

Meeting date: 14 January 2024
Report to: Solihull School Forum



Subject/report title: School Funding Update – DfE 18th December Announcement
Report from: Acting Assistant Director for Education and Learning
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Schools affected:

☒ All Primary | ☒ All Secondary ☒ All Early Years ☒ All Special and AP

Type of Report For Forum to express view to the Local authority
Forum Voting Whole of Forum
Public/private report: Public

1. Executive Summary

- 1.1 For School Forum to consider the key changes to mainstream school funding arrangements for 2025-26 following the government school funding announcements on 18 December 2024, and how the announcements should translate into school funding for 2025-26 by providing recommendations to the local authority in applying the local funding formula for mainstream schools, and special needs and alternative provision budgets.
- 1.2 There are separate reports on this agenda dealing with Early Years and Forum decisions to be made on central services.

2. Decision(s) recommended

- 2.1 Forum is asked to consider putting your views to the local authority concerning:
- 2.2 The local authority uses a MFG of -0.5% or 0.0% for mainstream schools.
- 2.3 The local authority sets top-up rates and ARPS increase within a range of 2.0% to 4.0%, in line with ESFA Operational Guidance to use increases in HNB to support inclusion in mainstream settings.
- 2.4 The local authority increase special school top-up rates by 2.0%, consistent with increase in mainstream increase in funding. (Pay grants will be incorporated as per DfE guidance and funded separately through CSBG grant).

3. Matters for Consideration

- 3.1 On 18 December 2023 the government published the updated arrangements for the national funding formula and the funding of mainstream schools for 2024-25. They also published details of Central Services, High Needs and Early Years Funding.
- 3.2 Solihull's Dedicated Schools Grant Block allocations:

DSG Grant Provisional Settlement 2025-26 (19-12-24)	2024-25 (Dec 23)	2024-25 (July 24)	2025-26 (19 Dec 24)	Change	% change
Schools Block	204,469,546	204,469,546	218,625,783	14,156,237	6.9%
Central Services Schools Block (incl central staff grant)	2,488,352	2,786,279	2,753,367	-32,912	-1.3%
High Needs Block (before deductions)	43,069,502	43,718,540	46,861,893	3,143,353	7.3%
EY Bloc, 3&4 and Admin	27,760,899	28,055,566			
	277,788,299	279,029,931	268,241,043	17,266,678	6.2%

Note 2025-26 Central Services grant assumes +£233k grant protection - not yet confirmed.
CSSB increased in 24-25 re £23k copyright licenses and £275k centrally employed teachers grant

3.3 Schools Block - the detailed breakdown is as follows:

DSG 2025-26 Allocation - Schools Budgets	DSG Schools Block 2024-25 (Dec 24)	DSG Schools Block 2025-26	Change in DSG Schools Block
	£	£	£
2025-26 NFF funding through the NFF pupil-led and NFF school-led factors.	201,265,871	215,133,340	13,867,469
DSG - premises (PFI/Split Site factors)	1,144,878	1,111,276	-33,602
DSG - Growth Fund	40,694	245,362	204,668
Business Rates	2,018,103	2,135,805	117,702
Total Schools Budget	204,469,546	218,625,783	14,156,237

% Change

6.9%

3.3.1 Pupil premium rates have not yet been announced.

3.4 Normally school funding arrangements and the national funding formula are published annually in July, and school forum and the local authority agree the processes for the construction of the local funding formula for the following financial year. This year, with the election of a new government, there was no July announcement.

3.4.1 On 3 October the DfE published a "Summary policy document" for the schools national funding formula 2025-26. [Pre-16 schools funding: local authority guidance for 2025 to 2026 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2025-to-2026)

3.4.2 On 28 November 2024 the DfE published the technical documents and provisional NFF unit rates and local authority provisional grant details that are normally published in July. This announcement formed the basis of a report to Finance Group on 17 December.

3.4.3 The government then published actual grant levels for all dedicated schools grant blocks on 18 December 2024.

3.5 The key features are:

3.5.1 The detailed Schools Block table published in November (using 2024-25 pupil data) shows that £11.9m of 2024-25 pay grants have been added to the baseline for

2025-26, which gives Solihull Schools Block a “real terms” 2.0% increase (+£4,3m), but then in the December announcement a -£2.5m reduction for demographic factors, based on October 2024 census.

- 3.5.2 The DfE have published the national funding formula (NFF) factors, and these are shown in Appendix A.
- 3.5.3 The increase in school funding, excluding incorporation of grants is 2.0%, but is an overall net 6.9% cash change to 2024-25.
- 3.5.4 The key changes that affect Solihull Schools are:
- 3.5.5 A number of grants have been incorporated into the core funding rates: the 2024 to 2025 teachers’ pay additional grant (TPAG), the teachers’ pensions employer contribution grant (TPECG) 2024, and the core schools budget grant (CSBG). For TPAG and TPECG this has been done by adding amounts representing what schools receive through the grants into their baselines. For CSBG the 24-25 rates have been uplifted for full year effect. The change in values is also shown in Appendix A.
- 3.5.6 LAs are required to continue to converge to the NFF. For Solihull, our only divergence is now in the basic entitlement factor, which is used as a balancing figure. The range of values allowed by the government is shown in Appendix b. Note that once the LA has “converged”, defined as +/-2.5%, the LA cannot change the values by more than +/-2.5%.
- 3.5.7 Local authorities must set the MFG in their local formulae between minus 0.5% and +0.0% per pupil. Solihull has set the MFG at the higher level in previous years, but the requirement for divergence means that Solihull needs to consider setting at the minimum level. the impact is that more funding will be released for all schools that will enable an increase in the basic entitlement factor for all schools. In 2024-25 3 secondary and 7 primary schools received MFG funding. MFG is an important protection for schools facing large annual shifts in their budget, yet it does mean schools receive funding in excess of their formula allocation.
- 3.5.8 The Finance Group felt that the local authority should continue to maintain MFG at the highest permissible level.
- 3.5.9 In 2024-25 3 secondary and 7 primary schools received MFG funding. MFG is an important protection for schools facing large annual shifts in their budget, but it does mean schools receive funding in excess of their formula allocation. Setting the MFG at a lower level would enable Solihull to move closer to the NFF basic entitlement figure.

3.5.10 Provisional modelling shows the impact of using 0.0% or -0.5% below:

MFG	0.0%	-0.5%	Diff	AWPU Diff
Primary	12	8	-4	£5.41
Secondary	2	2	0	£8.01
Total	14	10	-4	
Total Cost £000	£321k	£156k	-£165k	

3.5.11 Setting at the lower level this does boost the core pupil funding for all schools, but the effect is small, increase in AWPU of 0.14%. Schools receiving MFG are not particularly associated with smaller pupil numbers compared to last year.

3.5.12 Notional SEN budget – local authorities now review this annually. The 2025-26 guidance has been updated [notional SEN budget for mainstream schools: operational guide](#). The guidance is not markedly changed from last year, but it updates national average data for proportions of the NFF. For Solihull, no major changes are proposed, other than to update the proportions of the NFF in line with the DfE update, and to match to Solihull notional SEN budget cash requirement for 2025-26.

3.5.13 Local authorities must submit their local school funding formula to the DfE by means of the Authority Proforma Tool (APT) by 22 January 2024.

3.6 Application to mainstream school budgets 2024-25

3.6.1 In the school budget calculations to be submitted to the ESFA for quality assurance checking, Solihull will exactly emulate the NFF for all funding factors, except the basic pupil entitlement (AWPU), and factoring in the items in 3.6.2 below.

3.6.2 School budgets for 2025-26 will be finalised for 22 January submission as follows:

- (a) MFG of -0.5% or 0.0%
- (b) Applying the central spend grants, growth fund, and de-delegations as approved by Forum at this meeting (report elsewhere on the agenda)
- (c) Fully emulate NFF for all funding factors (set local formula at NFF values), using AWPU as “balancing” figure.
- (d) Confirmation there is no school block transfer for 2025-26.

3.6.3 Although the notional SEN budget does not change actual school budgets, the notional SEN budget must be submitted with school budgets to the government on 22 January. The authority will calculate the notional SEN budget according to methodology agreed by Forum 12 October 2024, updated in line with 2025-26 funding requirement using Jan 24 census and 25-26 NFF cash values, and with reference to DfE updated proportions of NFF.

3.7 High Needs Block

3.7.1 The HNB budget will be determined largely with reference to the DSG Deficit Management Plan 2025-26, which is being reported separately to School Forum.

- 3.8 However, there are some specific details arising from the government announcements in November and December.
- 3.9 The HNB has increased by 7.3% for Solihull. This increase in funding to local authorities is for both for the costs of additional placements (including those as a result of a new EHC plan) and services, and for any increase in the costs of existing high needs placements and services.
- 3.10 There is to be a further announcement regarding a separate core schools budget grant (CSBG), which local authorities will receive in 2025 to 2026, and for which the government have set aside £480 million from the overall increase in HNB grant. This comprises 3 separate grants received in 2024 to 2025:
- (a) the teachers' pay additional grant (TPAG)
 - (b) the 2024 teachers' pension employer contribution grant (TPECG 2024)
 - (c) a full year allocation of the CSBG which is allocated for the period September 2024 to March 2025, to help with schools' overall costs, including the 2024 teachers' pay award and support staff costs
- 3.11 Further details of how the 2025 to 2026 CSBG allocations to local authorities will be calculated and how local authorities are required to pass this CSBG on to eligible special schools, PRUs, AP academies and those providing hospital education will be published shortly by the government.
- 3.12 Further information about the distribution of additional funding to compensate employers for the planned increase in National Insurance contributions from April 2025 will be published in early 2025.
- 3.13 The MFG is set for special schools at 0.0%. This is a quite different calculation than for maintained schools. Details are published here: [special schools minimum funding guarantee](#).
- 3.14 Forum normally recommends to the Council that an increase in special school top-up rates be commensurate with the real terms increase in the NFF for mainstream schools, which for 2025-26 would be 2.0%. As with mainstream schools, special and AP provisions would receive further additional funding in respect to pay and inflation costs from the CSBG and national insurance grant. The actual increase for an individual special school may be greater if required by the MFG calculation.
- 3.15 For mainstream top-ups and ARPs, whilst pay grants should cover SEN staff in-year, in the full year costs are attributable to the HNB, so it may be that increases are considered in a range of 2.0% to 4.0%. 2.0% being the lowest increase, 4.0% at the highest range of LA affordability.
- 3.16 The DSG Deficit Management Plan 2025-26 is based on an assumption of a 3.0% increase, and this cannot be changed at this time. Increases of less than 3.0% can be accommodated, but increases in excess of 3.0% may only be provisional, perhaps from a September 2025 point if monitoring shows the plan is on target.
- 3.17 The [High needs funding: 2025 to 2026 operational guide](#) sets out the government's intention that the general direction of SEND reform is towards establishing a mainstream school and college environment that is more inclusive of children and young people who need specialist SEND provision, including in SEN units and

resourced provision (RP). The government is working on a range of reforms that will facilitate that shift.

- 3.18 The government suggest “In the meantime, drawing on the research and examples of existing good practice that have already been published ([Findings from Phase One - DBV in SEND](#) and [High needs budgets: effective management in local authorities](#)), local authorities should consider whether changes to local high needs funding arrangements and other developments could be taken forward to support an enhanced role for mainstream schools and colleges in making provision for children and young people with more complex needs. Many local authorities are already improving SEND provision in their mainstream schools through the creation of more SEN units and resourced provision”.
- 3.19 These matters would be considered in the DSG Deficit Management Plan but are highlighted here as a key part of the HNB funding settlement.
- 3.20 There is a specific item previously recommended by Forum on a temporary basis to the Council, a £1,000 subsidy to the cost of secondary schools commissioning AP places at Solihull Academy. The DSG Management Plan confirms that this is planned to end August 2025.

4. List of appendices referred to

- 4.1 Appendix A – National Funding Formula rates and max/min levels for Solihull.

5. Background papers used to compile this report

- 5.1.1 [Dedicated schools grant \(DSG\): 2025 to 2026 - GOV.UK](#)
- 5.1.2 [DSG: conditions of grant 2025 to 2026 - GOV.UK](#)
- 5.1.3 [Core schools budget grant \(CSBG\) 2025 to 2026 for special schools and alternative provision: methodology - GOV.UK](#)
- 5.1.4 [High needs funding: 2025 to 2026 operational guide - GOV.UK](#)
- 5.1.5 [Schools operational guide: 2025 to 2026 - GOV.UK](#)
- 5.1.6 [DSG: technical note 2025 to 2026 - GOV.UK](#)
- 5.1.7 High needs national funding formula 2025 to 2026: technical note November 2024
- 5.1.8 Central school services block national funding formula 2025 to 2026: technical note November 2024
- 5.1.9 Schools block national funding formula 2025 to 2026: technical note November 2024