

Report subject	Early Years and Mainstream Schools Funding 2025/26
Meeting date	5 February 2025
Status	Public Report
Executive summary	<p>This paper outlines the proposed 2025/26 early years single funding formula (EYSFF) and local mainstream schools funding formula based on recommendations from the Schools Forum. The mainstream schools formula includes options dependent on final decisions from government.</p> <p>The formulae are highly regulated by the Department for Education (DfE), with funding provided by the £54m early years block and £285m schools block of the ring-fenced dedicated schools grant (DSG).</p> <p>The national increase in expenditure needed to support pupils with special education needs (SEND) and shortfall in DSG funding through the high needs block has been well-documented. It is generally agreed that for the system to improve outcomes for children and become more financially stable, mainstream schools must become more inclusive.</p> <p>The proposed local mainstream formula options include transferring up to £2.8m (1%) of school block funding for new high needs expenditure on services to help mainstream schools provide more support for pupils with SEND.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet recommends to Council:</p> <p>(a) The early years funding formula detailed in Appendix 1.</p> <p>(b) The mainstream schools funding formula options detailed in Appendix 2 (paragraph 18), with the final outcome dependent on DfE decisions.</p>
Reason for recommendations	The recommendations balance the funding needs of early years providers, schools and council central activity supporting the sectors and management of the high needs funding gap.
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Wards	Council-wide
Classification	For Decision

Background

1. The DSG is allocated by the DfE through four separate funding blocks – early years, schools, high needs, and central school services with a total estimated for 2025/26 of £405m provided in the settlement announced on 18 December 2024.
2. A summary of the DSG settlement for 2025/26 is provided in table 1 below:

Table 1: School Funding Settlement 2025/26

DSG Funding Block	2024/25 Forecast	2025/26 Forecast	Annual Change		Reason for Change
	£000's	£000's	£000's	%	
Early Years	36,518	53,549	17,031	46.6%	Funding uplift plus entitlement expansions.
Schools *	279,716	284,772	5,056	1.8%	Funding uplift, data changes, fewer pupils
Central School Services (CSSB)*	2,111	2,176	64	3.0%	Funding uplift and fewer pupils
High Needs	60,710	64,472	3,761	6.2%	Funding uplift but lower child population
Total	379,056	404,969	25,913	6.8%	

* Comparative includes 2024/25 separate grants rolled into the DSG NFF baselines for 2025/26. Central services 2025/26 forecast assumes successful application to restore commitment funding to historic levels

3. The main driver of DSG funding levels is pupil numbers. Overall, the child population is smaller in 2024 compared with 2023. The birth rate continues to decline and without the expansion in the childcare entitlements, funded hours would be reducing in the early years sector. The birth rate decline is working its way through schools with a 1.9% reduction in primary phase pupils at the October 2024 census. Secondary phase pupils have increased by 0.7%.
4. The schools block allocations are now fixed but adjustments to early years funding and a small element within high needs funding, will be made in-year based on future pupil-level data returns.
5. Schools will receive a separate grant to cover the national insurances increase from April 2025 with information to be provided in early 2025. An allowance for this pressure has

already been included in early years funding and in the CSSB funding rates for council services.

6. Each funding block has its own national funding formula (NFF) methodology to allocate funding to the local authority and expenditure is governed by the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024.

Schools Forum

7. The Schools Forum is a statutory consultation body of the council with its constitution and operation regulated by the DfE. It has oversight of all DSG budgets with a range of decision-making powers.
8. The Schools Forum includes representation from the early years sector, each phase of school (primary, secondary, special, and alternative provision), each status (maintained and academy) plus an age 14-19 provider and local dioceses. Lead officers and the Cabinet members for children's services and resources can contribute at meetings but are non-voting members of the forum.
9. The regulations set out the responsibilities for decision-making between the Council and the Schools Forum, including any consultation requirements.
10. The Schools Forum decides the level of central expenditure retained from each funding block, except for high needs, for which it has a consultation role only. It also decides if funding can be transferred away from the schools block up to a maximum of 0.5%, with any higher level requiring the approval of the DfE.
11. Funding through the central school services block is used to support a range of council services supporting schools (for example, the school admission service) with the decision regarding the use of funding made by the Schools Forum. It has been agreed each year that the level of DSG funding from this block can be used to fund the relevant council services.
12. Schools Forum is to make recommendations, following consultations with each sector, regarding the early years and mainstream schools funding formulae with the decisions to be made by Council.

Early Years Funding Block and EYSFF 2025/26

13. Funding is for a sector comprised of private, voluntary, and independent settings with a small number of nursery classes in mainstream schools and academies.
14. The DSG funding rates have increased for each entitlement for 2025/26, and the number of funded hours will increase compared with current levels as the entitlement expansions continue for working parents from September 2025.
15. The funding rates includes allowances for pay awards and other pressures across the sector, including the national insurance rise from April 2025. Hourly funding rates have increased by 5.3% for children less than 2, by 5.6% for 2 year olds and by 4.3% for those aged 3 and 4.
16. Early years take up of the entitlements in 2025/26 has been estimated by the DfE based on their latest data and the funding total will remain estimated until summer 2026.
17. Included within the DSG but outside the EYSFF there are prescriptive amounts included in the total early years funding in table 1:

- a. early years pupil premium (EYPP) for eligible children in each age range.
 - b. disability access fund for one off payments to settings for eligible children.
18. The council is responsible for distributing the funding between childcare providers through the EYSFF. The methodology is determined locally within DfE parameters, with a requirement to consult providers on any changes.
19. A principle-based consultation was undertaken with the sector during October – November 2024 and the outcome shared with Schools Forum on 18 November 2024. Providers in the sector supported the proposed principles and Schools Forum recommended these be implemented by the Council.
20. The proposed EYSFF was finalised following the confirmation of the new funding rates from the DfE on 10 December 2024.
21. The formula includes support for disadvantaged children and those with additional needs and funding required for central council functions. The recommendation demonstrates a balanced position of the funding available for distribution to the early years sector.
22. The proposed EYSFF for 2025/26 based on the recommendations of Schools Forum is detailed in Appendix 1.

Schools Funding Block

23. Funding through the schools block is for mainstream schools and finalised each year in the December settlement. The school level NFF allocations calculated by the DfE for 2025/26 use school census data from October 2023. These allocations are totalled and divided by pupil numbers to derive the primary and secondary school phase unit funding levels for each council. These unit values are then applied to the October 2024 census pupil numbers to determine the final schools NFF funding to the council in December. The local formula must use school data from the October 2024 school census so the allocations will differ from those provided through the NFF to the council.
24. The mainstream schools NFF in 2025/26 has increased unit values for all formula factors with a higher proportion of pupils with characteristics attracting additional funding. The average per pupil funding increase is 2.5% but this reflects that more pupils are of secondary school age where funding levels are generally higher. The increase of 1.8% reflects that the school population has reduced.

Central School Services Funding Block

25. The funding for the central school service block has received an uplift in the unit value for ongoing functions, including an allowance for the national insurance increase from April. Schools Forum in January 2025 agreed the council budgets to be funded by this grant. The DfE has protected separate funding for historic commitments until they end with the annual process to agree funding levels in progress.

High Needs Funding Block

26. The provisional high needs settlement has increased funding by 6.2% for 2025/26. This is less than the headline guarantee of an increase of 7% which it should be noted relates to funding per head of age 2 – 18 population. The guarantee does not cover all the elements of the high needs NFF, and the declining child population is also impacting.
27. The high needs block largely funds the costs of meeting the needs of individual pupils through top up funding for those in mainstream schools and funding for pupils in special schools and other specialist providers.

28. The pressures on this budget have been identified as a national issue following legislative changes in 2014, which significantly increased the number of pupils eligible for additional funding through education, health, and care plan (EHCP) assessments. Growing awareness of the potential support available, consequential shortage of places provided by the state, and the longer term impact of the covid pandemic are all contributing to the growing pressures.
29. The high needs funding gap has grown each year in BCP with the projection for 2025/26 being a shortfall in funding of £60m (2024/25 shortfall projected at £45m). To fully fund this gap in high needs expenditure would require a transfer from mainstream schools funding of 21%.
30. Fundamental to reducing the funding gap is the need to create more local special school places as well as mainstream schools becoming more inclusive to avoid the need to place pupils in more expensive specialist settings.
31. Any transfer of funding from the school block to support high needs can be agreed for one year only so that the amount is not locked into the budget. It is limited within the regulations to 0.5% of school block funding which equates to £1.4m in 2025/26.
32. For 2024/25 the Schools Forum did not agree the full 0.5% of school block funding could be transferred to high needs (only surplus funding of 0.1%) but a successful application to the DfE was made for 0.5% based on the DSG deficit management plan submitted.
33. The DSG deficit management plan included for 2025/26 that a 1% funding transfer would be required to support the additional expenditure proposed to help all mainstream schools become more inclusive. Schools Forum on 18 November 2024 did not support this level of transfer. The DfE were approached through the standard disapplication (of the regulations) process to agree a 1% transfer with the outcome awaited.
34. The council could decide to transfer funding to high needs from early years or central school services, but this could not be at any scale and funding is fully committed between early years providers and council services.

Mainstream School Funding Formula 2025/26

35. The schools funding block of £284.77m provides for the mainstream school formula and the central growth fund that must be established to provide for agreed in-year pupil growth from September 2025. Some pupil growth is provided to schools through the formula (implicit growth circumstances set out in DfE guidance) and there is no expectation that the overall level of growth funding should match that allocated. Schools Forum agreed the growth fund budget for 2025/26 in January 2025.
36. After the level of the growth fund is agreed, the balance of funding is available for the mainstream formula and any transfer to high needs. A summary of the position if all schools were allocated their full NFF allocations is set out in table 2.

Table 2: Schools Funding Allocations 2025/26

Allocation of Funding	£000's
Schools funding allocation– table 1	284,772
Growth fund (for explicit growth)	(150)
NFF as the local mainstream school formula 2025/26	(283,514)
Surplus school block funding (0.4%)	1,108

37. The local formula to pass funding on to mainstream schools must be designed to a DfE template, the authority pro-forma tool (APT), which is based on the NFF and provides detailed calculations and narrative. The APT must be approved by the DfE prior to budgets being notified to schools. The DfE ensure the budget calculations adhere to the regulations and any variations (dis-applications of the regulations) have the appropriate approvals from the Schools Forum and/or the DfE.
38. Due to the change in government the usual July announcements for the mainstream schools NFF were not made until November 2024 with the DfE not providing the APT to enable modelling of options to commence until 18 December. These were shared with Schools Forum on 13 January 2025 and a recommendation for the formula agreed depending on the outcome of DfE decisions.
39. The proposed mainstream schools school funding formula and options dependent on pending DfE decisions are detailed in Appendix 2.

Options Appraisals

40. Options were considered in the consultation processes with the early years sector, schools and Schools Forum.

Summary of financial implications

41. The EYSFF and mainstream formula are set within the funding envelope of the DSG and therefore have no impact on the general fund.
42. The £1.1m (0.4%) transfer of funding from the schools block to high needs is the maximum affordable with all schools receiving their full NFF allocations and able to be agreed by the Schools Forum on 13 January.
43. A transfer of funding of 1% has been requested of the DfE with the outcome of this decision pending. The innovation fund budget will be set at the level of funding transfer agreed.
44. The impact of the growing accumulated DSG deficit is considered further in the Budget and Medium Term Financial Plan (MTFP) 2025/26 report on the agenda.

Summary of legal implications

45. The consultations undertaken and formulae recommendations are compliant with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024. Any options needing specific DfE decisions will be implemented only if approved.
46. Funding rates for early years must be provided to the sector by 31 March 2025, however the DfE have an expectation that funding rates will be published no later than 28 February 2025.
47. School budgets must be finalised and notified to maintained schools by 28 February 2025 with the DfE timetable the same for academy budgets.

Summary of human resources implications

48. Implications for staffing levels from early years and mainstream funding changes rests within individual providers and schools. The central services to be provided from the planned funding transferred from the schools block to high needs includes additional central staff to support inclusion in mainstream schools.

Summary of sustainability impact

49. None.

Summary of public health implications

50. Should appropriate funding not be allocated to meet the needs of pupils with SEND within BCP, there may be health and well-being implications for this group of the population leading to reduced health equalities locally.

Summary of equality implications

51. An equalities impact assessment has not been undertaken. The DfE have undertaken equality impact assessments in determining the structure of the funding formulae and how funding is to be allocated. The local formulae are aligned with the national schemes.

Summary of risk assessment

52. There are no risks to the council from the implementation of the funding formulae within the Regulations and published guidance. However, the main risk relates to the high needs funding gap in the longer term.

Background papers

1. DfE policy notes published on 3 October 2024:
<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2025-to-2026>
2. Cabinet Report 2 October 2024: High Needs Schools Grant Expenditure Forecast
[http://ced-pri-cms-02.ced.local/documents/s52985/Hlgh%20Needs%20Schools%20Grant%20Expenditure%20Forecast.pdf?\\$LO\\$=1](http://ced-pri-cms-02.ced.local/documents/s52985/Hlgh%20Needs%20Schools%20Grant%20Expenditure%20Forecast.pdf?LO=1)
3. Schools Forum Papers November 2024:
[Welcome to BCP Council | BCP](#)
Item 14 Finance Update (including high needs transfer)
Item 15 Five Year High Needs Forecast
Item 16 Early Years Single Funding Formula 2025/26
4. DfE DSG Settlement announcements 18 December 2024:
[dedicated schools grant \(DSG\) funding allocations for the 2025 to 2026](#)
5. Schools Forum Meeting – 13 January 2025
[Welcome to BCP Council | BCP](#)

Appendices

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| Appendix 1 | Proposed EYSFF 2025/26 |
| Appendix 2 | Proposed mainstream schools formula 2025/26 (options dependent on DfE disapplication outcome). |

Proposed EYSFF 2025/26

Background

1. The 2025/26 DSG early years block funding rates have increased by 4.3% for 3- and 4-year-olds, 5.6% for 2-year-olds and 5.3% for under 2 year olds.
2. From September 2025 working parents of 9 month to 2-year-olds will see an increase from 15 hours per week currently to 30 hours per week entitlement. This entitlement is aimed specifically at working families that fulfil eligibility criteria.
3. Disadvantaged 2-year-olds will continue to be eligible for 15 hours per week in 2025-26, with no change to the entitlement criteria.
4. Final hourly rates were confirmed by government on the 10 December 2024. A summary of the early years settlement for 2025-26 is provided in table 1 below:

Table 1: Early years funding settlement 2025-26

	24-25 LA Rate	25-26 LA Rate	Increase to LA Rate	% Increase to LA Rate
3&4 year olds	£5.60	£5.84	£0.24	4.3%
2 year olds	£7.92	£8.36	£0.44	5.6%
under 2s	£10.77	£11.34	£0.57	5.3%

5. The early years block is distributed according to a national funding formula (NFF) with funding allocated to the local authority in accordance with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024. The regulations impose some restrictions on how the funding can be allocated to early years providers, as well as detailing the central expenditure that can be charged to the grant within the block.
6. Elements included within the DSG, but outside the early years funding formula are as follows:
 - a. Early years pupil premium (EYPP) for eligible children with an increase of 45%.
 - b. Disability Access Fund for one off payments to settings for eligible children with an increase estimated at 3%.

Early Years Single Funding Formula (EYSFF)

7. The Council is required to operate an EYSFF for all providers. The formula is applicable for 9-month, 2-, 3- and 4-year-old entitlements to childcare places delivered in pre-schools, day nurseries, independent schools, childminders, and in nursery classes within a small number of academies.
8. The formula for 3- and 4-year-olds is to include a universal base rate for all providers and a mandatory deprivation supplement to differentiate funding.

9. The formula for 2-year-olds includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a disadvantaged 2-year-old, a working parent and a working parent eligible for EYPP.
10. The formula for under 2's includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a working parent and a working parent eligible for EYPP.
11. The formula must include a SEND Inclusion Fund (SENIF). The SENIF provides additional funding to support children with additional needs of all age groups.
12. SENIF is not provided under the statutory framework for EHCPs. Any EHCPs for children in the early years age groups are funded by the high needs block following statutory processes in addition to the inclusion fund within the EYSFF.
13. Councils are permitted to retain up to 4% of the EYSFF for central services such as administering the entitlement and providing support to providers and systems to operate the funding claims. For 2025/26 it is proposed that 2.5% of the EYSFF continues to be retained for central services. This is unchanged.
14. To mitigate any impact from take-up of the new early education entitlements being increased from 15 hours to 30 hours per week during 2025/26 it is proposed to again hold approximately 1% of the EYSFF from the under 2's and 3- and 4-year-old formula as a contingency fund. This funding will be reserved to alleviate any overspends in either age group (including any change to forecast SEND pressures). This means that from the EYSFF an overall 3.5% of funding is not immediately available for providers.

Proposed EYSFF 2025/26

15. Schools Forum on 18 November 2024 unanimously agreed to recommend the proposed EYSFF principles to the Council. Now that the DfE figures have been released tables 2 and 3 below show the impact of adopting those principles and therefore the EYSFF proposal for 2025/26, per age group.

Table 2: Summary funding v proposed rates 2025/26

	% Increase to LA Rate (table 1)	Provider Base rate 24-25	Proposed increase to base rate	Proposed base rate 25-26	Proposed increase to provider base rates
3&4 year olds	4.3%	£5.10	£0.24	£5.34	4.7%
2 year olds	5.6%	£7.25	£0.47	£7.72	6.5%
under 2s	5.3%	£9.88	£0.40	£10.28	4.1%

16. The proposed formula for each age group also includes allocations to reflect deprivation and special needs. Central budgets for council services supporting the entitlements need to be allowed for and a contingency set aside for provider payments as final funding levels and take-up of the entitlements remain uncertain until after the end of the financial year. The proposed EYSFF and allocation of the full funding rate from government is summarised in Table 3 below:

Table 3: Proposed EYSFF – Hourly Funding Rates 2025/26

Table a	2025/26		
3 and 4 year olds Funding Elements	Allocation from Funded Rate*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£5.34	£5.34	Every child
Deprivation Supplement	£0.07	£0.33	Per eligible child
SENIF – targeted	£0.23	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.15		
Contingency	£0.06		
DSG Funding per hour	£5.84		

Table b	2025/26		
2 year olds Funding Elements	Allocation from Funded Rate*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£7.72	£7.72	Every child
Deprivation Supplement	£0.13	£0.65	Per eligible child
SENIF – targeted	£0.30	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.21		
DSG Funding per hour	£8.36		

Table c	2025/26		
Under 2 year olds Funding Elements	Allocation from Funded Rate*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£10.28	£10.28	Every child
Deprivation Supplement	£0.07	£0.33	Per eligible child
SENIF – targeted	£0.59	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.28		
Contingency	£0.11		
DSG Funding per hour	£11.34		

**the shaded grey allocations from the DSG funding levels are shown for context, some rounding may occur*

Notes

Deprivation eligibility is determined as follows:

- **3- and 4-year-olds** the supplement is added for those children that had formerly accessed disadvantaged 2-year-old funding or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.
- **2-year-olds** the supplement is added for those children that qualify as a disadvantaged 2-year-old, or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.
- **Under 2-year-olds** the supplement is added for those children that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.

SEND inclusion is funded as follows:

- **(All age groups)** Providers are funded per hour for all early entitlement hours accessed, based on three levels of need which is determined by a weekly panel of special education needs officers.
- Tier 1 at £2.43, Tier 2 at £4.86, tier 3 at £7.49.

Consultation for 2025/26

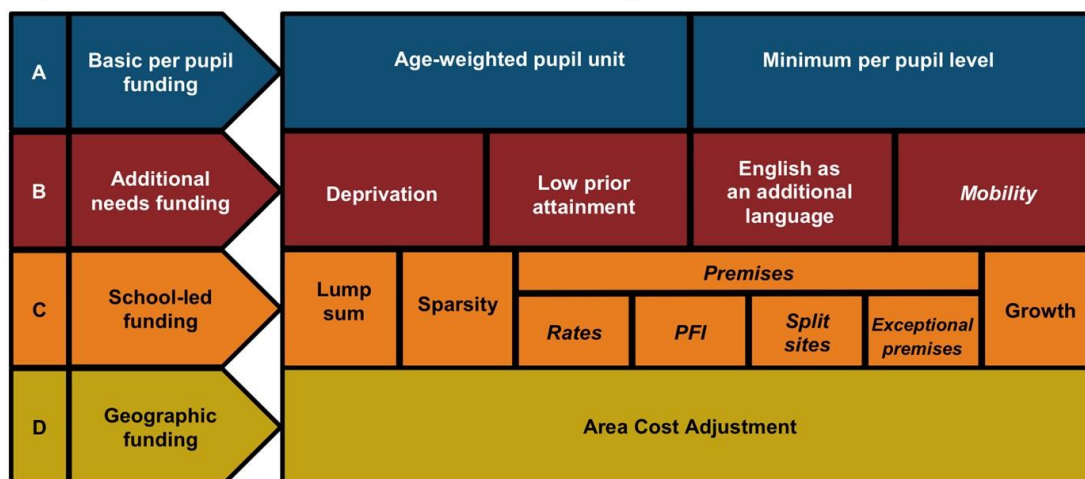
17. Initial consultation took place with provider representatives in a sub-group of the Schools Forum to help shape the wider consultation with the sector. In partnership with this group the Council recommended the following to the sector:
 - Prevent overspending within the Special Educational Needs Inclusion Fund (SENIF), and a portion of any funding increase received from the DfE should be allocated to safeguard the current tier funding rates and ensure that the number of children who meet the eligibility criteria can continue to receive support.
 - That any remaining additional funding increase received from the DfE is then applied only to the base rate per age category
18. The Early Years Single Funding Formula consultation paper was distributed via email to 279 childcare providers within BCP on 16 October 2024 with responses requested by 5 November. Two virtual consultation briefing events were held over this period with 12% of the sector providing consultation feedback (34 responses of a possible 279). The consultation responses show an overall approval for both proposals above.
19. A late announcement of rates in December 2024 impacts the timing of consultation. In order to avoid a consultation over the Christmas period, an earlier principles-based consultation was held in order to inform how the rates will be applied in the formula.
20. The proposed formula was shared on 7 January 2025 with the early years sub-group of the Schools Forum where it was considered a fair distribution of the funding provided by government.

Local Mainstream School Funding Formula Options 2025/26 (Dependent on DfE disapplication outcomes)

Background

1. The Schools NFF to provide funding for mainstream schools comprises factors as shown in Figure 1.

Figure 1: Factors in the schools national funding formula



2. The PFI factor and area cost adjustment are not applicable to BCP, with the relevant 2025/26 NFF factors and funding values included in Appendix 2a.
3. The detail of the local formula has become increasingly regulated each year. Only limited movement away from the NFF funding values is permitted (plus or minus 2.5%) in setting the local formula. The range of unit values set for each formula factor are included in the APT along with the school data to ensure compliance. The APT including the October 2024 school census data was supplied by the DfE on 18 December 2024.
4. The impact of adopting the NFF as the local formula for 2025/26 to fund the 91 BCP mainstream schools is as follows:
 - a) **Minimum per pupil funding level (MPPFL)** impacts on 28 schools (31%). Budgets are increased to the MPPFL where the NFF allocations otherwise would provide less funding than national mandatory minimum levels (typically for schools with high performing pupils from more affluent backgrounds).
 - b) **Minimum funding guarantee (MFG) per pupil funding protection of an increase of 0%** for 14 schools (15%) where the NFF provides less than a 0% increase from the previous year allocation (historically these typically were schools with higher levels of deprivation but now as more schools have become formula funded the need for MFG funding can simply be the result of school data movements between years).
 - c) The remaining 49 (54%) schools are fully **formula funded** with changes in NFF allocations compared with 2024/25 driven by the uplift in NFF formula factor unit values and data changes at the October 2024 school census.

5. Surplus funding in the schools block has increased in 2025/26 to £1.1m due to underused growth funding. As the proportion of schools funded by the NFF (rather than through the fixed MPPFL or MFG) has been increasing, data movements between years have a greater impact on the level of funding provided to schools through the local formula. The DSG schools block allocation will not reflect these data changes until 2025/26 as it uses data lagged by one year to calculate the primary and secondary units of DSG funding. As a consequence, surplus growth funding would be needed to top up the NFF if all schools were to receive their NFF allocations in full.

Consultation and Recommendation from the Schools Forum

6. The Schools Forum at the November 2024 meeting was presented with the latest 5-year high needs forecast, accumulated deficit projection and planned use of the 1% transfer that would be used to create an innovation fund to help schools to become more inclusive. Schools Forum voted by majority against this level of transfer.
7. Extensive consultation with schools was undertaken over 2024 in developing the innovation fund proposals and the feedback was generally positive with most schools agreeing the measures would help them become more inclusive.
8. It has not been possible to undertake a full consultation with individual schools regarding options for the mainstream formula for 2025/26 as the funding rates and modelling tool were received late in the year and this prevented the impact of options being calculated until early January 2025.
9. It is accepted that any reduction in NFF funding for schools would not be welcomed and in the 2024/25 funding consultation responses, no schools supported reducing individual school NFF allocations to provide a level of transfer beyond surplus school block funding.
10. However, there is a need to balance the cost of central support to help all schools to be as inclusive as possible with funding levels for individual schools.
11. The Schools Forum meeting on 13 January 2025 received details of the DSG December settlement, mainstream school budget calculations using the NFF as the local formula, and estimated growth fund requirement. The full details of the planned innovation fund were also presented and discussed.
12. The forum supported the innovation fund proposals, recognising that the council needs to play a greater role in helping schools manage their challenges in catering for more children identified with SEND. The forum challenged the lack of consultation with all schools this year regarding a funding transfer and formula options. Further consultation was offered if this was needed, however, decisions were taken and recommendations made for Council.
13. A transfer of £1.1m (0.4%), the estimated surplus school block funding, was requested to be approved as a minimum level of transfer and this was agreed by the Schools Forum. Options for higher levels of transfer up to 1% were considered to enable the new innovation fund to be supported in full. A funding transfer above surplus funding would require school level NFF allocations to be reduced. A higher level of transfer was not approved with Schools Forum, therefore, recommending that the local formula adopt the NFF in full.
14. The DfE has been approached to override the Schools Forum and permit a transfer of 1% from schools block funding linked to the implementation of the proposed innovation fund developed to reduce the trajectory of the high needs funding gap and accumulating deficit.

Options for the mainstream schools formula dependent on DfE decisions

15. Options presented to Schools Forum were for a 0.5% transfer (NFF allocations being reduced by 0.1%) and for a 1% transfer (NFF allocations being reduced by 0.6% to fully fund the proposed inclusion fund). Within each transfer level, formula options were considered and recommendations made by Schools Forum should the DfE agree a funding transfer greater than the level of surplus funding of 0.4%. A summary of options and formula implications is included in Appendix 2a.
16. The formula options for Schools Forum reflected that DfE decisions were not yet known and allowed for:
 - a) In both transfer levels above surplus funding, the DfE allowing all schools to contribute to a funding transfer by varying the regulation amounts for the MPPFL with the alternative being that the MPPFL remains at the NFF level and other schools needed to make higher contributions.
 - b) Additionally in the case of a 1% transfer, the DfE allowing the MFG to be set at minus 0.6% (varying the regulation maximum reduction of 0.5%) to enable all schools to contribute equally. The alternative is again that other schools would need to contribute more.
17. All options considered and the school level impact are included in the background papers to this report (Schools Forum 13 January 2025) with those recommended by Schools Forum dependent on final DfE decisions.

Proposed mainstream formula and transfer to high needs 2025/26

18. Schools Forum recommend (with reference to Appendix 2a) that:
 - a) If a transfer of only £1.1m (0.4% surplus school block funding) can be agreed by the DfE (no override of the Schools Forum decision), then the local formula is to adopt the NFF in full (option 1).
 - b) If a transfer of only £1.4m (0.5%) can be agreed by the DfE override, then the recommendation for the local formula is that all schools contribute to the £0.3m needed from NFF allocations (option 2a). This is dependent on the DfE also permitting variation to the MPPFL. If this is not forthcoming, then the difference is made up by schools with MFG and formula allocations (option 2b).
 - c) If a transfer of £2.8m (1%) is agreed by the DfE then the local formula is to be set so that all schools can contribute to the transfer (option 3a). This is dependent on the DfE also permitting variations to formula requirements (for the MPPFL and MFG). If these are not also approved, then the alternative is that the MFG is set at the statutory minimum (minus 0.5%) and schools with formula allocations make up the balance with further reduced NFF allocations (option 3b).

Appendix 2a

Summary of Mainstream School Formula Options and Impact

Ref	Option Summary	Formula Adjustments	Transfer Amount	DfE Approval Required?
1	Transfer of surplus funding - Schools Forum approved.			No – less than 0.5%
1	No reductions in NFF allocations	None	£1.1m (0.4%)	No
2	Transfer at 0.5% - Schools Forum not approved			Yes
2a	All schools contribute	Minus 0.11% MFG, MPPFL and formula factors reduce by 0.11%	£1.4m (0.5%)	Factor approval - Yes MPPFL below NFF
2b	Exclude MPPFL only from contributing	Minus 0.16 % MFG, formula factors reduce by 0.16%,	£1.4m (0.5%)	Factor approval - No Formula compliant
3	Transfer at 1%			Yes – above 0.5%
3a	All schools contribute	Minus 0.62% MFG, Reduce MPPFL & formula factors by 0.62%	£2.8m (1%)	Factor approval -Yes MPPFL below NFF MFG < minus 0.5%
3b	Exclude MPPFL MFG at minimum	Minus 0.5% MFG, reduce formula factors by 1%	£2.8m (1%)	Factor approval - No Formula compliant
3c	Exclude MPPFL MFG at minimum Capping gains	Minus 0.5% MFG Reduce formula factors by 0.9% Gains cap of 1.08%	£2.8m (1%)	Factor Approval – No Formula compliant

Only option 1 does not require DfE approval as Schools Forum has approved the funding transfer within the 0.5% maximum and the NFF will be the local formula.

All other options are dependent on the DfE approving either a 0.5% or 1% funding transfer. Options 2a and 3a require further DfE approval to vary regulation restrictions imposed on the local formula. If this is not received alongside the transfer level approval, then either options 2b or 3b will be implemented as these are within the regulation tolerances for the local formula. Schools Forum did not specifically express a preference between options 3b and 3c but in previous years has not supported capping gains ahead of other formula variations.