

Briefing note

2e Government Updates and 2025/26 Budget Setting

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Date	12 December 2024
Purpose	To provide the Schools Forum with an update on Government announcements relating to the National Funding Formula (NFF) and the Dedicated Schools Grant (DSG).

1 Recommendations

- 1.1 That the school's forum **notes** the latest updates on the national funding formula (NFF) and the DSG.
- 1.2 To **vote** on the 2025/26 central school services block request based on provisional allocations (section 3). All school's forum members eligible to vote.
- 1.3 To **vote** on the 2025/26 early years central spend request based on provisional allocations (section 5). Early Years and Primary school's forum members eligible to vote.

2 Headlines and Changes for 2025/26

- 2.1 The Department for Education (DfE) published their updated school funding announcements for 2025/26 on 28 November along with provisional allocations based on the October 2023 census, after the usual timeline of July was delayed as a result of the general elections. The final allocations will be confirmed in December 2024 and will be updated to reflect the October 2024 census, therefore the 2025/26 figures shown below will be revised on the updated pupil numbers and demographics.
- 2.2 The setting of the schools funding formula is the responsibility of the LA but this must be done in conjunction with schools and the schools forum. Two budget workshops were held to support schools in understanding individual impact and to aid with responses to the consultation accordingly.
- 2.3 In 2025/26, as in previous years, each LA will continue to set a local school formula, in consultation with local schools. The government has confirmed its intention to move to a single 'direct' NFF to determine every school's budget and the DfE continue to work with LAs and other stakeholders to make this transition in the future.

- 2.4 The DfE published the 2025/26 [operational guidance](#), [technical guidance and provisional allocations](#) for local authorities in England together with [notional school-level allocations](#). 2025/26 is the eighth year of the NFF for schools, high needs and central school services. All the information on funding allocations is **provisional** and subject to being recalculated based on October 2024 actual census information, it is also dependent on local factors. Final allocations will be published in December except for the early year's block which will be determined by the separate national formula for early years.
- 2.5 It is important that schools understand that the DfE published school level allocations **are not** what the school will receive in funding for 2025/26. This is because of several reasons; demographic pressures (e.g. increases in the number of children attracting a particular formula factor i.e. free school meal funding), local measures for managing pressures (including growth, lagged funding, rates increases) and transfers between funding blocks.
- 2.6 LAs will also still only be funded at an average unit of funding for primary and secondary pupils so the very nature of the different models (i.e. how the money comes into the LA and how it is calculated to go out to schools through the formula) will likely mean that there will be an overall difference that will need to be managed.

3 Schools Block

Headlines

3.1 Summary of Main Changes (National)

Overall, core schools funding (including funding for mainstream schools and high needs) is increasing by £2.3bn in 2025/26 compared with the previous year. Within this £2.3bn, high needs funding is increasing by a further £1.0bn in 2025/26 to help local authorities and schools with the increasing costs of supporting children and young people with SEND.

The funding factors will remain the same as those used in 2024/25 with the following changes:

- Almost all factor values in the NFF have increased from 2024/25. The amount of the increase varies between factors.
- The basic entitlement values, FSM6 values, the lump sum and the minimum per pupil funding values have increased to reflect the rolling in of the three separate pay and pensions grants from 2024/25: TPAG, TPECG and CSBG.
- A further increase has then been applied to these same factors to cover the remaining costs of the 2024 teachers' pay award in mainstream schools, so that the full 12 months of salary costs are fully funded at a national level.
- On top of this, a further overall increase has been applied to school and pupil-led factors, as well as to the split sites factor.
- The minimum per pupil funding levels will increase to ensure that every primary school receives at least £4,955 per pupil compared to £4,610 previously and every secondary school at least £6,465 per pupil compared to £5,995 previously.
- The funding floor will be 'cash flat' at 0% so that schools will be protected from per pupil cash reductions in their pupil-led funding compared with its 2024/25 NFF allocation.

- The teachers' pay additional grant (TPAG), the teachers' pensions employer contributions grant (TPECG) and the core schools budget grant (CSBG) has been rolled into the schools NFF to ensure that this funding forms part of the school's core budget and will continue to be provided.
- The growth funding factor is based on the differences between the primary and secondary number on roll between the October 2023 and October 2024 school censuses. There is expected to be a pressure on the growth fund for MK, this pressure will need to be managed through the options in the school funding consultation with any shortfall to be top sliced from the per pupil funding allocation. The 2025/26 growth fund allocation will be announced in December 2024 as part of the final allocations.
- Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2025/26 must be between -0.5% and 0%. This allows them to match the funding floor protection in the NFF, which is set at 0%.
- Additional funding is expected to cover the cost of the increase in national insurance contributions and the decrease to the NIC threshold, confirmation of the additional funding is expected shortly but this will be too late to incorporate into the 2025/26 NFF so this will be paid as a separate grant.
- Local authorities were required to bring their own formulae closer to the schools NFF from 2023 to 2024. This transition will continue in 2025/26. In particular:
 - LA's must move their local formula values at least a further 10% closer to the NFF, except where LA's are already mirroring the NFF (MKCC already mirror the NFF).
 - LA's must continue to follow the local formula requirements for growth funding, whereby additional classes (driven by basic need) must be funded by at least the minimum funding set out in the calculation.
 - LA's with a falling rolls fund must also follow the new requirements for falling rolls funding, whereby LA's can only provide falling rolls funding to schools where school capacity survey (SCAP) 2023 data shows that school places will be required in the subsequent 3 to 5 years.
- A table of the movement of the funding rates between 2024/25 and 2025/26, which shows the increase in the individual factors after the roll in of the additional grant funding is included in Annex C

3.2 The following changes have been confirmed to the national school funding formula:

- Minimum per pupil funding levels will increase to £4,955 in primary schools (£4,655 2024/25) and in £6,465 in secondary schools (£6,050 2024/25). This will continue to be a mandatory factor. There is an exceptions policy where LAs can ask for this to be disappplied in cases where there are local pressures (for example transfers to other funding blocks or where there are pressures on growth) but past experience suggests that only the exceptional cases are agreed.
- Growth funding will be based on the same methodology as 2024/25 where funding is allocated to LA's based on the increase in pupils in medium super output areas (MSOAs), between the October 2023 and October 2024 censuses.
- LAs will have the freedom to set the minimum funding guarantee (MFG) in local formula between +0.0% and -0.5% per pupil (2024/25 +0.0% and +0.5%).

Considerations for MK

3.3 For MK the provisional allocation for schools, central school services and high needs is £355.035m which is an increase of £10.795m from 2024/25. The below table shows this by block (excluding early years and growth allocation, yet to be confirmed).

Block	2024/25 £m	2025/26 (Provisional) £m	Increase £m	Increase %
Schools	£280.454	£287.518	£7.064	2.52%
Central School Services	£1.961	£2.159	£0.198	10.12%
High Needs	£61.825	£65.357	£3.533	5.71%
	£344.239	£355.035	£10.795	3.14%

3.4 Despite several reviews and discussion at the schools forum regarding the growth fund criteria, the cost of the growth fund is expected to exceed the amount of funding available in 2025/26 and in future years. This will mean that the additional cost will need to be managed within the overall school's block allocation. The DfE have not provided a growth estimate calculator this year to allow a provisional funding amount to be calculated, therefore funding allocations are currently unknown.

3.5 There are several options that can be considered to manage this pressure within our formula, and these formed the basis of the consultation to all schools.

- **Surplus Balances:** schools could voluntarily agree to recentralise 'excess' surplus balances back into DSG circulation. MKCC does not currently have a policy regarding the clawback of surplus balances but this could be considered in future.
- **Cap on Gains:** LAs continue to have the ability to apply a cap on schools that gain to manage pressures in the wider school's block. The same percentage cap would have to be applied across all gaining schools. This would obviously then only effect schools that have gained so wouldn't be an even share of the pressure across all schools.
- **Reduction in the AWPU:** the impact of this would need to be assessed as this could simply result in more protection through other formula factors (e.g. MFG and the minimum per pupil funding levels). However, local authorities will be required to bring their own formulae closer to the schools NFF from 2023/24. This means local authorities must move their local formula factor values at least 10% closer to the NFF, except where they are already mirroring the NFF.
- **Reduction in formula factors:** the formula is made up of other factors such as deprivation, English as an additional language, free school meals, prior attainment and deprivation. Any of the factors could be considered for reduction however this would not affect schools evenly as this funding is intended to recognise the additional need of those pupils. As above local authorities will be required to bring these factor values at least 10% closer to the NFF.

- Minimum per pupil funding levels: this is now a mandatory factor within the NFF but LAs can apply to the DfE for this not to be applied in certain circumstances. Choosing to disapply this factor would likely impact the schools receiving the least funding as the minimum per pupil funding level is in effect a top up on the factor funding to a minimum level.

3.6 The 2025/26 school funding formula consultation was held between 24 October and 22 November. There were two consultation workshops held which were attended by 27 people. The results of the consultation are included in Annex A of this report.

4 Central School Services Block

4.1 The Local Authority (LA) is authorised to incorporate the specified budgets into their central services, subject to approval from the Schools Forum. In cases where the Schools Forum does not concur with the LA's proposal, the Department for Education (DfE) will make the final adjudication.

4.2 A total budget of £2.206m is required and the funding allocation of £2.159m will leave a shortfall in funding of £0.047m. This shortfall will be funded from a re-charge to the high needs block to reflect their use of these services (as was the case in 2024/25).

- Admissions – £0.809m has been allocated to support the operation of the system of admissions of pupils to schools and in relation to appeals. This is an increase of £0.044m to reflect inflationary costs and pay awards across the service.
- Schools Forum – £0.039m has been allocated to cover the LA's statutory functions on establishing, maintenance of and consultation with the Schools Forum. This is an increase of £0.001m to reflect inflationary costs and pay awards.
- Former ESG Retained Duties – £0.720m are budgets held centrally by the LA to support central services that were formerly (prior to 2017/18) funded by the Education Services Grant (ESG). This includes the following budgets held centrally by the LA:
 - Education welfare, including school attendance £0.061m.
 - Asset management including management of the capital programme £0.162m.
 - Statutory and regulatory duties, including planning for the education service and provision of information £0.248m.
 - Formulation and review of the school funding formula, monitoring of expenditure and internal audit review £0.237m.
 - SACRE (Standing Advisory Committee for Religious Education) £0.012m.
- Miscellaneous – £0.034m which covers £0.014m for School Trips and £0.006m for School Closure Texting Service. A further £0.014m has been added to cover KS2 statutory external moderation.
- CLA and MPA Licence Fees – £0.378m this is an estimate based on the 2024/25 charge and applying a 10.7% increase in order to cover the cost. The LA must include this cost in their central school's expenditure budgets, although the Schools Forum should be consulted. These rates are set by the DfE annually.

- Centrally Employed Teachers Pension – £0.112m this covers the increased pension costs for centrally employed teachers.
- Teachers' Pension Employer Contribution Grant and Core Schools Budget Grant (new for 2025/26) - £0.113m has been rolled into CSSB for centrally employed teachers, after previously being allocated to local authorities through grants outside of the formulae.

4.3 The below table shows the 2024/25 budget compared to the 2025/26 provisional budget:

Central Services	2024/25 Budget £m	2024/25 Forecast £m	2025/26 Budget £m
Admissions	0.765	0.765	0.809
Schools Forum	0.038	0.038	0.039
ESG Retained Duties - to be updated once 25/26 data is available	0.720	0.720	0.720
Miscellaneous	0.031	0.031	0.034
CLA and MPA Licence Fees	0.341	0.341	0.378
Centrally Employed Teachers Pension	0.112	0.112	0.113
Contribution from High Needs	-0.047	-0.047	-0.047
New for 25/26 - Teachers' Pension Employer Contribution Grant	0.000	0.000	0.039
New for 25/26 - Core Schools Budget Grant	0.000	0.000	0.074
Total	1.960	1.960	2.159

5 High Needs Block

5.1 The draft 2025/26 high needs budget can be found in Annex C of this report.

5.2 The [technical guidance and provisional allocations](#) were published in November 2024. The following headline changes have been confirmed to the high needs funding formula:

- High needs funding is increasing by a further £1.0bn (9%) in 2025/26. This brings the total high needs budget to over £11.9bn nationally. All local authorities will receive at least a 7% increase per head of their 2 to 18 population, compared to their 2024/25 allocations.
- It is important to note however that the 7% increase per head of the 2 to 18 funding only relates to a proportion of the overall high needs block funding formula, and therefore the actual increase we are seeing on our overall funding allocation for 2025/26 is 5.71%. The final allocation will change in December 2024 to reflect the October 2024 census for the number of pupils in special schools.
- The high needs funding allocation is made up of formula factors including basic entitlement factor funding, historic spend and proxy factors (deprivation, health and disability, low attainment).
- Pay and pensions funding- including the core schools budget grant – for special schools and Alternative Provision will continue to be allocated outside of the NFF, through a separate grant to local authorities.

5.3 A full review of the high needs budget for 2025/26 is currently taking place to reflect increases in demand and will be reported with the draft budget in December. Should there be a surplus of funding after considering a reasonable contingency, we will also review rates paid out via the various formulas from the high needs block.

6 Early Years Block

- 6.1 The early years entitlement, LA funding operational guide is due to be published shortly, along with the funding rates and funding allocations.
- 6.2 A review of provider rates for 2025/26 will be discussed at the Schools Forum scheduled to take place on Thursday 16 January 2025.

Early Years Central Funding

- 6.3 The total central funding request for 2025/26 is £1.032m (2024/25 £0.641m) a net increase of £0.391m. Local Authorities are required to plan to pass-through a minimum percentage of their funding from the government to early years providers. This pass-through requirement ensures that most of the government funding reaches providers so that they can deliver the government's free entitlements.
- 6.4 An important change to note is that the DfE have announced that they will be increasing the pass-through requirement to 96% in 2025/26 (The minimum pass-through funding level set by government has been 95% since 2018/19). This is to reflect the fact that the government extended the free entitlement offer to include children of working parents from the age of 9 months and confirmed that the pass-through requirement now applies to all of the age group entitlements (whereas this was previously only funding for three and-four-year-olds that was subject to this requirement).
- 6.5 As discussed in detail at the recent Early Years Reference Group (EYRG) that took place on 26 November 2024, MKCC have always remained well below the 5% pass-through rate limit, and plan to remain below the new 4% threshold in 2025/26.
- 6.6 The expansions have required the LA to take on more responsibilities and manage increased workload across the various services who support the early years sector, and this has been reflected in costings for 2025/26. It is also important to ensure all inflationary uplifts to pay and changes to national insurance have also been reflected in our costs, whilst ensuring the core staffing is an accurate representation of employees' time across the Council (to cover the administration of the funding, quality and improvement, early intervention, access to early years education, supporting inclusion and ensuring children are school ready). Members of the EYRG agreed with the proposed increases to the early years centrally retained funding element for 2025/26.

	2024/25 £m	2025/26 £m	Change £m
Core Staffing*	0.595	0.986	0.391
Supplementary Requests:			
Early Years Quality Improvement Practitioners	0.012	0.012	-
Marketing, Communications and Professional Engagement	0.010	0.010	-
EMA Consultant	0.024	0.024	-
Total Central Budget	0.641	1.032	0.391
*Core staffing consists of the following areas;			
Information, Advice & Guidance to parents to encourage and support take up			
Information, advice and guidance to providers to support high quality delivery			
Senior oversight & governance			
Finance costs (formulae, budget setting and EY payments)			

6.7 The 2025/26 funding allocation has not yet been announced, based on the 2024/25 funding allocations the central funding request of £1.032m is 2.90% of the early years block funding meaning that 97.10% will be passed out to providers.

7 Other School Funding Updates

7.1 Pay increases have been agreed both for teachers and support staff for 2024/25. The updated School Teachers Pay and Conditions 2024 document can be found [here](#). The local government NJC pay award for 2024/25 is £1,290 up to pay point J2 (pro-rata for part-time employees) and those at J3 or above will receive a 2.5% increase applicable from 01 April 2024.

7.2 PE and Sport

The Department for Education (DfE) have confirmed the details for the PE & Sport grant for 2024/25 to give more children access to high quality PE lessons and sporting opportunities.

Schools receive PE and sport premium funding based on the number of pupils they have in years 1 to 6. In cases where schools may not have set year groups (for example, in some special schools), pupils aged 5 to 10 attract the funding.

In most cases, the funding is determined by using the data from the January 2024 school census. For a new school or a school teaching eligible pupils for the first time in the academic year 2024/25, funding is based on data from the autumn 2024 school census.

For the 2024/25 academic year, the amounts payable will be:

- schools with 17 or more pupils receive £16,000 plus £10 per pupil
- schools with 16 or fewer pupils receive £1,000 per pupil

The allocations will be paid to schools in November 2024 and May 2025. For new maintained schools or ones teaching eligible pupils for the first time in 2024/25, payments will be made in March and May 2025.

From July 2025 all schools must complete the digital reporting form, this outlines how the school has used its PE and sport premium and the impact it has had on achieving the aims and objectives of the funding.

The digital tool will go live during May or June 2025, and will remain open until 31 July 2025.

Conditions of grant and allocations can be found [here](#).

7.3 **Universal Infant Free School Meals**

The government have confirmed that the universal infant free school meals grant will continue during 2024/25, the rate will be increased from £2.53 to £2.58 for 2024/25, backdated to the start of the academic year. The increase will be received by schools in the July 2025 payment.

Further information can be found [here](#).

Annex A – 2025/26 Schools Funding Formula Consultation Outcome

The proposal and decision of the school funding formula is the responsibility of the local authority (LA), but this must be done in conjunction with schools and the schools forum.

A consultation was issued to all schools regarding the schools funding formula for 2025/26, this closed on Friday 22 November 2024 and in total there were 43 responses (22 responses for 2024/25).

Minimum Funding Guarantee (MFG)

The purpose of the MFG is to protect the per pupil rate of funding for schools who would have otherwise seen a funding reduction due to changes in their pupil demographics (eg eligibility for free school meals or deprivation funding). MKCC used the lowest allowable rate of 0.00% for 2024/25 (the allowable rates were between 0.0% and +0.5%) this meant all schools were protected, so they received at least the same amount of funding per pupil as they received in 2023/24.

The summary policy document updated by the DfE gives the options for MFG for 2025/26 as between -0.5% and 0.0%, at -0.5% affected schools would see a per pupil reduction in funding of up to 0.5%.

Q What rate of MFG do you think should be applied in the 2025/26 school funding formula, -0.5%, 0.0% or other?

Total responses 40

● -0.5%	0
● 0.0%	38
● Other	2



The written comments to this question were as follows:

ID ↑	Name	Responses
1	anonymous	+0.5%
2	anonymous	We have said 0% but would like to add a note... We received MFG payment last year and as our numbers on roll are lower than our PAN and our PP numbers are reduced for 2024 census, we are likely to see a reduction in our SBS again next year and would like to avoid a reduction in per pupil funding for our school..
3	anonymous	We do not receive it
4	anonymous	N/A

NB +0.5% is no longer an allowable option in the regulations.

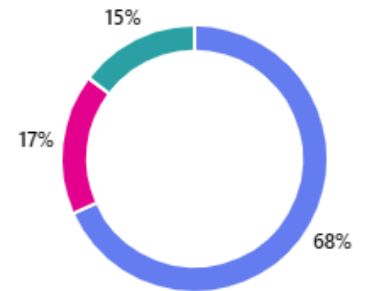
Split Site Funding

Split site funding provides additional funding to schools that operate over two or more sites. These schools only receive one lump sum funding allocation, so a split site allowance is paid in addition to reflect that these schools have additional operating costs.

Q How do you think the split site funding factor should be applied in Milton Keynes for 2025/26?

Total responses 41

● National Funding Formula rate	28
● Minimum allowable rate	7
● Maximum allowable rate	6

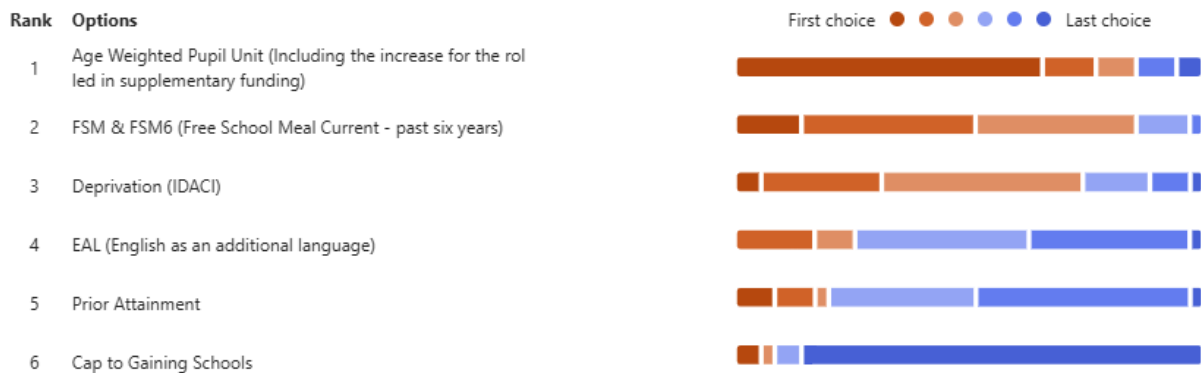


Options to Manage Funding Pressures

There are a number of options available to manage the funding pressure in order to bring the overall cost of the school funding formula within the available funding allocation.

Q Please rank the options in the order you would like to see them applied with your first preference being ranked as 1.

Total responses 35



Sparsity

The sparsity factor allocates funding to schools that are remote, measured by sparsity distances, and are small, based on average year group size.

Q1 In light of the intention of the DfE to use the NFF taper for schools attracting sparsity funding, do you agree that we should apply this factor using the NFF taper and the distance taper?

Total responses 40

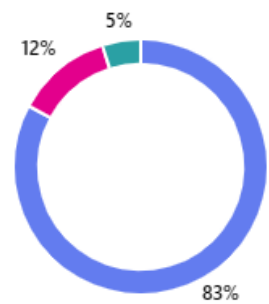
- Yes 37
- No 3



Q2 Which rates do you think should be applied for the sparsity factor for 2025/26?

Total responses 41

- Use the National Funding Formula funding rate 34
- Use the minimum allowable rate 5
- Use the maximum allowable rate 2



Other Comments

ID ↑	Name	Responses
1	anonymous	Using the NFF rates seems to allow for a middle of the road approach and fair to as many as possible
2	anonymous	More centralised SEN funding for those children who have undiagnosed needs and no funding.
3	anonymous	N/A
4	anonymous	SEN funding urgently needs review