

Briefing note

Item 2b Dedicated Schools Grant Budget 2025/26.

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Date 16 January 2025

1 Purpose

1.1 To inform the Schools Forum on the distribution of the Dedicated Schools Grant (DSG) for the financial year 2025/26.

2 Recommendations

- 2.1 That the Schools Forum **notes** the DSG budget of £407.174m for the purposes of setting the schools budget as set out in the Annex A and the overall budget position as set out in Annex G.
- 2.2 To **note** the Central School Services Block (CSSB) budget (Annex B).
- 2.3 To **vote** on the additional Early Years central expenditure (Annex D).
- 2.4 To **note** the budget for the growth fund (Annex B). The growth fund criteria and weighted pupil numbers require approval by the schools forum and these were approved at the 17 October 2024 schools forum meeting.
- 2.5 To **note** the unit rates for the Primary and Secondary School Funding Formula (Annex C).
- 2.6 To **note** the unit rates for the Early Years Funding Formula (Annex D).
- 2.7 To **note** the budgets for the High Needs pupils and students (Annex E).
- 2.8 To **note** the distribution of the Government Grants (Annex F).
- 2.9 To **note** the 2024/25 Budget Summary (Annex G).

3 Budget Setting Process Introduction

3.1 The main elements to agreeing the Schools Budget are:

- Estimating the value of the DSG for 2025/26 (resources available) and the estimated carry forward balance at 31 March 2025
- Determining those elements that are to be retained centrally by the Local Authority (LA) and seek the school’s forum approval where required
- Consider and seek approval from the school’s forum for any movements between funding blocks
- Determining the distribution of the resources within the Individual Schools Budget (ISB) between schools maintained by the LA, academies and Early Years providers applying the funding formulae.

3. National Funding Formula and 2025/26 Budget

- 3.1 On the 18 December 2024, the DfE issued the latest allocations of the DSG for 2025/26 together with the associated operational guidance and the Authority Proforma Tool for completion and submission of the school funding formula. Further information can be found [here](#).
- 3.2 The 2024 Autumn Statement announced that the core schools budget (including funding for mainstream schools and high needs) will increase by £2.3bn in 2025/26, taking the total core schools budget to almost £63.9bn. In 2025/26 the Teachers Pay Additional Grant (TPAG), the Teachers Pension Employer Contribution Grant (TPECG) and the Core Schools Budget Grant (CSBG), which were in addition to the schools’ allocations through the national funding formula in 2024/25 have been rolled into the national funding formula.
- 3.3 The table below shows the overall changes in the funding allocation (reflecting the increases mentioned above) between 2024/25 and 2025/26.

DSG Funding Summary	Schools Block	CSSB	HN	EY	Total
	£m	£m	£m	£m	£m
2024/25 Total Allocation	268.153	1.928	61.825	34.957	366.863
2025/26 Total Allocation	291.184	2.166	65.674	48.150	407.174
Change from 2024/25	23.031	0.238	3.849	13.193	40.311

Changes from 2024/25

- 3.4 Schools Block: the schools block is affected by a number of changes in 2025/26. The total increase of £23.031m includes the Teachers Pay Additional Grant, the Teachers Pension Employer Contribution Grant & the Core School Budget Grant and is broken down as follows:

School Block Changes 2024/25 to 2025/26	£m
Additional Pupils (159)	1.533
NFF Unit Rate Increase	21.991
Growth Funding Recalculation	-0.405
Premises	-0.089
	23.031

- 3.5 The premises funding covers the costs for split site allowances and business rates and is based on the 2024/25 costs as submitted in the APT.
- 3.6 There are no further funding announcements or indicative funding estimates provided by the DfE beyond 2025/26 making long term planning more difficult and also highlights why it is important to create a sustainable position on all aspects of the DSG, at individual block level.

4. Budget Strategy

2025/26 Overview Budget Position

- 4.1 The funding blocks are ring-fenced with restrictions in the regulations applied to limit movements between blocks. This includes a maximum 0.5% transfer out of the school's block, which must have school's forum approval, and in early years local authorities are required to pass-through 96% of all of their age group entitlement to providers (previously this was 95% and based only on 3&4 year old entitlement). No movement between blocks is proposed in this budget and the early years pass through rate will remain above the required rate at 97.61% (2024/25 98.2%).
- 4.2 As the funding blocks within the DSG are ring-fenced, the carry forward balance at the end of 2024/25 will be carried forward against the blocks in which they relate.
- 4.3 The latest forecast position (period nine) shows that there is an anticipated surplus carry forward of £5.808m and this has been used for the purpose of setting the 2025/26 budget.
- 4.4 Part of the 2025/26 DSG allocation is still provisional due to the recalculation of parts of the census-based funding factors, where these are recalculated on later census dates. This will affect the whole of the early years block and the import and export element within the high needs block.
- 4.5 A detailed breakdown of the budget is set out in Annex G.

Dedicated Schools Grant Income (Annex A)

- 4.6 The LA has a DSG allocation for 2025/26 of £407.174m. The detailed breakdown and assumptions for each block is set out in Annex A.
- 4.7 The DSG can only be used for the purposes of the Schools Budget as defined in The School and Early Years Finance Regulations 2024. The Schools Budget consists of delegated budgets allocated to individual schools, Pupil Referral Units (PRUs) and Early Years Provision in Private, Voluntary and Independent (PVI) providers, and a budget for other provision for pupils which

local authorities fund centrally, which includes the bulk of High Needs provision, including post 16 provision up to the age of 25.

4.8 The conditions of use of the DSG grant are set out in Annex A.

Central Expenditure Budgets (Annex B)

4.9 The Schools and Early Years Finance Regulations 2024 require the Schools Forum to:

- Agree the central expenditure budgets against the schools block (agreed at 12 December 2024 schools forum)
- Agree the early years central expenditure budgets against the early years block (agreed at 12 December 2024 schools forum) with an additional request of £0.100m for the January 2025 schools forum meeting, to cover a higher proportion of the increased local authority core staffing costs due to the expansion of the entitlements.
- Agree the level of de-delegation (agreed at 17 October 2024 schools forum meeting).

4.10 Annex B sets out the detail of central expenditure against the central school services block and the growth fund. This annex also shows the central budgets in respect of LA maintained schools where de-delegation was approved at the 12 December 2024 schools forum meeting.

4.11 Annex D sets out the detail of proposed central expenditure against the early years block.

4.12 The school's forum is required to approve the growth fund criteria and weighted pupil adjustments to be applied through the funding formula. Both of these areas have been approved at the 12 October 2024 and 7 December 2024 schools forum meeting. Annex B recaps the details of funding to be allocated from the growth fund in 2024/25 for information, including an amendment to the weighted pupil adjustments.

School Budget Shares (Annex C)

4.13 The DfE national funding formula sets out all the formula factors and equivalent values that should be applied under a hard formula. LAs are allowed time to transition to this but MK moved fully to match all formula elements in 2018/19. Any variation to the formula must be fully justified in order to make simpler and less turbulent transition to the hard formula.

4.14 For 2025/26 the formula factors will remain in line with the DfE's formula, however there will need to be some adjustments to the rates applied to make the formula affordable. Some areas within the formula remain still under local control namely, growth funding and the criteria, MFG and cap on gains.

4.15 The main pressures against the school's budget are:

- **Growth:** The cost of growth (Annex B1) is £4.016m, compared to the actual funding allocation of £2.132m which gives a pressure of £1.884m

- **Free School Meals (FSM), FSM6, English as an Additional Language & Mobility:** The proportion of pupils triggering these factors has increased in both the primary and secondary sectors.
- **Premises:** funding in this area is lagged meaning we are funded based on our costs in the previous year.
- **Different Model:** Funding is not received into the LA on the same methodology as the allocation of the school funding, often meaning that there is an overall difference that needs to be managed within the local formula.

Full details of all the formula factors can be found in Annex C.

4.16 In 2025/26 the factors are fully aligned to match those outlined in the NFF, MFG is 0.0% and there will be no cap set for gaining schools. As the school's block is ring-fenced it is necessary to pass out all the funding to schools via the Authority Proforma Tool (APT). Modelling of the formula (based on the full hard NFF) shows that due to the pressures and funding reductions outlined earlier in this report, there is an overall pressure of £3.665m partially offset by the b/fwd balance of £0.792m.

4.17 The following areas were proposed at the 17 October 2024 forum meeting and in the consultation with schools. These are now confirmed in the formula for 2025/26 (not implementing these options as proposed would have increased the pressure referenced above).

- **MFG** - will be 0.0% which will cost £0.124m and will affect 16 primary schools. LAs have the freedom to set an MFG of between +0.0% and -0.5% per pupil. (For 2024/25 the allowable range was between +0.0% and +0.5%, MKCC used a rate of 0.0%.)
- **Split Site Funding** – From 2024/25 there is a formulaic approach to this funding factor which replaces the local authority led approach.
- **Reduction in Formula Factors** - In order to balance the budget and in line with the preferred option from the consultation with all schools the AWPU rate has been reduced. For 2025/26 it is proposed that the rate will be reduced by 1.5% across all sectors (2024/25 reduction 2.1%).

4.18 The APT is due for submission on 22 January 2025, as a result final checks will be completed up until this date and by the DfE after this date before the final budget can be confirmed.

4.19 Annex C details the rates proposed in the school budgets for 2025/26.

Early Years Block (Annex D)

4.20 The EY NFF was introduced in 2017/18. For 2025/26 the new entitlements will continue to be fully rolled out, the LA funding rate increases for each element will be as follows:

- 3-4 Year Olds - there will be a rate increase of £0.25

- 2 year olds – there will be a rate increase of £0.25
- Under 2's – there will be a rate increase of £0.31

4.21 The proposed rate increases to providers for 2025/26 and further information can be found in Annex D.

High Needs Budgets (Annex E)

- 4.22 High needs expenditure largely consists of top up, place funding and central SEN services. Details of the proposed budgets for all high needs (including central expenditure and place funding) is set out in Annex E.
- 4.23 The 2025/26 total high needs DSG allocation is £65.674m. This is an increase of £3.849m from the 2024/25 allocation.
- 4.24 There have been a number of significant cost pressures resulting from increased demand in the current year and these have been reflected in the base budget for 2025/26 using the additional funding that was announced. The full detail of the draft budget is set out at Annex E.
- 4.25 The current year forecast underspend position of £3.103m will be carried forward to 2025/26. This funding is one off and not ongoing and therefore should not be committed into the base budget, instead this will be used to manage volatility within the block, manage future demand pressures (in light of uncertainty over future funding) or be used for one off investment (this could include training and support, investment in equipment and improvement of assets). This level of contingency may seem large in value but is relatively low as a percentage (5.0%) especially when considering volatility (e.g. the average cost of a placement, and some of the increases in demand we have seen in year).
- 4.26 Without this level of contingency, changes in demand would otherwise have to be managed by reducing rates or removing non-statutory elements of funding.
- 4.27 The arrangements for the funding of special schools, pupils in special units attached to mainstream schools, alternative education providers, and high needs students in post 16 provision continue to be on the place plus top up basis as defined by DfE. The details are set out in Annex E.

Government Grants (Annex F)

- 4.28 The details of the government grants for 2025/26 in respect of Pupil Premium Grant and the Core School Budget Grant for Special Schools and Alternative Provision are set out in Annex F.
- 4.29 It should be noted that these grants are in addition to any of the other budget allocations dealt with in this paper and does not form part of the school budget share and is excluded from the MFG.

Annexes to the Report

Annex A - Dedicated Schools Budget (DSG) Income

Annex B - Schools Central Expenditure, Growth and De-delegation

Annex C - Schools Budget Share Rates

Annex D - Early Years

Annex E - High Needs Budget and Places

Annex F – Government Grants

Annex G – Budget Summary