

AGENDA ITEM 5

REPORT TO SCHOOLS FORUM

**18th DECEMBER
2024**

SCHOOLS FUNDING ARRANGEMENTS 2025/26

SUMMARY

1. This paper is intended to inform the Schools Forum of the latest information regarding the 2025/26 national funding formula (NFF) for schools and High Needs which was published by DfE at the end of November 2024.
2. DfE recognise that the timescale for the publication of the NFFs is unprecedented. The Department usually publishes the NFF allocation in July to help schools with their planning as early as possible. This year, due to the timing of the general election, that was not possible. DfE have also kept the structure of the NFFs largely unchanged in order to minimise disruption in light of the shorter than usual timescales available for local authorities to set their local formulae for 2025 to 2026.

RECOMMENDATION

3. That the Schools Forum note the report.

National Increases

4. To improve opportunities for our children and young people, DfE is investing in education with an additional £2.3 billion for mainstream schools and young people with high needs for 2025 to 2026. This means that overall core school funding will total almost £63.9 billion next year compared to £61.6 billion in 2024 to 2025.
5. £1 billion of the £2.3 billion increase is being allocated as high needs funding in 2025 to 2026. This will bring total high needs funding to £11.9 billion. The high needs NFF will ensure that every local authority receives at least a 7% increase per head of their projected aged 2-18 population, with the majority of authorities seeing higher gains. There is a limit on the gains of 10% per head
6. Funding through the mainstream schools national funding formula (NFF) is increasing by 2.23% per pupil on average in 2025 to 2026, compared to 2024 to 2025. This includes a 1.28% increase to ensure that the 2024 teachers and support staff pay awards continue to be fully funded at national level in 2025 to 2026.

7. The schools national funding formula (NFF) continues to distribute this based on the needs of schools and their pupil cohorts. The main features in 2025-26 are:
 - An increase in factor values in the NFF to increase the amount of funding available to schools. Through the minimum per pupil funding levels, every primary school will attract at least £4,955 per pupil, and every secondary school at least £6,465 per pupil.
 - The funding floor will continue to protect schools from sudden drops in their per-pupil funding.
 - Rolling the 2024 to 2025 Teachers' Pay Additional grant (TPAG), Teachers' Pension Employer Contribution grant (TPECG) and Core Schools Budget grant (CSBG) into the schools NFF, ensuring that this additional funding forms an on-going part of schools' core budgets.
8. Local authorities will continue to use funding through the schools NFF to determine final allocations for all local mainstream schools. We will continue with the same approach to "tightening" local formulae as in previous years. Local authorities will be required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2024 to 2025, unless they are already mirroring the NFF.
9. The structure of the high needs NFF will remain largely unchanged. While the mainstream elements of the TPAG, TPECG and CSBG are rolled into the school NFF for 2025 to 2026, for high needs we will continue to pay local authorities the funding currently allocated through the separate TPAG, TPECG and CSBG for special schools and alternative provision outside of the high needs NFF in 2025 to 2026. These funding streams will be brought together and paid as a single 2025 to 2026 CSBG.
10. Central school services funding funds local authorities for the ongoing responsibilities they continue to have for all schools, and some historic commitments entered into before 2013 to 2014. The total provisional funding for ongoing responsibilities is £342 million in 2025 to 2026.
11. Final allocations of mainstream schools and central schools services funding for 2025 to 2026 will be calculated in December 2024, based on the latest pupil data at that point, when we announce local authorities' Dedicated Schools Grant (DSG) allocations. The December DSG allocations will also include updated high needs funding allocations, based on the latest pupil data, but these are not final because, as usual, there will be further adjustments in March 2025 and subsequently. As normal, Stockton will use the December allocations to finalise schools and high needs budgets for 2025 to 2026.

12. In addition to the funding allocated through the NFFs, further funding in respect of the increase in employer's National Insurance contributions will be provided in 2025 to 2026 by a grant outside the NFF.

The National Funding Formula for Schools

13. The basic structure of the schools national funding formula (NFF) is not changing for 2025-26. Factor values in the NFF have increased from 2024 to 2025. The amount of the increase varies between factors as detailed below:
 - a. 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 to 2025: 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.
 - b. These increases mean that all primary schools will attract at least £4,955 per pupil, and all secondary schools at least £6,465 per pupil, through the minimum per pupil levels.
 - c. The funding floor will continue to protect schools from sudden drops in their funding. The 2025 to 2026 NFF funding floor is set at 0%. This ensures that no school will see a drop in the amount of pupil-led per pupil funding they attract, compared to the 2024 to 2025 baseline. For 2025 to 2026 the baseline does not only include the funding schools attracted in 2024 to 2025 via the NFF and the pay and pensions grants – it also includes a further uplift to ensure that the 2024 teacher pay award remains fully funded in 2025 to 2026 at a national level. Because of this baseline uplift, the 0% floor in 2025 to 2026 still incorporates a year-on-year increase in funding compared to what schools attracted in 2024 to 2025.
 - d. Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2025-26 must be between -0.5% and 0%.
 - e. Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the Dedicated Schools Grant (DSG), with schools forum approval. A disapplication will be required for transfers above 0.5%, or for any amount without schools forum approval. **This was approved at the last Schools Forum meeting following a period of consultation.**

The National Funding Formula for High Needs

14. The basic structure of the high needs NFF for 2025 to 2026 is not changing, as the Government is taking time to carefully consider what changes are needed, both to make sure that they establish a fair education funding system that directs funding to where it is needed, and to support the SEND reforms that will be taken forward.
15. The funding floor – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2025 to 2026 we are setting the funding floor at 7% per head of the projected 2-18 year old population in the authority's area.
16. The gains limit – the limit on gains per head of the population compared to the baseline. For 2025 to 2026 we are setting the gains limit at 10%, which means that local authorities can see an increase of up to 10% before their gains are capped.
17. Special schools (maintained and academies), pupil referral units and AP academies will continue to be funded primarily through place funding at £10,000 per place, and top-up funding for the excess costs of provision, with the majority of that funding coming from the high needs NFF allocations to local authorities.
18. In addition, DfE will be continuing to require local authorities to allocate specific extra high needs funding for special and AP schools, as follows:
 - additional high needs funding originally allocated through separate teachers' pay and pensions grants in 2020 to 2021, but since then included in the NFF baseline
 - a 3.4% increase to funding introduced in 2023 to 2024, and also included in the NFF baseline.
 - the consolidated CSBG for 2025 to 2026, which brings together the additional funding for teachers' pay and pensions that was paid as separate grants in 2024 to 2025.

National Funding Formula for Early Years

19. For the financial year 2025 to 2026, DfE are making a small number of changes to the early years operational guide and funding formula. The updates that have been made are intended to ensure the funding system supports the continued rollout of the new entitlements and delivery of the existing entitlements.
20. The main changes to the guidance are:
 - an increased minimum pass-through requirement for local authorities in 2025 to 2026 – the pass-through rate will increase from 95% to 96%

- an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025- DfE intend to mandate this as a requirement in the regulations from the financial year 2026 to 2027.
- for 2025 to 2026 DfE have made no changes to either the 3 and 4-year-old formula, or the formula for 2-year-old and under, other than updating for the latest available data for the formula factors and accounting for the expansion to 30-hours of the working parent entitlement.

The National Funding Formula for Central Schools Services

21. The block will continue to comprise two distinct elements: ongoing responsibilities and historic commitments. For 2025-26 the formula for allocating this funding follows the same approach as in 2024-25.
22. The CSSB will continue to fund local authorities for the ongoing responsibilities they deliver for all pupils in maintained schools and academies. The total provisional funding for ongoing responsibilities is £342 million in 2025 to 2026. This includes funding for the rolling in of the centrally employed teachers elements of both the TPECG and CSBG into the CSSB for 2025 to 2026 – with the CSBG element recalculated to cover the full-year salary costs.
23. Local authorities will continue to be protected so that the maximum per pupil year-on-year reduction in funding for ongoing responsibilities is at -2.5% as in the previous year, while the year-on-year gains cap will be set at the highest affordable rate, of 2.98%.
24. DoE have provided an additional £4 million to cover the exceptional increase in copyright licence costs in 2025-26, as licences were updated following the increased use of digital technology. The additional funding each local authority will receive in respect of copyright licences will be calculated as 7.1% of their copyright licence costs in 2024 to 2025.
25. In 2025-26, the historic commitments element will continue to reduce by 20% on 2024-25 allocations, the same rate as the reduction in previous years.

Consultation

26. Schools forums have a range of responsibilities relating to local funding formulae for mainstream schools and High Needs budgets and a consultation is required to fulfil the Forums responsibilities.
27. This consultation has taken place and the results are also presented at today's Forum Meeting for relevant Forum Members to vote on each proposal.

Timeframes

28. An extract of the DfE's timetable as published in the Schools revenue funding 2025/26 operational guide is attached as an Appendix A.

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Appendix A

Local Authority Activity - Timetable

03 October 2024

- School census day.

18 November 2024

- Deadline for submitting disapplication requests (for response by December) for:
 - MFG exclusions
 - exceptional circumstances
 - sparsity factors
 - lump sum variations for amalgamating schools
 - pupil number reductions
 - growth funding
 - where the local authority wishes to transfer more than 0.5% of the schools block
 - where the schools forum has turned down a proposal from the local authority to transfer funding out of the schools block, but the local authority wishes to proceed with the transfer—the department aims to issue decisions before the APT deadline
 - providing details of any changes to the published list of split sites
 - safety valve local authorities - the process for safety valve local authorities is separate and all safety valve local authorities have been sent a letter outlining the process

November 2024

- school census database closed
- check and validate school census
- closing date for submission of the 2025 to 2026 high needs place change workbooks.

16 December 2024

- Deadline for notification of any changes to split sites

9 January 2025

- schools block disapplication submission amendment date

22 January 2025

- schools forum consultation and political approval from local authorities required in line with APT submission deadline for final 2025 to 2026 funding formulae
- deadline for submission of final 2025 to 2026 APT to the department

31 January 2025

- deadline for local authorities to provide evidence of the total value of their ongoing prudential borrowing and termination of employment costs, for this funding to be protected in 2025 to 2026 (this will be reflected in the March DSG allocations)

28 February 2025

- confirmation of schools budget shares to mainstream maintained school

March 2025

- final allocations to mainstream maintained schools (includes de-delegation)