

Report to the Cabinet

Meeting to be held on Thursday, 16 January 2025

Report of the Director of Education, Culture and Skills

Schools Budget 2025/26

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 10 January 2025)

Part I	Key Decision: Yes
Corporate Priorities: Better Lives For All;	Electoral Division(s): (All Divisions);
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Summary

Purpose of the Report

This report requests approval for the 'Schools, Early Years, High Needs and Central Schools Services Block' budget allocations for 2025/26. The council is required to submit a budget return for 2025/26 to the Education and Skills Funding Agency by 22 January 2025 detailing these allocations. This report seeks the approval of Cabinet to submit the return on the basis detailed in this report.

This is deemed to be a Key Decision and the requirements of the council's cabinet procedure rules (Standing Order C18, Consideration of Key Decisions) have been complied with.

Recommendation

Cabinet is asked to:

- (i) Approve the 2025/26 budget allocations for the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block for 2025/26, having regard to any recommendations made by the Lancashire Schools Forum at Appendix 'B'.



- (ii) Authorise the Principal Accountant – Schools Finance to submit the final Schools Block budget return for 2025/26 to the Education and Skills Funding Agency by 22 January 2025, on the basis set out in this report.

Background

1. The Dedicated Schools Grant is a ring-fenced specific grant allocated to the Local Authority by the government to support a range of education related services. The Department for Education currently operates a four-block funding model for funding schools and pre-16 education including early years as follows:
 - Schools Block.
 - Early Years Block.
 - High Needs Block.
 - Central Schools Services Block.
2. Each year, the government allocates money to the Dedicated Schools Grant using a formula to reflect pupils' needs. This is called the National Funding Formula. The government published its funding notification in December 2024.
3. Whilst the basic structure of the National Funding Formula remains largely unchanged for 2025/26, the Department for Education has stated that funding through the mainstream schools national funding formula 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. Key changes to the schools National Funding Formula in 2025 to 2026 are:
4. Rolling the 2024 to 2025 teachers' pay additional grant, the teachers' pensions employer contribution grant 2024, and the core schools budget grant into the National Funding Formula For teachers' pay additional grant and the teachers' pensions employer contribution grant, this is done by:
 - adding amounts representing what schools receive through the grants into their baselines;
 - adding the value of the lump sums, basic per pupil rates and free school meals Ever6 parts of the grants, onto the respective factors in the National Funding Formula;
 - uplifting the minimum per pupil values by the teachers' pay additional grant and the teachers' pensions employer contribution grant basic per-pupil values, and an additional amount which represents the average amount of funding schools receive from the free school meals Ever6 and lump sum parts of the grants;
 - Further increases to National Funding Formula factor values (on top of the amounts we have added for the teachers' pay additional grant, the teachers'



pensions employer contribution grant and annualised Central Schools Services Block, as can be afforded following the settlement of the core schools budget for 2025 to 2026.

Budget Allocations

5. The Dedicated Schools Grant must be deployed in accordance with the conditions of grant and the latest school and Early Years Finance (England) Regulations. Detailed guidance for each block is contained within various operational documents issued by the Education and Skills Funding Agency.
6. The local authority consults with the Schools Forum on the allocation of Dedicated Schools Grant funding, in accordance with the legislation and guidelines issued by the Education and Skills Funding Agency. This includes the local formula factors to be applied in the calculation of the school's individual budgets.
7. As well as the requirement to consult with the Schools Forum on changes to formula funding, the Forum authorises the central expenditure budgets for ongoing commitments, movements of funding between blocks and the growth fund policy.
8. Schools Forum membership is made up of representatives from maintained and academy, primary and secondary schools, nurseries and council officers. The meetings are open to the public and are held every 2-3 months. The Forum has a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the Dedicated Schools Grant.
9. Details of the 2025/26 Dedicated Schools Grant allocations which were notified to the council in December 2024, and the proposed schools expenditure budgets are detailed at Appendix 'A'. The approach to funding allocation relating to each of the four blocks is set out in the following section:

Schools Block

10. The Schools Block funds mainstream primary and secondary schools and academies. Following consultation with schools and academies in Lancashire, and with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2025/26.
11. The government funding notification in December 2025, also included the relevant minimum pupil funding levels for primary and secondary schools for 2025/26:
12. For primary schools, the minimum pupil funding level will be £4,955 per pupil in 2025/26 compared to £4,610 per pupil in 2024/25.
13. For secondary schools, the minimum pupil funding level will be £6,465 per pupil from 2025/26 compared to £5,995 per pupil in 2024/25.



14. The council will continue to set a Minimum Funding Guarantee in its local formulae, which in 2025/26 must be between -0.5% and +0.0%. The exact level to be applied in Lancashire for 2025/26 will be included at Appendix 'B'.

Schools Block Transfer

15. The Regulatory framework continues to allow local authorities to be able to transfer up to 0.5% of their schools block allocation to other blocks of the Dedicated Schools Grant, with schools forum approval.
16. In recent years, when headroom has been available this has been transferred to support demand and cost led pressures in other funding blocks, with most significant pressures within the High Needs Block in 2025/26.
17. For the previous two financial years there has been a deficit budget position on schools block in 2023/24 and 2024/25 of £1.879m and £1.154m respectively, with Dedicated Schools Grant reserves used to mitigate pressures in the funding block.
18. Due to pressures on the Dedicated Schools Grant, a methodology was consulted on with schools and agreed with schools forum to balance schools block in 2025/26 without the use of Dedicated Schools Grant reserves. If any headroom was available after this methodology, schools forum approval was given to transfer to the High Needs Block.
19. Following the modelling and application of the methodology agreed, there is a balanced budget position within schools block in 2025/26. However, there will be no headroom available to support pressures in the other funding blocks.
20. Once approved, the Schools Block allocations for 2025/26 must be submitted to the Education and Skills Funding Agency for compliance checking against the Department for Education regulations and guidance. A proforma is provided by the Education and Skills Funding Agency to facilitate submissions and the deadline for the 2025/26 return is 22 January 2025.

High Needs Block

21. The High Needs Block funds:
 - Special Schools budgets.
 - Alternative Provision budgets (mainly Pupil Referral Units).
 - Special Education Resource Facility and Special Educational Needs in mainstream schools.
 - Individually Assigned Resources for High Needs pupils across all educational establishments.
 - Certain Special Education Needs Central Schools Services.
22. The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers.



23. Department for Education announcements confirm that the basic structure of the High Needs National Funding Formula for 2025/26 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2025/26:
- The funding floor is set at 7% so each local authority will see an increase of at least 7% per head of their 2 to 18 population (as estimated by the Office for National Statistics).
 - The gains limit is set at 10%, allowing local authorities to see gains up to this percentage increase under the formula, again calculated on a per head basis of their 2 to 18 population.
24. The total high needs budget for 2025 to 2026 will be £11.9 billion, of which £11.3 billion is initially distributed through the National Funding Formula to provide indicative allocations for local authorities, £145 million is set aside for later National Funding Formula adjustments and allocations outside the formula, and £480 million is for the core schools budget grant.

Early Years Block

25. Early Years Block funding is utilised for:
- Funding for the universal 15 hours entitlement for three- and four-year olds.
 - Funding for the additional 15 hours entitlement for three- and four-year-old children of eligible working parents.
 - Funding for the 15 hours entitlement for disadvantaged two-year olds.
 - Funding for the 15 hours entitlement for working parents of two-year olds.
 - Funding for the 15 hours entitlement for working parents of under two-year olds.
 - Funding for the Early Years Pupil Premium.
 - Funding for the Disability Access Fund.
 - Supplementary funding for Maintained Nursery Schools.
26. The government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary, and independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.
27. As detailed in the Chancellor's Autumn 2024 Budget announcements, the early years funded entitlements are being expanded to enable working parents of younger children to access funded childcare. From September 2025, eligible working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week.



Central School Services Block

28. This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding have reduced over recent years.
29. The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.
30. The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.
31. The Department for Education has stated that it will continue to unwind the historic commitments funding to zero in future years.

Options and Proposals

32. The options for budget allocation have been considered in this report. Details of the proposed Lancashire Dedicated Schools Grant allocations for 2025/26 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

Consultations

33. Discussions are held with the Schools Forum during the budget-setting process. To help inform Schools Forum considerations, consultations are held with Lancashire schools and academies in connection to certain aspects of the Schools Block funding arrangements. Any decisions and recommendations arising from the Forum's budget meeting on 10 January 2025 will be reported to Cabinet on 16 January 2025 as Appendix 'B'.

Context and Implications

Legal (including Human Rights)

34. This decision should be implemented immediately for the purposes of Standing Order C28(3) as any delay could adversely affect the execution of the county council's responsibilities. The reason for this is to ensure that the necessary return can be submitted to the Education and Skills Funding Agency by the required deadline.

Financial

35. Details of Lancashire's Dedicated Schools Grant allocations for 2025/26 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.



36. There are no financial implications for the county council's budget arising from this report. The report forecasts a balanced Dedicated Schools Grant funding position in 2025/26.
37. It should also be noted that the Department for Education has tightened the ring-fencing around the Dedicated Schools Grant from 2020/21 onwards, to ensure that local authorities do not make provisions in their general reserves to cover possible Dedicated Schools Grant deficits, and any deficits would be carried forward into future years and then repaid over time.
38. The Dedicated Schools Grant reserve as at 31 March 2024 was £18.40 million, however this is forecast to be fully utilised by 31 March 2025, and expenditure may exceed the current reserve level of DSG. This is due to increased strain on the High Needs Block budget with demand led pressures remaining at levels well above the income received. There is currently a statutory override in place which allows local authorities to carry DSG deficit and not effect local authority general reserves, however this is currently due to end by March 2026.
39. Whilst a balanced budget has been forecasted in 2025/26, if the demand pressures continue to increase within the High Needs Block, a resulting overspend will occur. The pressures on High Needs Block are affecting local government as a whole and is creating significant pressure on the overall Dedicated Schools Grant. It has been recently recognised by the Department for Education of the need to reform England's special educational needs and disabilities (SEND)/High Needs Block provision to improve outcomes and return the system to financial sustainability. The government is committed to working with parents, teachers, and local authorities to take this work forward.

Equality and Diversity

40. Consideration has been given to any potential Equality and Diversity implications, and none have been identified.

Risk management

41. There are no significant risks identified in this report.

Appendices

Appendix	Title
Appendix 'A'	Details of Lancashire's final Dedicated Schools Grant allocations for 2025/26 for each funding block, and the expenditure proposals for each block.
Appendix 'B'	Recommendations of the Lancashire Schools Forum - this will be circulated following the meeting of the Schools Forum on 10 January 2025.



List of Background Papers

Paper	Date	Contact/Tel
None		

Part II Reason

N/A

