

REPORT TO: Schools Forum
DATE: 22nd January 2025
REPORTING OFFICER: Operational Director - Finance
SUBJECT: DSG and Schools' Funding for 2025-26
WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

To report to the Schools Forum the Dedicated Schools Grant funding settlement for 2025-26, and the implications for individual Halton schools' budgets.

2.0 RECOMMENDATIONS

- 2.1 That the report is noted.
- 2.2 That Schools Forum supports the continuation of the National Funding Formula (NFF) methods, principles and rules for mainstream primary and secondary school funding allocations and de-delegation for 2025-26, noting the mitigation proposals discussed in **section 3.4**.
- 2.3 That Schools Forums agrees the level of Minimum Funding Guarantee (MFG) to be applied to the Schools Block funding formula for 2025-26.

3.0 SUPPORTING INFORMATION

3.1 Grant settlement

The Dedicated Schools Grant allocation for 2025-26 was announced on 18th December at £168.551m, broken down as follows (current year final figures shown in brackets as context):

Schools Block	£117.833m	(£111.188m)
Central Schools Services Block	£ 0.765m	(£ 0.751m)
High Needs Block	£ 29.267m	(£ 27.079m)
Early Years Block	£ 20.686m	(£ 15.114m)

This is an overall increase of £14.419m, compared to the £154.133m allocated for 2024-25.

From the allocation for 2025-26, an estimated £3.806m will be recouped by the Department for Education from the High Needs Block. This is for academies and other educational establishments for the commissioned High Needs Place funding, reducing the High Needs Block allocation that we receive to £25.461m.

3.2 Schools Block

The Schools Block allocation for 2025-26 is £117,833,052, based on the October 2024 census data, which is an increase of £6.645m or 6% when compared to the final Schools Block allocation for 2024-25.

The two amounts are not immediately and simply comparable, though, because in the same way that Mainstream Schools Additional Grant (MSAG) was rolled into Schools Block in 2024-25, the following additional discrete funding streams have been absorbed in 2025-26:

Teachers' Pay Additional Grant (TPAG)
Teachers' Pension Employer Contribution Grant (TPECG)
Core Schools Block Grant (CSBG), including an addition for 2025-26.

In total, mainstreaming of these grants has added £264/pupil to NFF's basic primary value, £371/pupil to Key Stage 3, and £419/pupil to Key Stage 4. Also £233 to Primary FSM6 values, £345 Secondary FSM6 and £9,921 to lump sums. (FSM6 being the number of children qualifying for Free School Meals in any of the last 6 school years)

As the 2025/26 NFF applies later to Academies, from September, a separate allocation, representing April to August, will be made over.

The true inflationary increase in funding comes with further additions to the NFF formula factors, which average out at only around 0.6% to 0.9%.

The final NFF formula factor values are illustrated in **Appendix A**.

Inclusive of these grants, Halton's Primary Unit of Funding (PUF) is increasing from £5,545.55 to £5,959.30 for 2025-26 and the Secondary Unit of Funding (SUF) is increasing from £7,012.20 to £7,551.26. These units are calculated by applying the new NFF values to last year's data, and dividing the resulting sector totals by last year's primary and secondary NOR to get an average funding rate per pupil.

Relative to other Local Authorities, Halton's School Block PUFs and SUFs are reasonably beneficial. Of the 151 LAs in England, we are 23rd highest funded for primary schools, and 42nd highest for secondaries. In the primary sector, in the North West, only Manchester has a greater funding rate (£6,022.55), though for secondaries we lag behind Manchester, Knowsley, Salford, Liverpool and Rochdale.

Interestingly, when Halton is compared with what the Department for Education considers our 10 closest statistical neighbours for Children's Services (the majority, perhaps oddly, being North Eastern), we are the highest funded authority in the primary sector - albeit only 3.7% above

the group average, as they are, as one might expect, closely clustered. See below for details (secondary being third, 1.1% above average).

LA	Name	PUF	SUF
876	Halton	5,959.30	7,551.26
806	Middlesbrough	5,911.99	7,873.37
840	County Durham	5,882.29	7,286.32
340	Knowsley	5,860.39	8,024.01
805	Hartlepool	5,842.53	7,520.84
393	South Tyneside	5,737.63	7,394.22
807	Redcar and Cleveland	5,707.16	7,236.60
812	North East Lincolnshire	5,665.34	7,414.80
394	Sunderland	5,610.23	7,398.90
370	Barnsley	5,566.08	7,227.63
841	Darlington	5,479.57	7,193.46

The PUF and SUF values for 2025-26 are multiplied by the number of primary and secondary age pupils counted on the October 2024 census to give our final Schools Block allocation.

Please note that the PUFs and SUFs are used solely to calculate the amount of funding due to the LA and do not represent any individual Schools Block funding formula factor.

Because of these increases for inflation and grant mainstreaming, the minimum per pupil funding protection baselines have been increased to £4,955 in the primary sector, and £6,465 in the secondary sector.

Because the annualised amount of CSBG is included in the funding baseline, the DfE argues that a year-on-year funding increase is “baked-in”. Consequently, the allowable spread for Minimum Funding Guarantee for 2025-26 will be between -0.5% and 0.0% inclusive. Last year it was between 0.0% and +0.5%. The Authority is cognisant of previous Schools Forum recommendations to maximise MFG, so we will again be proposing to adopt the upper boundary figure.

From 2023-24 Halton has fully mirrored the NFF funding factors and this will again be our starting position. However, as discussed in **section 3.3**, the overall funding envelope must be considered.

3.3 Pupil Numbers & NFF Affordability

Pupil numbers in the primary and secondary sectors have decreased overall; details as below (for information, this is a similar fall to last year in the primary school population, though last year secondary numbers increased by a modest amount):

	2025-26	2024-25	Variance
Primary	9,943	10,181	-238
Secondary	7,546	7,649	-103
Total	17,489	17,830	-341

As explained in **section 3.2**, PUFs and SUFs are multiplied by these new NOR figures to derive the overall Schools Block for 2025-26; essentially flexing for new pupil numbers. However, because the actual formula consists of multiple data types, if significant numbers of other variables change quite differently to basic pupil numbers, there will be an effect on the overall affordability of implementing NFF. In past years, Halton has had the luxury of a small 'surplus' after replicating NFF in its local funding formula. Unfortunately, as can be seen below, while numbers on roll have fallen a little, some values – significantly secondary FSM – have actually increased. The end result has been that if Halton emulated exactly the national NFF values (tweaked by the Area Cost Adjustment), we would have a funding *shortfall* of £179,488.

Primary	24/25	25/26	Change
NOR	10,181	9,943	-2.39%
FSM	3,885	3,679	-5.60%
FSM6	3,931	3,712	-5.90%
IDACI F	1,362.57	1,317.75	-3.40%
IDACI E	1,139.40	1,107.65	-2.87%
IDACI D	1,376.49	1,338.86	-2.81%
IDACI C	525.21	510.98	-2.78%
IDACI B	2,110.50	2,042.16	-3.35%
IDACI A	735.62	717.85	-2.48%
EAL	345.30	372.05	7.19%
Mobility	72.64	68.70	-5.74%
LPA	3,637.79	3,604.41	-0.93%

Secondary	24/25	25/26	Change
KS3 NOR	4,682	4,622	-1.30%
KS4 NOR	2,973	2,924	-1.68%
FSM	3,033.00	3,122.00	2.85%
FSM6	3,119.00	3,165.00	1.45%
IDACI F	927.03	948.19	2.23%
IDACI E	849.10	864.20	1.75%
IDACI D	958.05	983.13	2.55%
IDACI C	402.01	377.19	-6.58%
IDACI B	1,545.50	1,442.49	-7.14%
IDACI A	549.08	536.14	-2.41%
EAL	66.01	80.01	17.50%
Mobility	3.75	11.28	66.76%
LPA	1,738.51	1,661.32	-4.65%

NB Please refer to **Appendix A** for an explanation of these formula factors.

3.4 Current Position

Given the shortfall, it is necessary to reduce calculated funding slightly to accommodate a local formula within the overall funding envelope.

Options to deliver this include:

- a) Applying caps on gains to individual schools
- b) Scaling back the formula generally
- c) Reducing the Minimum Funding guarantee, within approved DfE parameters i.e. set between -0.5% and 0%.
- d) Reducing one or more individual formula factors, subject to national guidance forbidding moving away from NFF by any appreciable degree (variation is permitted only by +/- 2.5%)

We believe options a) and c) would disproportionately hit some individual schools, and modelling has shown that setting MFG to the *de minimis* level of -0.5% would only 'clear' about 69% of the shortfall, as well as being dissatisfactory and contra to the MFG principles established in previous years by Schools Forum, of maximising allowable MFG percentages.

A general scaling back of the formula is superficially attractive, but because a material proportion of the funding formula is targeted factors (attainment, deprivation, and so on), we have discounted this option.

We feel that the best, or least worst, option is d) and within that, the flat rate universal per pupil variable, and to a lesser degree the lump sum, should be the levers we operate to tailor this year's formula.

Consequently we are proposing to reduce the basic primary per pupil factor by £16.15, saving £69K, and the KS3 and 4 factors by £20.51, saving £111K. To balance entirely, we will also reduce the lump sums by 37p! The proportionality between primary and secondary sectors replicates the overall funding ratio of 1:1.27.

The views of Schools Forum on this approach are sought, and also approval sought to apply a Minimum Funding Guarantee of 0%, the highest figure allowable to us under national financial regulations.

After the provisional Schools Block budgets have been shared with Schools Forum at this meeting, we will submit the formula to the Education and Skills Funding Agency for approval. Once this is received, we will notify all schools of their confirmed Schools Block budget for 2025-26, to be followed by budget allocations including early years and high needs elements by end-February 2025.

3.5 Implications for Halton schools

Under the proposed local funding formula, minimum per pupil funding level (MPPFL) protection totalling £215,580 will be required for three Halton primary schools:

- Moore Primary School £ 1,834 (0.2% of total SB budget)
- Lunts Heath Primary £106,390 (5.1% of total SB budget)
- Farnworth CE Primary £107,356 (5.2% of total SB budget)

MPPFL differs from MFG in that it considers non-pupil related factors such as the lump sum, averaging these over pupil numbers, whereas MFG relates purely to factors driven by pupil characteristics. The likelihood of a school needing to be supported by MPPFL increases for larger primary schools, as those fixed school factors are averaged over greater NOR, reducing the calculated value. Lunts Heath & Farnworth CE required comparable levels of protection in 2024-25.

Total cost of implementing a Minimum Funding Guarantee (MFG) rate of 0% to baseline will be £377,265. Almost exactly half (29) of Halton schools will require this protection, with amounts ranging from £955 to £49,073.

In an ideal scenario, the funding formula would in itself deliver sufficient funding to render either of these protections immaterial. The requirement for protection to kick in suggests that despite its evolution over time, NFF is not quite optimal and/or overall levels of school funding remain insufficient. That said, the amounts involved are proportionately small, compared to the overall funding level (MFG is only 0.32% of this). MFG and MPPFL protections apply to all mainstream schools and academies.

HOW IS THE FUNDING BROKEN DOWN?

The table below illustrates how the various formula elements account for full usage of the 2025-26 Schools Block allocation:

	PRIMARY	SECONDARY	TOTAL	%age of funding
<i>Basic Entitlement</i>	£38,234,713	£42,942,452	£81,177,165	69.12%
<i>Free School Meals & FSM 6</i>	£5,777,590	£6,491,413	£12,269,003	10.45%
<i>IDACI</i>	£3,036,621	£3,190,324	£6,226,945	5.30%
<i>English as Additional Language</i>	£222,206	£128,091	£350,297	0.30%
<i>Low Prior Attainment</i>	£4,251,187	£2,976,661	£7,227,848	6.15%
<i>Mobility</i>	£66,546	£15,682	£82,228	0.07%
<i>Lump Sum</i>	£7,209,581	£1,092,361	£8,301,942	7.07%
<i>Rates</i>	£478,159	£32,512	£510,671	0.43%
<i>PFI</i>	£251,586	£251,586	£503,172	0.43%
<i>Joint Use</i>		£196,763	£196,763	0.17%
<i>MPPFL</i>	£215,580	£0	£215,580	0.18%
<i>MFG</i>	£317,799	£59,466	£377,265	0.32%
TOTAL FORMULA FUNDING	£60,061,567	£57,377,312	£117,438,879	100.00%
Academy NNDR paid direct			£394,173	
TOTAL SCHOOLS BLOCK ALLOCATION			£117,833,052	

NB Whole school factors for The Grange School are split 50:50

3.6 De-delegation

Unit values for de-delegation for 2025-26 have been increased by 5% from previous year, to account for the inflationary effect of providing these services. We require maintained school representatives from the primary and secondary phases to decide on whether they wish to de-delegate these funds for 2025-26:

- Contingencies (£21.35/pupil – total £190,848)
- Free School Meals eligibility checking (£0.72/pupil – total £6,436)
- Staff costs supply cover (£2.73/pupil – total £24,403)

The total proposed de-delegation of £221,687 compares with £227,980 agreed for 2024-25. The small increase in rate does not quite cover the reduction driven by reducing Numbers on Roll, both generally and because of the loss from maintained numbers following two Summer Academy conversions.

3.7 Central Schools Services Block budgets for 2025-26

The CSSB allocation is £752,902 based on pupil numbers on the October 2024 census, plus £12,348 for the Historical funding giving a total of £765,250. The Historic commitment funding has been reduced by 20%, as it was last year, and as this is used to fund the Safeguarding post, the balance required to be met by schools & academies will also increase (as previously agreed).

£0.765m is an increase of £0.014m to the 2024-25 budget, in spite of the £3,087 (20%) reduction in historic commitment funding and the pupil numbers being 341 fewer. This is because the unit of funding has increased by 4.3%, from £41.27 to £43.05.

3.8 High Needs Block

The High Needs Block allocation has been confirmed as £29,267,117 before Further Education (FE) recoupment but including a deduction of £0.300m for Halton children being educated in other areas, known as Exports. This represents an increase from the final settlement for 2024-25 of £2,187,907 (+8%).

The recoupment for High Needs places will be £3.806m for 2025-26 (£3.180m in 2024-25), leaving £25,461,117 available to support Halton's Specialist provisions, Pupil Referral Unit, (PRU), Mainstream Resourced Units top-ups, Education Health and Care Plan (EHCP) top-up funding, Out-of-borough high-cost Independent and Non-Maintained Specialist (INMS) providers, and the various specialist support services.

The individual High Needs Block budget allocations will be presented at the February meeting, as further work is required. Given the rate of increase of costs, we do not anticipate funding will be sufficient to fully fund 2025-26 commitments and clear the cumulative deficit.

3.9 Early Years Block budgets for 2025-26

The Early Years Block grant allocation has been revealed as £20.686m, which is an increase of £5.572m compared to the revised 2024-25 figure. This is due to a combination of annualised increase in the hourly funding rates, and a presumed continued expansion in 2-year old and, particularly, pre-2-year old provision, with numbers expected to significantly increase from September 2025.

Under-2 year old funding into the LA is increasing from £11.18/hour to £11.60 (+3.8%); 2-year old funding goes from £8.20 to £8.52 (+3.9%). The rate for 3 and 4 year olds (both universal and extended offers) has increased by 4.4%, from £5.72 to £5.97. Our rate of increase is slightly above the national averages of +3.4%, +3.3% and +4.1% respectively.

The Early Years funding formula, and more particularly the settings' hourly funding rates (and pass-through percentage, and detail of the central retentions) will, as normal, be brought to the February meeting. For 2025-26 the required minimum passthrough rate has increased from 95% to 96%.

3.10 Pupil Premium Grant

The Department for Education has set the funding rates below for 2024-25, and there has been no notification of changes for 2025-26, other than an announced 47% increase in Early Years Pupil Premium, from £388 to £570:

Primary Free School Meal Ever 6 pupil	£1,480
Secondary FSM6	£1,050
Looked After Children	£2,570
Post-LAC	£2,570
Service Children Ever 6	£ 340

The allocations to the LA and to individual schools will be announced by the Department for Education during the Spring term.

Looked After Children (LAC) Pupil Premium is managed and issued periodically by the local authority. All other forms of Premium will be passported directly to schools.

4.0 FINANCIAL IMPLICATIONS

- 4.1 We are required to set a local funding formula in line with the Schools Block operational guidance for 2025-26. Failure to do so will result in the DfE imposing a funding formula on us.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence

None.

5.2 Building a Strong, Sustainable Local Economy

None.

5.3 Supporting Children, Young People and Families

It is essential that schools and education support services receive sufficient funding to allow them to support all children and young people.

5.4 Tackling Inequality and Helping Those Who Are Most in Need

None.

5.5 Working Towards a Greener Future

None.

5.6 Valuing and Appreciating Halton and Our Community

None.

6.0 RISK ANALYSIS

6.1 We need to comply with the regulations, otherwise we would have a formula imposed on us. Not only would this affect allocations in 2025-26, it would modify the baseline for future year protections.

7.0 CLIMATE CHANGE IMPLICATIONS

7.1 **N/A**

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The Local Authority must discharge its statutory responsibilities in relation to all schools and settings.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 None under the meaning of the Act.

Appendix A

Schools Block Funding Formula

Funding formula values

We are required to consult with Schools' Forum on the method, principles and rules adopted for the funding formula to be applied to mainstream primary and secondary schools and academies.

We have followed the National Funding Formula (NFF) method, principles and rules, and mirrored the NFF values for several years.

The NFF 2025-26 on which to base Halton's individual local schools' funding formula is detailed below:

<u>Factor</u>	<u>Criteria</u>	<u>Primary NFF value 25-26</u>	<u>Secondary NFF value 25-26</u>
Basic per Pupil	A set level of funding according to age for each pupil.	£3,862*	£5,443* KS3 £6,136* KS4
Deprivation - FSM	Funding for pupils who are currently eligible for FSM.	£497	£497
Deprivation – FSM Ever 6	Funding for pupils who have been eligible for FSM at some point in the previous 6 years.	£1,064	£1,561
Deprivation – IDACI	Income Deprivation Affecting Children Index. Funding is based on the deprivation level assigned to each pupil's home post code, banded A to G. However, funding is only allowed for bands A to F.	F £236 E £286 D £447 C £492 B £522 A £688	F £341 E £452 D £637 C £698 B £748 A £954
Low Prior Attainment (LPA)	Primary – where pupils have not achieved the expected level of development at EYFSP. Secondary – where pupils have not achieved the expected standard in KS2 at either reading, writing or maths.	£1,179	£1,792
English as an Additional Language (EAL)	Pupils identified with a first language other than English can be funded for up to the first three years of statutory schooling. We fund for the maximum period of three years.	£597	£1,601
Pupil Mobility	Provides funding for pupils who enter a school other than at the start of Autumn Term. A minimum threshold applies of 6% of pupil numbers. This is now a mandatory factor.	£969	£1,390
Sparsity	Funding for small schools located in areas where pupils would have to travel a set minimum distance to the next nearest school. This is now a mandatory factor.	Year Group size and distance tapers as per DfE	Year Group size and distance tapers as per DfE

Minimum Level of Per-pupil funding	A mandatory factor. <i>Combines all pupil-led factors and is not a stand-alone amount.</i>	£4,955	£6,465
Total Pupil-led factors	Each LA is required to allocate at least 80% of the delegated Schools Block funding through the above pupil-led factors.		25-26 calculated at 91.7%
Lump Sum	An amount per school up to a maximum of £175,000. Can be different for primary and secondary schools	£145,648	£145,648
Split Sites	No schools in Halton are eligible for funding under this factor.	n/a	n/a
National Non-Domestic Rates (NDR)	LA Rates	As per the ESFA funding	
Private Finance Initiative (PFI) contracts	A factor to support schools that have unavoidable premises costs due to being a PFI school. In Halton we use a per pupil rate. RPIX increase of 10.4% as per DfE Guidance.	n/a	£459.52
Exceptional Premises	In Halton, this is for the joint use of leisure facilities by contractual agreement with one school increased annually in line with RPIX at 10.4%	n/a	£196,763
Minimum Funding Guarantee	The MFG can be set between -0.5% and +0%.	0.0%	0.0%

All unit values above are as per the national funding formula values, inflated (slightly) by Halton's Schools Block Area Cost Adjustment of 1.00378. They are rounded to the nearest £ for presentational purposes.

These formula values are earmarked for change to address the overall funding gap discussed in **sections 3.3 & 3.4*