

Report subject	Mainstream Funding and Transfer to High Needs 2025/26
Meeting date	13 January 2025
Status	Public
Executive summary	This report sets out the outcome of applying the 2025-26 National Funding Formula (NFF) to the October 2024 schools census data and options for the local mainstream schools funding formula linked to the final decision regarding a transfer of funding to high needs. It also sets out the 2025-26 growth fund budget for approval.
Recommendations	<p>It is RECOMMENDED that Schools Forum agree for 2025-26 the following:</p> <p>All Members:</p> <ol style="list-style-type: none"> 1. To agree which level of transfer of school block funding to high needs can be supported in the light of the December settlement for 2025-26 and outcome of the national funding formula (NFF) for mainstream schools. Options are set out in paragraph 22. <p>School Members:</p> <ol style="list-style-type: none"> 2. To agree the growth fund budget requirement of £150,000 as set out in paragraph 17. 3. To recommend to Council a preferred option for the local mainstream formula for each level of transfer that could be finally agreed as set out in paragraph 29.
Reason for recommendations	<p>The Schools Forum must:</p> <ol style="list-style-type: none"> 1. Agree the central budget for the growth fund and whether any funding can be transferred away from the schools block. 2. Be consulted on the local mainstream school funding formula and make recommendations to Council to cover the differing levels of funding transfer that could be finally agreed as decisions from the DfE remain outstanding.
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People
Corporate Directors	Cathi Hadley, Director of Children's Services
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Wards	Council-wide
Classification	For Decision

Background

1. Final 2025-26 DSG funding for the school block to fund mainstream schools totals £284.8m (NFF £282.7m and growth fund £2.1m).
2. The council is responsible for setting the funding formula for mainstream schools for reception to year 11, after taking account of the recommendations of the School's Forum which in turn should be based on the views of schools.
3. Schools Forum can agree a level of funding transfer up to 0.5% of school block funding. Any higher level requires a decision from the DfE.
4. Schools Forum agreed for 2024-25 that only surplus schools block funding of £0.4m (0.1% of total school block funding) could be transferred to support high needs. Any higher transfer requiring reduced NFF allocations for schools was not agreed. The DfE agreed to override the decision and a transfer of 0.5% (£1.3m) was made linked to the proposals in the DSG deficit management plan. The DfE also agreed that all schools could contribute from their NFF allocations by allowing the local mainstream formula to set minimum per pupil funding levels (MPPFLs) below the NFF and statutory minimum. This was the preferred option of Schools Forum by a small margin should the DfE agree the higher level of transfer.
5. In planning for the 2025-26 mainstream formula, at the 18 November 2024 meeting it was reported that the DfE was being requested to agree a transfer of 1% from the schools block to fund increased support for inclusion in mainstream schools. This was voted against by a majority of Schools Forum. The DfE submission included a summary template, the November meeting papers and a copy of the draft minutes.
6. In November, the outcome of the 2025-26 NFF and implications for schools were unknown and a number of options are presented in this paper for further consideration.
7. As part of the school block, Schools Forum is also responsible for deciding the mainstream school's growth fund policy and level of budget. A revised policy was agreed in December 2023 to reflect updated DfE guidance last year and there are no proposals to make changes to the policy for 2025-26.

2025-26 NFF applied to October 2024 school census data

9. It has not been possible this year to rework the 2024-25 equivalent allocations to include the rolled in grants for comparison with the NFF outcome for 2025-26. However, the totals for top up funding for the minimum per pupil funding levels (MPPFLs) and the minimum funding guarantee (MFG) have reduced from last year, continuing previous year trends as allocations move closer to the underlying formula over time.
10. A summary of the 2025-26 NFF applied locally with the October 2024 school data is included below in table 1 below:

Table 1: 2025-26 NFF Factor Summary from October 2024 Census Data

NFF (all amounts include intrinsic growth funding)	2025-26 NFF
	£m
Basic Entitlement	221,039
Deprivation	23,746
EAL	3,026
Mobility	563
Low prior attainment	15,688
Lump Sum	13,119
Sparsity	7
Split Sites	155
Rates	1,657
Exceptional premises (Joint use)	129
Top up funding for MPPFL	3,953
Top up funding for MFG	431
Total NFF Allocations	283,514

11. A summary of the NFF funding positions for schools is provided in table 2 below with school level detail in appendix 1.

Table 2: Summary of 2025-26 NFF using data from October 2024

Formula Position	2024-25 Number	%	2025-26 Number	%
MFG	10	11%	14	15%
MPPFL	27	30%	28	31%
Fully formula funded	54	59%	49	54%
Total	91	100%	91	100%

12. The initial funding boost for low funded schools when the NFF was introduced put the majority of schools across BCP in the MPPFL category. The proportion then gradually reduced each year but has recently stabilised at 31%. Only just over half (54%) of schools are funded by the main formula with no top up from the MFG mechanism or MPPFL.
13. Pupil characteristics attracting funding are reflected in the local formula school budget allocations one year before being funded through the NFF primary and secondary units of funding to allocate the DSG to councils. The NFF funding per pupil for 2025-26 had already been fixed based on data from October 2023. As more schools become fully funded according to the main formula, data changes at the October census each year have greater impact on individual school funding levels. There has been a growing trend since Covid for a greater proportion of pupils with funded characteristics and a shortfall in NFF funding resulting.

14. Partially offsetting this data trend in 2025-26 for one year only, there is a saving from the full closure of Parkfield school at the end of the academic year 2024-25, as lagged data has provided NFF funding for a full year. The NFF shortfall has reduced to only £79,000 as a result and this could be replaced by surplus growth funding enabling the NFF to still be fully affordable.
15. A summary of school block funding compared with the costs of the local formula using the NFF and proposed growth fund is shown in table 3 below:

Table 3: Summary of NFF as the local formula 2024-25

NFF Funding Elements	NFF Allocation £000's	NFF as Local Formula £000's	Pressure/ (saving) £000's
Primary NFF	135,585		
Secondary NFF	<u>145,124</u>		
	280,709	*280,777	68
Premises (split sites, joint use & rates)	1,930	1,941	11
Growth funding **	2,133	946	(1,187)
	284,772	283,664	
Available to transfer			(1,108)

* excluding £0.8m intrinsic growth in the local formula which is funded from the separate NFF for basic need pupil growth. ** total cost of extrinsic plus intrinsic growth.

Growth fund budget

16. Growth funding is allocated to schools either through the formula (implicit growth for permanent expansions) or from the central budget for temporary expansions and contingency (explicit growth).
17. There are no agreements yet with schools to increase their planned admission numbers for basic need growth from September 2025. However, circumstances can change during the year and a contingency is advisable so that places can be created if needed with a central budget of £150,000 planned for 2025-26 as set out in table 4.

Table 4: Proposed central growth fund 2025-26

Budget Purpose	Detail	Budget
Contingency	Funding amount per pupil based on the cost of a teacher for 7 months and a class size of 30 - £1,570 as per DfE guidance. Provides for additional pupils equivalent to 3 classes.	£150,000
Total		£150,000

18. Funding for the September 2025 intake of Livingstone Academy is provided through the formula as intrinsic growth of £0.8m rather than funding being set aside in the central growth fund in table 4 above.
19. Surplus growth funding in recent years has enabled the option of the NFF to be provided to schools in full. The surplus growth funding in 2025-26 is £1.2m with the ability to cover the schools NFF shortfall.

Transfer of school block funding to high needs

20. Schools Forum in November rejected plans to transfer 1% of school block funding to support pupils with high needs in mainstream schools. In the light of the DSG settlement and analysis provided Schools Forum is requested to consider further if they can support any level of transfer.
21. Surplus funding (after all schools have been allocated their NFF funding) is estimated at £1.1m (0.39% of school block funding) as noted above.
22. Schools Forum is to consider which option can be supported for a transfer to support expenditure on high needs pupils. Options for consideration are as follows:
 - a. Transfer 0.39% being surplus school block funding
 - b. Transfer 0.5% with NFF allocations to be reduced by 0.11% being the maximum the Schools Forum alone can agree
 - c. Transfer 1.0% with NFF allocations to be reduced by 0.61% being the amount needed to fully fund the proposed innovation fund and requiring approval of the DfE.
 - d. No transfer with surplus funding remaining unallocated and being used to reduce the accumulated DSG deficit.

Options for the Local Formula

23. Unless the DfE specifically approve, the local mainstream school funding formula must adopt the factors and methods contained within the NFF with unit values set within 2.5% of those used in the NFF. This is to ensure national convergence to the NFF, manage affordability within the local funding envelope and allow for the potential to transfer funding to support the budget for pupils with high needs. None of the options for consideration set unit values outside the 2.5% variation permitted.
24. It has not been possible to undertake a full consultation with individual schools this year 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. It is accepted that any reduction in NFF funding for schools would not be welcomed, but there is a need to balance the need for all schools to be as inclusive as possible with funding for individual schools.
25. In the consultation responses for 2024-25 no schools supported reducing individual school NFF allocations to provide a level of funding transfer beyond surplus school block funding with Schools Forum voting in accordance with this preference.
26. Individual schools in considering if a such a level of transfer was still agreed, the majority of responses last year did not support all schools contributing (only 37% agreed), with either reductions to the MFG or MPPFLs being unacceptable. There was some level of support from schools for capping funding gains, but Schools Forum did not recommend this approach considering that funding growth reflects increased needs. Schools Forum's preference for 2024-25 by a small majority was that all schools should contribute to a transfer, with the DfE supporting this approach by permitting the MPPFLs to be reduced in their decision to allow a 0.5% transfer. All other elements of the formula were within regulation tolerances.
27. The DfE signalled under the previous government that reducing NFF allocations for schools is one option being considered to support management of DSG deficits in future. This included that the DfE could agree to reductions in the MPPFL as managing high needs expenditure requires the support of all stakeholders. The position of the new

government is unknown, but it has expressed a commitment to resolve high needs funding and that part of this is that mainstream schools overall need to be more inclusive.

28. In considering all options it is accepted that:

- a. any reduction in NFF allocations is not supported by schools
- b. the increase in per pupil funding is low
- c. the DfE may not accept the NFF adjustments proposed (reducing the MPPFL)

29. The options illustrated include:

1. A transfer of only surplus funding (all schools receive NFF funding in full)
2. A 0.5% transfer which is within the Schools Forum remit of decision making (a transfer from the schools NFF of 0.11% plus surplus funding).
3. A 1% transfer which requires the approval of the DfE (a transfer of 0.61% from the schools NFF plus surplus funding)

Within options b and c, the impact of either staying fully within the formula regulations (not all schools can contribute to the transfer) or requesting DfE to allow specific disapplication (so that all schools can contribute).

Table 5: Summary of options

Ref	Option Summary	Formula Adjustments	Transfer Amount	DfE Approval Required?
1	Transfer of only surplus funding			No – less than 0.5
1	No reductions in NFF allocations	None	£1.1m (0.36%)	No
2	Maximum transfer without DfE approval at 0.5%			No – within 0.5%
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

30. Individual school impacts can be found in Appendix 1 with a summary provided in the table below:

Table 6: Summary of options – range of impact for individual schools

NFF % range released *			Vs NFF per pupil		Vs 24-25 per pupil	
			Min %	Max %	Min %	Max %
1	Transfer 0.36%	No schools contribute	0.0%	0.0%	-0.2%	5.0%
2a	Transfer at 0.5%	All schools contribute equally	-0.1%	-0.1%	-0.3%	4.8%
2b		MPPFL schools do not contribute	-0.2%	0.0%	-0.3%	4.8%
3a	Transfer at 1%	All schools contribute equally	-0.6%	-0.5%	-0.8%	4.3%
3b		MPPFL schools do not contribute / MFG within statutory range	-1.0%	0.0%	-0.8%	3.9%
3c		MPPFL schools do not contribute MFG schools contribute up to the maximum. Gains cap to replace further MFG reduction to balance	-2.9%	0.0%	-0.6%	3.3%

*excluding Parkfield Academy which is closing.

Option 2: Maximum transfer without DfE approval of £1.4m (0.5%)

31. Two sub options have been modelled for consideration:

- a. Option 2a: All schools contributing. This could be achieved by:
 - i reducing MPPFL by 0.11% (requiring DfE approval)
 - ii setting an MFG of minus 0.11% (within the regulations)
 - iii reducing all formula factors by 0.11% (within the 2.5% tolerance permitted)
- b. Option 2b: MPPFL schools do not contribute. This would require greater contributions from both MFG schools and those fully formula funded.

Option 3: Funding transfers at 1%

32. Three sub options have been modelled for consideration:

- a. Option 3a: All schools contributing equally. In this option the MFG would be outside the regulation minimum of 0.5% and DfE approval would be required for this as well as the reduction in the MPPFL.
- b. Option 3b: MPPFL schools not contributing and the MFG set within the statutory minimum, with all formula schools contributing the balance.
- c. Option 3c: As for Option 3b but instead of all formula schools contributing the balance from the MFG limitation, only those with the largest gains contribute more through a per pupil cap on gains.

Summary of financial Implications

33. The financial implications are summarised in the table below:

Table 7: Summary impact of options to transfer NFF funding

Allocation of Funding 2025-26	£000's
DSG schools block allocation	284,772
Central growth fund according to agreed policy	(150)
Transfer to high needs of surplus only	(1,108)
Mainstream formula total at NFF – including intrinsic growth	283,514

Funding Transfer Options (from table 5)	Total Transfer £000's
Option 1: Transfer of surplus only	(1,108)
Options 2: Transferring 0.5% (further £0.3m)	(1,424)
Options 3: Transferring 1% (further £1.4m)	(2,848)

Summary of legal implications

34. The requirements for the mainstream funding formula are set out in the DfE operational guide and school funding statutory framework. Formula options not compliant with the regulations and requiring disapplication by the

Summary of risk assessment

35. There remains a financial risk for the council from the unsustainable level of the high needs budget and accumulated DSG deficit.
36. There is the risk that individual mainstream schools will have insufficient funding to support their universal provision when funding is allocated instead to support pupils with additional needs across BCP.

Background papers

Schools Forum 18 November:

1. Schools Forum Papers November 2024:

[Welcome to BCP Council | BCP](#)

Item 14 High Needs Transfer

Item 15 Five year high needs forecast

2. DfE DSG Settlement announcements 18 December 2024:

[dedicated schools grant \(DSG\) funding allocations for the 2025 to 2026](#)

Appendices 1 – 6 School level impact of the NFF and alternative formula options for 2025-26