupil	£53	£65	£70	£45	£233
Secondary FSM6 per-pupil	£77	£100	£100	£68	£345
Lump sum	£2,306	£2,800	£2,900	£1,915	£9,921

22. The structure of the NFF is as follows:

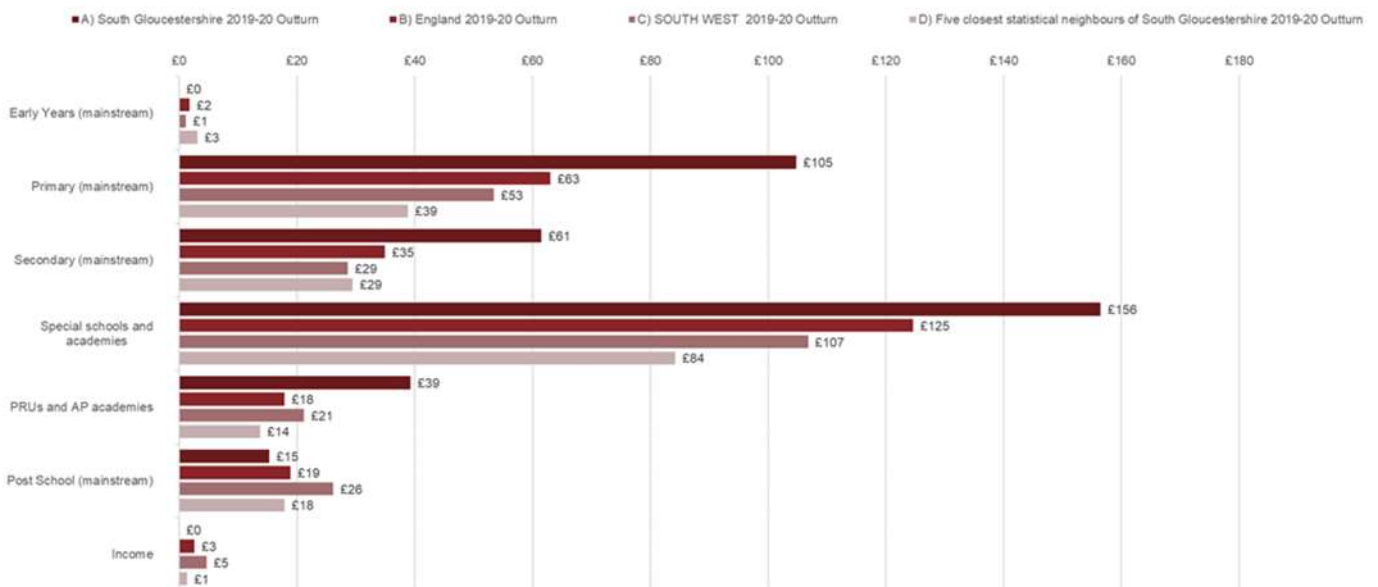
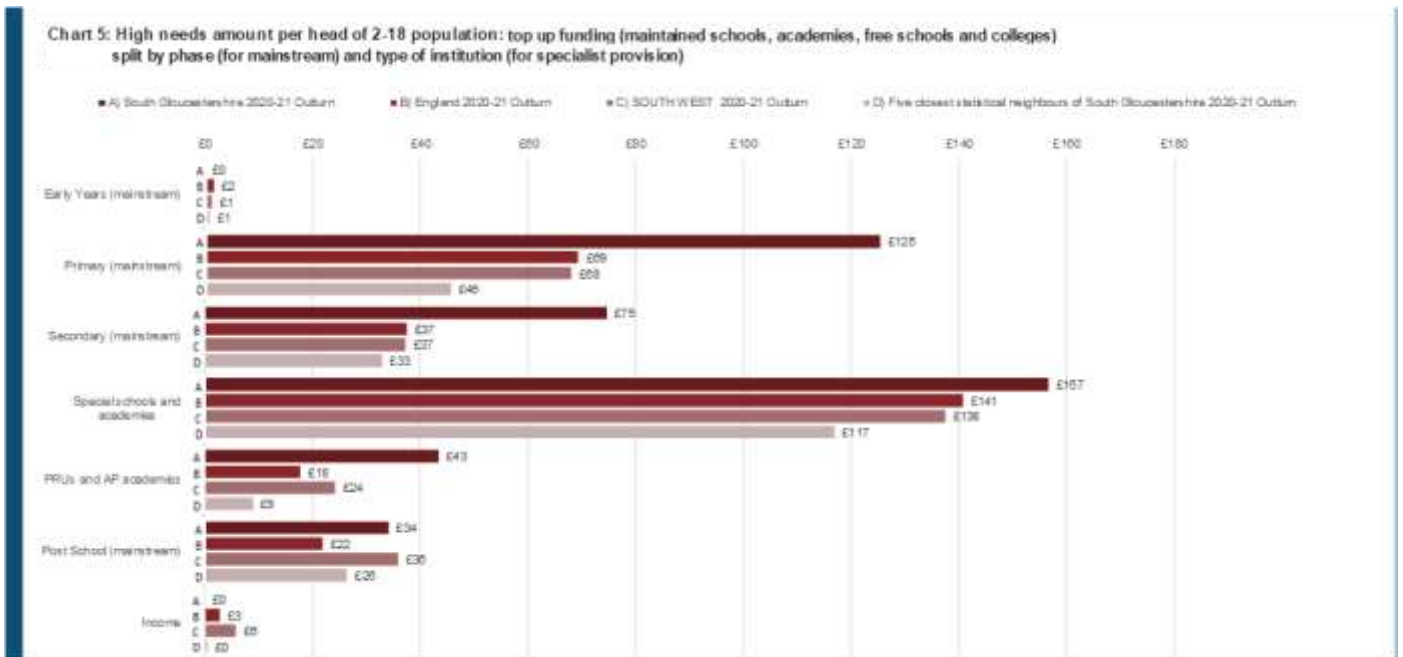
Figure 1 - Current NFF Funding Factors



## SEND Pressures and the Safety Valve Plan

23. The Council's successful engagement with the DfE's Safety Valve process has resulted in significant funding to offset a large part of the historic DSG deficit that has built up over several years due to our expenditure exceeding our annual funding allocation. The total amount to be received via the Safety Valve is £25.5m

24. The DfE's national benchmarking tables have consistently shown that we pass on significantly more funding to schools through EHCP top-up levels than all our comparators as well as having a higher proportion of EHCPs than our comparators, as can be seen in the following two tables:



25. The original Safety Valve Recovery Plan is shown in the following table which includes an assumed £2.2m transfer from the Schools Block each year up until 2026/27 and a £1m contribution from the Council's own reserves.

DSG Sustainability Plan	Outturn 2018/19	Outturn 2019/20	Outturn 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'001
High Needs Block Funding	27,225	27,711	30,134	33,548	38,036	39,937	41,135	42,369	43,641	44,950	46,298
Annual Increase in Funding		486	2,423	3,414	4,488	1,902	1,198	1,234	1,271	1,309	1,348
		1.80%	8.70%	11.30%	13.40%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Transfer from Schools Block	2,900	2,200	2,200	2,200							0
<b>Total Funding</b>	<b>30,125</b>	<b>29,911</b>	<b>32,334</b>	<b>35,748</b>	<b>38,036</b>	<b>39,937</b>	<b>41,135</b>	<b>42,369</b>	<b>43,641</b>	<b>44,950</b>	<b>46,298</b>
<b>DfE Ask Proposal</b>											
Transfer from Schools Block					2,200	2,200	2,200	2,200	2,200		
Safety Valve Ask					17,000	4,000	4,000				
Council contribution					334	333	333				
<b>Total Proposed Funding</b>	<b>30,125</b>	<b>29,911</b>	<b>32,334</b>	<b>35,748</b>	<b>57,570</b>	<b>46,470</b>	<b>47,668</b>	<b>44,569</b>	<b>45,841</b>	<b>44,950</b>	<b>46,298</b>
Annual % Increase		-0.70%	8.10%	10.60%	79.70%	-34.40%	2.80%	2.80%	2.90%	2.90%	2.90%
Total Spend (analysed below)	32,602	34,958	39,978	44,986	44,156	42,537	40,995	41,180	42,004	42,844	43,701
Annual % Increase		7.20%	14.40%	12.50%	-1.80%	-3.70%	-3.60%	0.50%	2.00%	2.00%	2.00%
In Year Over(+)/Under(-) spend High Needs Block	2,477	5,047	7,644	9,238	-13,414	-3,933	-6,673	-3,389	-3,837	-2,106	-2,597
In Year Over(+)/Under(-) spend (Other Blocks)		-347	-89								
Cumulative deficit	11,646	16,346	23,901	33,139	19,725	15,792	9,119	5,730	1,893	-213	-2,810

### The Case for an increased Block Transfer of £3m

26. The council holds a cumulative brought forward deficit balance on its Dedicated Schools Grant of £27,460k, which had been budgeted to increase during 2024/25 by £7,708k based on the updated December 2023 Safety Valve submission.

27. The current Safety Valve targets agreed with the DfE are not being met. There is good evidence that our Plan and actions are having a material affect and ensuring expenditure is lower than it would otherwise be. This evidence includes the fact that SG has moved from having a higher proportion of EHCPs than the England average to being in line with the England average.

28. Despite this progress the Safety Valve targets have slipped due to 3 main factors:

- a) **Unprecedented demand and pressure for EHCPs.** As is the national case, the number of pupils with SEND has accelerated, with the main reason thought to be the impact of COVID and COVID related lock downs. Growth in pupils with SEMH needs, medical needs EOTAS (Education Other than at School) and alternative provision have ramped up beyond the targets used for the original Safety Valve plan.
- b) **Unprecedented inflationary pressures.** When the Safety Valve Plan was originally modelled inflation was below 2% with no anticipation that inflation would reach double digit levels as it did during 2023/24.
- c) **Lack of local specialist places.** The Council has expanded and is currently expanding places in its Special Schools and is developing plans for a further

two expansions. Beyond that the Council has exhausted its capital funds to create more much needed SEND places. The Council had bid for extra Capital funding as part of its Safety Valve negotiations but was not successful. The Government has announced more SEND capital funding for LAs and we are awaiting further details, which may help in the future.

29. There have been cases for other LAs that have slipped their targets where the DfE has ceased their Safety Valve payments. SG has submitted a reprofiled plan and so far, payments have continued. In the last monitoring meeting with DfE officials, however, SG was asked to consider increasing the Block Transfer to help move the Council back towards its original targets. An increased transfer is therefore included in the options presented to the Forum in this report.

30. The transfers modelled for this Report are as follows:

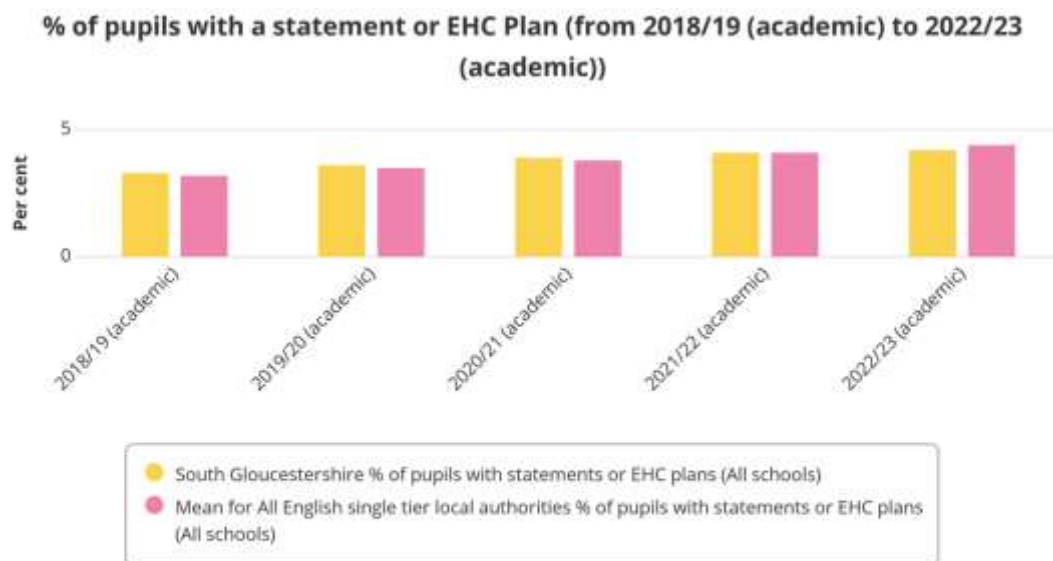
- **A 3m transfer:** this is based on maintaining the proportion of the aggregate school's budget shares that the first £2.2m represented. i.e. £2.2m represented 1.352% of school budget shares in 2020/21 and £3m represents 1.352% of 2025/26 school budget shares.
- **A 2.6m transfer:** this was trailed at the last Forum meeting and represents what the original £2.2m would be using standard inflationary uplifts.
- **A 2.2m transfer:** this has been the standard transfer undertaken each year over recent years.
- **A £1m transfer** this is the highest transfer possible without requiring Secretary of State approval.

31. Importantly, the school funding settlement for 2025/26 was a positive one for SG, with an above average increase in per pupil funding (2.32% for SG compared to the England average of 2.23%) resulting in funding growth of £5m on a like for like basis. That £5m is on top of funding needed to meet existing pay awards and future increases in NI. This means that after a £3m transfer schools will have sufficient funding to meet all pay awards and the future NI increases and still have an extra £2m of funding. Appendix A shows school by school modelling showing the relative impact of these options. As with all modelling figures the Council presents to schools, they are shown to give an indication of impact between different options and should not be taken as representing final budget share figures schools will receive for 2025-26. Final budget share figures will be shared with schools by the 28th February 2025, which is the statutory deadline.

32. Over recent years the Schools Forum has approved a transfer of £2.2m from each year's Schools Block increase to invest in improvements to the local SEND system, improving support for schools and helping to reduce escalating costs in future years. The current proposed transfer of £3m, **the majority of which still flows back to schools** but importantly to specifically support SEND pupils, would allow the following investments:

- **£1m for Cluster Boards** to invest in SEND support in their schools. This has now become an established element of SG's SEND system with good buy-in

from schools. Importantly it has also supported progress on one of the Safety Valve agreement's critical KPIs by helping to close the gap with our benchmarking comparators on the proportion of EHCPs, as can be seen in the following table:



Source:

Metric ID: 2213, Department for Education, Special Educational Needs in England, Percentage of pupils with Special Educational Needs (SEN) statements or Education, Health and Care (EHC) Plans (All schools), Data updated: 23 Jun 2023  
 Powered by LG Inform

- **£250k for investment in Early Years.**
- **£970k to invest in early help and support schools to meet more complex needs of SEND pupils.** One of the targets of our Safety Valve Plan is to reduce reliance on expensive Independent school places. Many mainstream and special schools play an important role in supporting this aim. There has been rapid growth in the need to provide additional support for more complex cases to ensure the placement does not break down and to support schools to meet more complex needs. SG expenditure in this area has increased significantly and this funding will support schools that play that important role. This funding will also complement the new family link worker early help offer being developed using council and health funding.
- **£780k investment in central capacity** to ensure schools, parents and pupils receive improved support and guidance on a timely basis as they navigate through the EHCP and new banding process. Increased demand for services has resulted in the need to boost capacity of the central teams, therefore this short term investment has been necessary in EHC coordination, EP services and the associated support. This will be needed until we start to see a plateauing of demand for EHCPs.

33. All the above investment initiatives are critical to our continued progress on moving to a position where, as a system we can live within our means as well as improving our offer of support for SEND pupils. The Council has rightly developed these investment initiatives collaboratively with the High Needs Working Group which is a sub-group of the Schools Forum and has representatives from all sectors of schools.



The intention is to continue managing the use of the funding and tracking its impact jointly with the HNWG and continue our process of providing regular updates to the Forum and thereby all schools as well.

### **Improving the Funding Formula for Local Circumstances**

34. The Forum has received a separate report regarding the Council's work with schools that have financial challenges. One factor that seems to be contributing to financial challenges for a large number of schools is size, and related to low pupil numbers/declining pupil numbers. With a decline in birth rates over recent years a number of smaller schools are facing difficult pupil number challenges that go beyond school performance and popularity. The Council is working with many to create sustainability plans utilising changes in PAN, use of falling pupil numbers funding and other actions.
35. Another option being recommended in this Report to support smaller schools, is to increase the Lump Sum value for Primary Schools. Although this affects all Primary Schools the working of the Formula means that it will proportionately benefit smaller schools to a greater extent than larger schools. With funding being driven on a Formulaic basis it is not straightforward to target funding at particular schools and with various funding protection mechanisms operating within the Formula the ability to target funding is further diminished. This option of increasing the primary lump sum, however, remains the best option for trying to support smaller schools.

### **School by School Modelling**

36. Appendix A shows school by school modelling of school budget shares for 2025-26 utilising all funding announcements thus far. It shows various options with a view to show the comparative impact between them. The options show the impact of the proposed lump sum changes and the impact of block transfers ranging from £1m to £3m. The recommended option 1 is based on a £3m block transfer and the proposed change to lump sums to try and support smaller schools.
37. As with all modelling of this nature the figures shown should only to be used to assess the relative impact between different options; they should not be regarded as values to assess what individual schools may receive in funding for 2025/26. This is even more the case this year as the DfE have not released the APT tool which allows LAs to model more accurately using the NFF. Officers have had to adapt existing models and utilise mathematical approaches to create the models shown, which renders them even less useful for assessing school funding levels, but they should represent a good indicator of relative impact.

### **Recommendations**

38. The Schools Forum is requested to approve:

**Option 1: a £3m transfer from the Schools Block to the High Needs Block, which represents the same impact on school funding as the original £2.2m did and supports key areas of support for SEND pupils, as well as changing the lump sum values to support smaller schools.**

39. This consultation with the Schools Forum is of the highest importance and the Council is very mindful of continuing our progress on the Safety Valve Programme in full partnership with the Forum. The regulatory framework within which the Schools Forum operates does mean that the Council will need to consider the views expressed by the Forum, when setting the final schools Budget including the proposal to transfer £3m, however the decision does lie with the Council. The Council will also need to obtain the Secretary of State for Education's approval for the £3m transfer and with that regard it is also important to point out that the proposal to seek a bigger transfer was put forward by DfE Safety Valve colleagues as part of our monitoring meetings regarding the Safety Valve plan.

### **Financial Implications**

40. The School Finance Regulations set out the arrangements which Local Authorities must follow when allocating the DSG funding to schools.

41. As the support for schools and other pupil related services expenditure is funded by the DSG there is no charge to the Council Budget. Hence there is no charge to the Council Tax payer.

42. The DSG is forecast to overspend in 2024/25. Any overspend will need to be recovered from future year's DSG funding. The Council has successfully entered into the DfE's Safety Valve Programme which includes adhering to a challenging plan of reaching an in-year balance by 2027/28. The recommendations in this report form an important element of staying on track with the Safety Valve agreement and failure to maintain that progress could put at risk the £25.5m secured through the Safety Valve Programme. The historic nature of the deficit will mean that without this additional funding from the DfE greater savings from the local SEND system would be needed to achieve that statutorily required in-year balance.

### **Legal Implications**

43. There is a legal requirement for the local authority to:

- submit the final school pro-formas and underlying data to the Education & Skills Funding Agency by the 21 January 2025.
- confirm with schools their budget allocations for 2025/26 by 28 February 2025.

44. The Chief Finance Officer, after the end of the financial year, must confirm to the DfE that the grant conditions have been met.

### **Author**

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