

School Funding 2025/26

Report to the Schools Forum December 2024

- 1.1 Details of the following year's school funding is usually provided in two tranches, several months apart. In July, details of funding rates are published, then in December local authorities are issued actual DSG allocations, arrived at by applying October census data to the funding rates published in the summer.
- 1.2 However, details of 2025/26 funding rates were published much later this year, at the end of November, due to the general election and resulting change of government in the summer. Therefore there will only be a few weeks, rather than several months, between the publication of funding rates and published DSG allocations.

2025/26 Schools Block

- 1.3 One important feature of the 2025/26 Schools Block is that previously separate grants for mainstream schools - the Teachers' Pay Grant, Teachers' Pension Employers Contribution Grant & the Core Schools Budget Grant - have been subsumed into DSG. Therefore, in order to provide a like-for-like comparison, the figures below combine the DSG allocations with the supplementary grants where appropriate.

Table 1: Primary Schools 2025/26 funding factors compared to 2024/25

Factor	2024/25	Grants added	2024/25 restated	2025/26	Increase
Basic entitlement	£3,562	£264	£3,826	£3,847	0.55%
Lump sum	£134,400	£9,921	£144,321	£145,100	0.54%
FSM	£490	£0	£490	£495	1.02%
FSM6	£820	£233	£1,053	£1,060	0.66%
IDACI A	£680	£0	£680	£685	0.74%
IDACI B	£515	£0	£515	£520	0.97%
IDACI C	£485	£0	£485	£490	1.03%
IDACI D	£445	£0	£445	£445	0.00%
IDACI E	£285	£0	£285	£285	0.00%
IDACI F	£235	£0	£235	£235	0.00%
Low prior attainment	£1,170	£0	£1,170	£1,175	0.43%
EAL	£590	£0	£590	£595	0.85%
Mobility	£960	£0	£960	£965	0.52%
Minimum per pupil	£4,610	£319	£4,929	£4,955	0.52%

Table 2: Secondary Schools 2025/26 funding factors compared to 2024/25

Factor	2024/25	Grants added	2024/25 restated	2025/26	Increase
KS3 Basic entitlement	£5,022	£371	£5,393	£5,422	0.54%
KS4 Basic entitlement	£5,661	£419	£6,080	£6,113	0.54%
Lump sum	£134,400	£9,921	£144,321	£145,100	0.54%
FSM	£490	£0	£490	£495	1.02%
FSM6	£1,200	£345	£1,545	£1,555	0.65%
IDACI A	£945	£0	£945	£950	0.53%
IDACI B	£740	£0	£740	£745	0.68%
IDACI C	£690	£0	£690	£695	0.72%
IDACI D	£635	£0	£635	£635	0.00%
IDACI E	£450	£0	£450	£450	0.00%
IDACI F	£340	£0	£340	£340	0.00%
Low prior attainment	£1,775	£0	£1,775	£1,785	0.56%
EAL	£1,585	£0	£1,585	£1,595	0.63%
Mobility	£1,380	£0	£1,380	£1,385	0.36%
Minimum per pupil	£5,995	£433	£6,428	£6,465	0.58%

- 1.4 As can be seen above, the funding increases above are significantly below current levels of inflation. The latest RPI (October 2024) was 3.4% and the equivalent CPI was 3.2%. The increases are also well below the level of recent pay awards – for schools, staffing costs are by far the most significant element of school cost inflation.
- 1.5 The DfE are continuing to move towards a National Funding Formula (NFF) at school level, by requiring local authorities to move each of their formula factors at least 10% closer to NFF values. However, there is a caveat, that this does not apply to authorities already deemed to be mirroring the NFF, defined by the DfE as within 2.5% of the national values.
- 1.6 As Forum members will be aware, for several years we have mirrored the NFF as closely as possible in our local funding formula. We therefore fall within the 2.5% limit and so this additional requirement will not affect our local formula.
- 1.7 For the low prior attainment factor, 2019 assessment data will be used as a proxy for both 2020 reception and year 6 cohorts. 2022 assessment data will be used for the 2021 reception and year 6 cohorts. This follows the cancellation of assessments in 2020 and 2021 due to COVID-19.
- 1.8 The national minimum funding guarantee has been set between a minimum of minus 0.5% and a maximum of 0%. T&W is likely to aim for the maximum 0%.

1.9 The amount of growth funding to be allocated to each authority is not specified as it will be based on differences between the October 2023 and the October 2024 census data.

1.10 *We propose to continue our policy of mirroring the national funding formula in the T&W funding formula for schools. As in previous year, we also propose to set the minimum funding guarantee amount at the highest level allowed by the DfE i.e. 0%, as long as this is affordable.*

The Forum is invited to express its view on this policy regarding the 2025/26 funding formula for T&W schools.

2025/26 High Needs

1.11 One important difference between the 2025/26 schools and high needs blocks is that whereas for the schools block teacher pay and pension grants have been rolled into DSG, for high needs there will remain a separate Core Schools Budget Grant (CSBG) which distributes these funds.

1.12 This means that the change in high needs allocations is like-for-like and for T&W the provisional figures show an increase in T&W's high needs block of around £2.9m, to £39.5m. The final allocations will be confirmed in December, once October 2024 census data has been used to update parts of the formula. As the number of pupils in T&W special schools has increased over the last year, the final allocation may be a little higher than £39.5m, but currently the increase of £2.9m represents an increase of around 8%.

1.13 This percentage increase is higher than the equivalent figure for 2024/25 which was just under 5%, but lower than the three preceding years 2021/22 to 2023/24, when the annual increase ranged between 10 and 12%. It is unlikely to be sufficient to prevent a further deterioration in T&W's DSG position, as the in-year overspend for 2024/25 is projected to exceed £4m.

1.14 T&W's high needs budget position is unlikely to be unusual. Nationally, the high needs DSG deficit increased by around 50%, in 2023/24, to £1.7bn from £1.1bn the previous year. And as noted above, this was in a year in which the national DSG allocations had increased by around double the rate of 2024/25.

1.15 At present, the accounting ring-fence around DSG deficits is due to be removed at the end of financial year 2025/26. An update on this is due to be provided as part of the DSG settlement later in December.

2025/26 Central School Services Block (CSSB)

1.16 The provisional 2025/26 allocation of CSSB is slightly higher than 2024/25 at £1.178m compared to £1.159m. However, most if not all of this cash increase is likely to be matched by an increase in the compulsory payment of centrally purchased licence costs to the DfE.

1.17 The final allocation is updated by pupil numbers, as the allocation is calculated on an amount per pupil. Therefore, if pupil numbers overall increase again in T&W, in the October 2024 census compared to October 2023, then the final amount of CSSB will be a little higher than the provisional allocation.

2025/26 Early Years

- 1.18 Details of 2025/26 early years funding have yet to be released. There will be a further extension of funded provision from September 2025, at which point working parents of children from 9 months to 4 years old (i.e. start of reception class) will be entitled to 30 hours of funded childcare.
- 1.19 Once details of 2025/26 early years funding have been released - at present we assume as part of the DSG funding settlement information later in December - we will consult with the Forum regarding 2025/26 funding in January and / or March 2025 meetings of the Forum.

Summary

- 1.20 The like-for-like increase in mainstream schools funding can be seen in Tables 1 and 2 above. It remains to be seen how pay awards in 2025 compare to this figure and whether – as has happened in recent years – any further grant funding is made available if pay awards are significantly above this level.
- 1.21 There is a substantial increase in high needs funding, but locally and nationally this seems unlikely to be enough to address the ongoing and increasing high needs deficits. We await the DfE's update on the current 'ring-fencing' arrangements around high needs deficits.
- 1.22 Local authority funding for statutory services continues to be squeezed with Central School Services block remaining broadly flat in cash terms, once the DfE charge for centrally purchased licences is accounted for.

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