

Briefing note

Item 2b – Annex A – Dedicated Schools Grant Income.

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1 Purpose

- 1.1 To advise the Schools Forum of the latest Dedicated Schools Grant (DSG) funding allocation for 2025/26.

2 Recommendation

- 2.1 To **note** the DSG allocation of £407.174m for the purposes of setting the budget for 2025/26.

3 DSG Allocation

- 3.1 The introduction of the national funding formula in 2018/19 resulted in the ring-fencing of the funding blocks. Local authorities can transfer up to 0.5% of their school's block funding into other areas with the agreement of their school's forum, MKCC are not proposing to do this in the 2025/26 budget, as this is not required.
- 3.2 In 2025/26 the core school budget grant (CSBG), the teachers pay additional grant and the teachers pension employers contribution grant 2024 (TPECG) which were in addition to the schools' allocations though the national funding formula in 2024/25 have been rolled into the national funding formula.

Schools Block

- 3.3 For 2025/26 the schools block is calculated on the national funding formula and is £291.184m. This is calculated using pupil funding rates in the primary sector of £5,493.49 (2024/25 £5,077.31) and in the secondary sector of £7,184.13 (2024/25 £6,614.52). This is an increase of £23.031m from 2024/25 and can be 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

- 3.4 In addition to the per pupil funding, there is an allocation for premises and mobility of £3.548m (2024/25 £3.637m) and for growth of £2.132m (2024/25 £2.537m).
- 3.5 The total growth funding for 2025/26 is £2.132m (2024/25 £2.537m) a reduction of £0.405m from 2024/25. The growth funding allocation is calculated by counting positive growth in pupil numbers from October 2023 to October 2024 and a unit rate is then applied (MK also receives an area cost adjustment of 1.030).; £1,570 per primary growth, £2,350 per secondary growth and £77,225 allowance for each new school opened. The number of pupils counted are 427.5 primary and 535 secondary. There was no new school funding.

Central School Services Block

- 3.6 The Central School Services block (CSSB) is a fourth block within the DSG created as part of the move to the NFF. The allocation is £2.166m and is calculated at a single rate of £47.05 (2024/25 £42.73) per pupil headcount on the October 2024 census.

High Needs Block

- 3.7 The final high needs block allocation is £65.674m for 2025/26.
- 3.8 The high needs block is now calculated based on the national funding formula and will no longer be fully based on a historical allocation. The funding formula will include a historic baseline plus proxy factors (population, deprivation, health and low attainment) giving an initial allocation of £59.862m. The below adjustments are then made:
- Basic allocation (£4,869.04 per pupil funding) £5.312m
 - Import / export adjustment is £0.288m - the import / export adjustment is provisional and will be adjusted based on January 2024 data
 - Hospital education, alternative provision teachers' pay/pension and supplementary funding factor £0.212m

Early Years Block

- 3.9 The EY block allocations for 2025/26 are yet to be finalised as the allocations are based on the actual number of children participating on the January count days apportioned across the two academic years (5/12 and 7/12 respectively) and on estimated take up of the entitlements. Therefore, the information included in this report is indicative for the purpose of setting the initial EY budget.

3.10 The LA funding rates for 2025/26 will increase as follows:

Age Entitlement	2025/26 Rate	£ Increase	% Increase
Under 2s	£12.01	£0.31	2.6%
2YO Receiving Additional Support	£8.85	£0.25	2.9%
2YO Working Families	£8.85	£0.25	2.9%
3-4YO's	£6.36	£0.25	4.1%

3.11 There are further EY funding allocations in addition to the standard allocations based on take up. These are pupil premium which now includes the new entitlements £0.312m (2024/25 £0.172m), maintained nursery school supplementary funding £0.270m (2024/25 £0.214m) and disability access fund £0.218m which also includes the new entitlements (2024/25 £0.176m). Like the rest of the EY funding allocations, these figures are initial allocations and will be recalculated based on January 2025 and January 2026 census data when this is available.

3.12 Table 1: DSG Income Detail

Dedicated Schools Grant Income	2024/25 £m	2025/26 £m	Movement £m
Schools Block	268.153	291.184	23.031
Central School Services Block	1.928	2.166	0.238
High Needs Block	61.825	65.674	3.849
Early Years Block	34.957	48.150	13.193
Total DSG Income	366.863	407.174	40.311

Schools Block	2024/25 £m	2025/26 £m	Movement £m
Pupil Headcount (October Census)			
Primary	27,014	26,780	-234
Secondary	18,871	19,263	392
Total Number of Funded Pupils	45,885	46,043	159
Unit Funding Rates:			
Primary	£5,077.31	£5,493.49	£416.18
Secondary	£6,614.52	£7,184.13	£569.61
Unit Funding	261.979	285.504	23.525
Premises and Split Site (lump sum)	3.637	3.548	-0.089
Growth Allocation (lump sum)	2.537	2.132	-0.405
Total Schools Block Funding	268.153	291.184	23.031

Central School Services Block	2024/25 £m	2024/25 £m	Movement £m
Pupil Headcount	45,885	46,043	159
Unit Rate of Funding	£42.73	£47.05	£4.32
Total Central School Services Block Funding	1.961	2.166	0.206

High Needs Block	2024/25 £m	2025/26 £m	Movement £m
High Needs NFF Allocation	56.323	59.862	3.539
Basic Entitlement:			
Unit Rate of Funding	£4,868.99	£4,869.04	£0.05
Pupil Headcount (Special)	1,026	1,091	65
Basic Entitlement	4.996	5.312	0.317
Import / Export Adjustment	0.294	0.288	-0.006
Teachers Pay/Pension Funding	0.212	0.212	0.000
Total High Needs Block Funding	61.825	65.674	3.849

Early Years Block	2024/25	2025/26	Movement
	January 2024 PTE	January 2025 PTE	
Funded Numbers Under 2 Year Olds	696	1,949	1,252
Funded Numbers 2 Year Olds (Disadvantaged)	642	642	0
Funded Numbers 2 Year Olds (Working)	1,153	1,789	636
Funded Numbers 3 & 4 Year Olds (Universal)	4,247	4,247	0
Funded Numbers 3 & 4 Year Olds (Additional)	1,751	1,751	0
Per Hour	2024/25	2024/25	Movement
<i>Calculated at 15 hours x 38 weeks per year</i>	£	£	£m
Funding Under 2 Year Olds	11.70	12.01	0.31
Funding 2 Year Olds (Disadvantaged)	8.60	8.85	0.25
Funding 2 Year Olds (Working)	8.60	8.85	0.25
Funding 3 & 4 Year Olds (Universal)	6.11	6.36	0.25
Funding 3 & 4 Year Olds (Additional)	6.11	6.36	0.25
Funding Allocation	2024/25	2024/25	Movement
	£m	£m	£m
Funded Numbers Under 2 Year Olds	4.645	13.340	8.695
Funded Numbers 2 Year Olds (Disadvantaged)	3.148	3.240	0.092
Funded Numbers 2 Year Olds (Working)	5.651	9.025	3.374
3 & 4 Year Old Entitlement (Universal)	14.793	15.398	0.605
3 & 4 Year Old Entitlement (Additional)	6.098	6.348	0.250
Pupil Premium	0.208	0.312	0.104
Nursery Supplementary Funding	0.238	0.270	0.032
Disability Access Fund	0.176	0.218	0.042
Total Early Years Block Funding	34.957	48.150	13.193

DSG CONDITIONS OF GRANT 2025/26

4 Purpose of the grant

- 4.1 The grant is paid in support of the local authority's schools' budget. It is the main source of income for the school's budget.
- 4.2 Local authorities are responsible for determining the split of the grant between central expenditure and the individual school's budget (ISB) in conjunction with local schools' forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools funding formula.
- 4.3 Local authorities can add to the schools budget from local sources of income, subject to the provisions below.

5 Allocation of grant to schools by local authorities

- 5.1 Local authorities retain responsibility for setting the overall level of their ISB and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2024.
- 5.2 Each local authority's scheme for financing schools must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies of maintained schools.

6 Transfer of funds between the DSG funding blocks

- 6.1 The following conditions apply to the transfer of funds between the four DSG funding blocks:
 - a. Subject to the paragraphs below, local authorities must not allocate money designated in the DSG settlement tables as schools block to items of spend other than budget shares for mainstream primary and secondary schools (excluding funding for nursery classes and for places reserved for pupils with special educational needs), or money retained centrally for growth in schools, as defined in Schedule 2 to the School and Early Years Finance (England) Regulations 2024.
 - b. Local authorities may allocate up to 0.5% of money designated as school block to other items with the consent of the schools forum.
 - c. Local authorities must consult with all local maintained schools and academies if they propose to allocate schools block money to other items. The school's forum must consider the outcome of that consultation before deciding whether to give their consent.
 - d. The local authority can apply to the Secretary of State for permission to allocate schools block money to other items if they do not secure the consent of the schools forum as above, or if they wish so to allocate more of the schools block money to other items than would be permitted under paragraph 3.5.2. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by the local authority and may be given subject to conditions.

7 Determination of the local funding formula and funding for high needs pupils

- 7.1 The following conditions apply in relation to setting the local funding formula and the funding for high needs pupils:
- a. The local authority must maintain a single formula for funding both maintained schools and academies in its area.
 - b. In constructing the formula, the local authority must take account of the circumstances of all academies and maintained schools in its area.
 - c. When spending DSG centrally on duties relating to all schools (as set out in Schedule 2 of the School and Early Years Finance Regulations 2024), the local authority must treat maintained schools, including voluntary aided schools and foundation schools, and academies on an equivalent basis. Schools such as voluntary aided schools, foundation schools, and academies, cannot therefore be charged for services that are provided free of charge to community and voluntary controlled schools, and paid for out of the centrally held DSG. This does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2 of the School and Early Years Finance Regulations 2024), where some statutory duties relate to community and voluntary controlled schools only. However, in these situations authorities should not charge voluntary aided and foundation schools if requested to provide services to these schools and where there is no charge to community and voluntary controlled schools for the same service.
 - e. local authority must treat children and young people with high needs on a fair and equivalent basis when making arrangements for their funding, regardless of whether they are placed in maintained provision, academies and free schools, providers in the further education sector, or non-maintained and independent provision.
 - f. The local authority, in deciding on top-up funding rates for the pupils to be placed in its maintained special schools, special academies it previously maintained and special free schools located in its area, must not reduce the budget of any special school such that it would be lower in financial year 2025 to 2026 than in financial year 2024 to 2025, if all the pupils in the special school were placed by the local authority, and the number and type of places remained the same in the 2 financial years 2024 to 2025 and 2025 to 2026. This gives effect to the special schools minimum funding guarantee (MFG) protection, which is set at 0% for 2025 to 2026. The budget for this purpose excludes the additional allocations in 2024 to 2025 that were the equivalent of the additional allocations for 2025 to 2026 required by paragraph 3.6.6 below, and other grants separate from the DSG, including the teachers pay additional grant (TPAG), 2024 teachers' pension employer contribution grant (TPECG 2024) and core schools budget grant (CSBG). The local authority can apply to the Secretary of State to set a specified percentage reduction instead.
 - g. The local authority must calculate and pay to each of their maintained special schools and pupil referral units, special academies and alternative provision (AP) academies they previously maintained or that are located in their area, special and AP free schools in their area, and hospital schools and the equivalent academies in their area:
 1. an allocation of high needs funding based on the full-year amount of historic teachers' pay and pension (employer contribution) funding allocated per place to each school by the local authority in the period April 2024 to March 2025, multiplied by the place numbers used for funding maintained schools by the local authority, and for funding academies and free schools

as published by the department, in the period April 2025 to March 2026, subject to a minimum of 40 places per school

2. any historic teachers pensions supplementary fund also allocated by the local authority in the period April 2024 to March 2025
3. an allocation of additional funding pursuant to the 2022 autumn statement based on **either**:
 - the full-year amount per place for each special school, academy and free school that was used for the period April 2024 to March 2025,
 - or**
 - the full-year amount allocated to each pupil referral unit, AP academy and free school for the period April 2024 to March 2025, converted into an amount per place using the place numbers for that period multiplied by the place numbers used for funding maintained schools by the local authority, and for funding academies and free schools as published by the department, in the period April 2025 to March 2026
4. an allocation of high needs funding for any new special or AP free school opening between April 2025 and March 2026, to reflect the historic teachers' pay and pension funding and additional autumn statement funding that other local schools are receiving, based on an amount per place. The full-year minimum amount for the historic teachers' pay and pensions funding must be £660 per place, and for the additional autumn statement funding £340 per place, both multiplied by the place number used by the department for funding the free school in the period April 2025 to March 2026.

This additional high needs funding is separate from both place and top-up funding, and must not result in a reduction to the number of places for which £10,000 per place is allocated to a school, or the amount per place allocated to a hospital school, or to the top-up funding in respect of individual pupils allocated to a special school or academy; and must be disregarded in applying the protection for special schools set out in the paragraph above. The local authority can apply to the Secretary of State to waive this requirement.

- h. When a pupil who requires top-up funding has already been placed in a school or college and is in receipt of top-up funding from the local authority at 31 March 2025, the local authority must continue the agreement with the school or college to make top-up payments until the pupil has left the school or college, or the agreement is replaced by another. The local authority must likewise enter into such an agreement when a pupil is placed by the local authority in an institution at a later date.
- i. The local authority must make high needs top-up payments in a timely fashion on a basis agreed with the institution. These must be monthly unless otherwise agreed.
- j. The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities in relation to the use of DSG for top-up funding for pupils and students with high needs, where he believes that the actions of the local authority are unreasonable. This is most likely

to occur as a result of a failure to agree and pay top-up in a timely manner, where a pupil or student has already been placed by the local authority in a school or college.

8 Allocations to academies

8.1 In some circumstances local authorities need to make direct payments to academies. In the 2025/26 financial year these will include:

- top-up funding for high needs pupils
- funding calculated under the early years single funding formula
- payments for pupils admitted who have been excluded from other schools
- any allocations from the local authority's growth fund or falling rolls fund.