

# Cabinet

28 January 2025

## Allocation of the 2025/26 Dedicated Schools Grant

### Recommendations

That Cabinet:

1. Approves the Schools Block DSG allocation, as outlined in Section 3.
2. Approves the Early Years Block DSG allocation of funding for all early years providers as outlined in Section 4.
3. Approves the allocation of the High Needs DSG budget, as set out in Section 5.
4. Supports the proposals for allocating the Central School Services DSG budget, as set out in Section 6.

### 1. Purpose of Report

- 1.1 The Dedicated Schools Grant (DSG) is the ringfenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2 This report outlines the 4 blocks of the DSG, and the current proposals to allocate the provisional DSG allocation. Warwickshire Schools Forum received these proposals at the meeting held on 16 January 2025, and subject to Cabinet approval, they will be confirmed at the Schools Forum meeting on 20 March 2025.
- 1.3 Full Council will approve 2025/26 budget resolutions on 6 February 2025 which includes allocating resources to schools and other educational settings in accordance with the National Funding Formula (NFF) for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but to support financial resilience, the authority holds a Medium-Term Financial Risk Reserve which currently totals £39.488m, as a provision available to offset medium-term pressures which include the cumulative deficit on the High Needs Block. The Council has set aside £18m of one-off funding to increase the medium-term financial risk reserve in line with the original forecast high needs block deficit for 2024/25, as set out in the Delivering Better Value mitigated recovery plan. This contribution will increase the Medium-Term Financial Risk Reserve to £57.488m by 31 March 2025. As noted in the Q2 monitoring report to Cabinet, it is not affordable for the

Authority to continue to provide for the DSG overspend through its revenue budget or reserves beyond 2024/25. Therefore, we will rely on the DSG Statutory Override (which is available until March 2026) for any further overspends in both 2024/25 and 2025/26.

## 2. Dedicated Schools Grant

- 2.1 Whilst the DSG is often referred to as a single grant it is in fact made up of four blocks with minimal flexibility to move funding between the blocks. Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.
- 2.2 The provisional 2025/26 DSG allocation (before deductions) of £702.051 million, split across the four blocks by the Department for Education (DfE) is set out in Table 1.

<b>Table 1: 2025/26 DSG Allocations (before deductions)</b>	<b>2025/26 Provisional £m</b>	<b>Current 2024/25 £m</b>
Schools Block	496.820	456.656
Early Years Block	96.291	66.355
High Needs Block ( <i>Note 1</i> )	104.417	97.538
Central Schools Services Block	4.523	4.178
<b>Total DSG Allocation 2025/26</b>	<b>702.051</b>	<b>624.727</b>

### Notes

Provisionally, the amount of the 2025/26 High Needs Block allocation that will come to the authority is £86.929m (current 2024/25 £80.153m.) The DfE will top slice £17.488m to allocate directly to non-maintained providers. Similarly, an estimated £341.036m of Schools Block funding will be paid by the DfE direct to Academy Schools and £4.351m will be top sliced to cover DfE payments of NNDR (Rates) to billing authorities.

- 2.3 The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the remainder of this report covers the basis of allocations in each of the blocks separately.

### Schools Block

- 2.4 It is the responsibility of the County Council to propose and decide any changes to the formula that is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

### **Early Years Block**

- 2.5 Funding rules require that the whole of the funding allocation for Early Years Pupil Premium and Disability Access Fund is passported to all early years providers for eligible children aged 9 months to 4 years.
- 2.6 The local authority must passport a minimum of 96% (95% in 2024/25) of funding for Under 2s, 2-year-olds and 3- & 4-year-old children of eligible working parents directly to settings. This means 4% can be retained by the Council to fund early years functions delivered / commissioned by Education Services.
- 2.7 It is the responsibility of the local authority to propose and decide the allocation of Early Years Block funding. Schools Forum (16 January 2025) and an Early Years Working Group (7 January 2025) are consulted annually and given an opportunity to give their view on the local authority proposal.

### **High Needs Block**

- 2.8 The High Needs Block supports provision for children and young people with special educational needs and disabilities (SEND). The High Needs Block also provides the resources for place funding, top-up funding for institutions and funding for high need services delivered by the local authority.
- 2.9 It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. Schools Forum is consulted (20<sup>th</sup> March 2025) on any proposed changes and informs the governing bodies of all consultations.

### **Central School Services Block**

- 2.10 The Central School Services Block provides funding for the local authority to carry out central functions and local authority responsibilities on behalf of pupils in both maintained schools and academies. Services are split between ongoing and historic responsibilities.
- 2.11 The local authority proposes the spending allocations funded from the Central School Services Block, but the final decision will be made by the Schools Forum on 20<sup>th</sup> March 2025.

## **3. Schools Block National Funding Formula 2025/26**

- 3.1 The schools block DSG allocation (before deductions) for 2025/26 is £496.820m which is an increase of £40.164m (8.8%) from the 2024/25 allocation of £456.656m and is due to an increase in pupil numbers and increases in factor rates. The factor rates include amounts paid by separate grant in 2024/25 which have now been included in the baseline figures for 2025/26). These include:
- Teachers Pay Additional Grant (TPAG)
  - Teachers' pension employer contribution grant (TPRCG)

- Core schools Budget grant (CSBG)

3.2 The total Number on Roll for 2025/26 has increased by 468 pupils (0.6%) above 2024/25 pupil numbers. Table 2 shows the Number on Roll changes by phase.

**Table 2: Changes to the Number on Roll between 2024/25 and 2025/26 census points**

Phase	No. of pupils of Roll 2025/26	No. of pupils of Roll 2024/25	Increase #	Increase %
Primary Pupils	46,325	46,227	98	0.2%
Secondary Pupils	34,556	34,186	370	1.1%
<b>Total</b>	<b>80,881</b>	<b>80,413</b>	<b>468</b>	<b>0.6%</b>

- 3.3 The minimum pupil funding for 2025/26 has increased to £4,955 for Primary Schools and £6,465 for Secondary school compared to £4,610 in Primary Schools and £5,995 in Secondary Schools for 2024/25. This represents increases of 7.48% and 7.84% respectively above 2024/25 funding levels.
- 3.4 It is proposed to set the Minimum Funding Guarantee at 0.00%. (The range set by the DfE that can be used for 2025/2026 is between -0.5% and 0%). In 2024/25 the range set by DfE was between 0% and 0.5% and the Local Authority set it at 0.5%. By maximising the Minimum Funding Guarantee at 0.00% we are able to minimise any negative financial impact on schools. In both 2024/25 and 2025/26 we have therefore been able to give schools maximum protection.
- 3.5 Within National Funding Formula guidelines, a Local Authority can contribute up to 0.5% from the Schools Block to the High Needs Block. Following an annual consultation with schools, the Schools Forum approved the transfer of 0.25% (£1.242m) from the Schools Block DSG to the High Needs Block DSG in 2025/26 at their extraordinary meeting in November. Schools Forum had also agreed in principle to the transfer of 0.5% from the Schools Block to the High Needs Block if sufficient funding was available and this could be achieved while applying the 'hard' National Funding Formula allocations to schools. This has not been possible for the reasons set out in paragraph 3.7 below.
- 3.6 Following Portfolio Holder consultation with Cabinet Members the Local Authority has decided not to submit a disapplication to the Secretary of State to transfer the full 0.5% from the Schools Block to the High Needs block.
- 3.7 The DSG allocation for 2025-26 from the DfE is not sufficient for the Local Authority to fully apply what is referred to as the midpoint 'hard' NFF in 2025-26. However, the conditions of the National Funding Formula allow Local Authorities to set local factors that are within 10% range so that the National Funding Formula can still be implemented.

3.8 It is proposed that the majority of factors are set in line with the 'hard' NFF as per the list below:

- Allocate funding for English as an additional language for the maximum 3 eligible years in line with the 'hard' NFF.
- Prior attainment set at 100% in line with the 'hard' NFF.
- The new Split sites allocates a basic eligibility rate of £54,394.74 and a distance funding rate of £27,197.37 in line with the 'hard' NFF.
- Business Rates are fully funded, and this is mandatory.
- Funding to meet minimum per pupil funding (£4,955 for primary school pupils and £6,465 for secondary school pupils) in line with the 'hard' NFF.
- Set the Minimum Funding Guarantee at 0.00% in line with the 'hard' NFF.
- Allocate £2.927m to the Growth Fund.

3.9 In order to follow the principles of the NFF it is proposed to reduce the factor that accounts for 75% of the overall allocation – the Age Weighted Pupil Unit (AWPU) rate. This factor was modelled as it has a similar impact on all schools, rather than adversely impacting some schools over others. This is also consistent with both the approach adopted in previous years with the NFF as well as when WCC operated its own local formula. The adjustment can be within a 10% range. The Age Weighted Pupil Unit (AWPU) rate has been set 1.55% lower than the midpoint NFF.

3.10 A breakdown of the movements in the NFF factors between 2024/25 and 2025/26 is shown in Table 3 below.

**Table 3: Movement in NFF Factors 2024/25 and 2025/26**

Factor	2024/25 £m	2025/26 £m	Change £m	Change %	Reason for change
Age Weighted Pupil Unit (AWPU)	342.337	373.424	31.087	9.08%	Pupil led factor and increase in rates to include grants previously paid separately.
Deprivation	33.557	40.88	7.323	21.82%	Pupil led factor and increase in rates to include grants previously paid separately.
English as an Additional Language	3.912	4.35	0.438	11.20%	Pupil led factor and increase in rates.
Mobility	0.717	0.791	0.074	10.32%	Pupil led factor and increase in rates.
Prior Attainment	28.586	29.347	0.761	2.66%	Pupil led factor and increase in rates.
Lump Sum	30.831	34.287	3.456	11.21%	Increased lump sum to include grants previously paid separately.
Split Sites	0.37	0.372	0.002	0.54%	Increase in basic rate and distance rate.
Sparsity	1.101	1.159	0.058	5.27%	Increase in rate.
Rates	4.351	1.351	-3	-68.95%	Actual costs of rates bills are fully funded.
Minimum Pupil Funding	4.39	3.501	-0.889	-20.25%	As other factors increase there is less needed to protect schools through this factor.

Factor	2024/25 £m	2025/26 £m	Change £m	Change %	Reason for change
Minimum Funding Guarantee	0.625	0.189	-0.436	-69.76%	As other factors increase there is less needed to protect schools through this factor.
Growth Fund	3.599	2.927	-0.672	-18.67%	Directly allocated as part of the NFF funding settlement.
Transfer to High Needs	2.283	1.242	-1.041	-45.60%	As agreed by Schools Forum November 2024.
<b>Total (impacted by roundings)</b>	<b>456.656</b>	<b>496.82</b>	<b>40.164</b>	<b>8.80%</b>	

3.11 Schools Forum will be asked to approve recommending to Cabinet implementation of the National Funding Formula in 2025/26 in line with Table 3 above in relation to the Schools Block allocation for 2025/26. Should it not agree to this a verbal update will be provided at Cabinet. (Please note that this is subject to the DfE verifying our schools funding submission which needs to be submitted by Wednesday 22 January 2025. Schools Forum will therefore receive the final budget position at their March meeting.)

## 4. Early Years Funding Formula 2025-26

4.1. Last year we saw the first year of the increase in entitlements for children in England and Wales. This saw the original entitlement of 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age be extended to include working parents of 2-year-olds and children over 9 months (Under 2s). Parents may choose to take this entitlement up in a maintained school, nursery or in a private, voluntary, or independent sector (PVI) early year setting or with a childminder. From September 2025 this will be extended to 30 hours for working parents of 2-year-old and children over 9 months (Under 2s).

4.2. The DfE announced on 18 December 2024 early years allocations for 2025/26. The Early Years DSG funding has increased from £38.459m in 2023/24 to £66.355m in 2024/25 to £96.291m in 2025/26. With the full year effect of the changes mentioned in paragraph 4.1 above it is expected that the Early Years DSG funding will continue to grow into 2026/27. The current expectations is that the allowable retention rate (for central services) of 4% will be reduced to 3% in 2026/27. These allocations cover the following areas:

- Under 2s
- 2-year-olds
- 3- and 4-year-olds
- Early Years Per Pupil Premium (EYPPP)
- Disability Access Fund (DAF)
- Supplementary Funding for Maintained Nursery Schools (MNS)

4.3. Rates for 2025/26 and a comparison to 2024/25 rates are as follows:

**Table 4: Early Years allocation rates 2024-25 and 2025-26**

Factor	2024/25 Rates per hour	2025/26 Rates per hour	% Change
Under 2s	£10.69	£10.95	2.43%
2-Year-olds	£7.87	£8.08	2.67%
3- and 4-year-olds	£5.61	£5.83	3.92%
EYPP	£0.68	£1.00	47.06%
DAF	£910	£938 (per pupil per annum)	3.08%
MNS	£4.64	£5.27	13.58%

### **Allocations for Under 2s**

4.4. The hourly allocation for under 2s is £10.95 per hour for 2025/26.

4.5. As per the revised funding rules 4% (reduced from 5% in 2024/25) of the allocation can be retained by the Local Authority to fund central services which support all early years providers.

### **Allocations for 2 year olds**

4.6. The hourly allocation for 2-year-olds is £8.08 per hour for 2025/26.

4.7. As per the revised funding rules 4% (reduced from 5% in 2024/25) of the allocation can be retained by the Local Authority to fund central services which support all early years providers.

### **Allocations for 3 and 4 year olds**

4.8. The hourly allocation for 3- & 4-year-olds has increased by 22p per hour from £5.61 per hour in 2024/25 to £5.83 per hour in 2025/26. This includes £0.03 for Teachers Pay & Pension funding.

4.9. As per the revised funding rules 4% (reduced from 5% in 2024/25) of the allocation for 3- & 4-year-olds can be retained by the Local Authority to fund central services which support all early year's providers.

### **National Funding Formula Guidance**

4.10. The Early Years National Funding Formula allocates funding to Local Authorities using an hourly rate. Of this 96% (95% 2024/25) of this must go directly to providers either as a universal rate or as the mandatory supplement

for deprivation, and 4% (reduced from 5% in 2024/25) can be retained by the Local Authority to fund central early years functions & responsibilities.

- 4.11. The DfE announced in December 2024 early years allocations for 2025/26 and the Early Years Working Group met on Tuesday 7th January 2025 to discuss the allocation of funding and to make a recommendation to Schools Forum.
- 4.12. A breakdown of the recommended allocations from the working group are set out in Table 5 below. These are due to be considered at School's Forum on Thursday 16<sup>th</sup> January 2025 and a verbal update will be provided at Cabinet should they decide not to support the recommendations.

**Table 5: Breakdown of Hourly rates**

	2025/26 Allocation Per Hour		
	Under 2s	2-year-olds	3 & 4year-olds
<b>Total Rate</b>	<b>10.95</b>	<b>8.08</b>	<b>5.83</b>
Universal rate allocated to all providers	10.42	7.66	5.47
Teachers pay and pension grant	N/A	N/A	0.03
Deprivation Supplement	0.10	0.10	0.10
Central Provided Services (4%)	0.43	0.32	0.23

### **Early Years Pupil Premium and Disability Access Fund**

- 4.13. From 2024-25 eligibility for Early Years Per Pupil Premium (EYPP) and Disability access fund (DAF) was extended to include eligible children aged 2 years old and under.
- 4.14. The Early Years Per Pupil Premium (EYPP) will continue to be paid as an hourly rate per child, up to a maximum of 570 hours per year. This means that for the new working parent entitlements EYPP will be payable on a maximum of 15 hours per week.
- 4.15. There are no other changes to the eligibility criteria for EYPP and the rate will be the same across all age groups.
- 4.16. The EYPP rate has been increased this year to £1.00 per hour for eligible children.
- 4.17. Disability access fund (DAF) will continue to be paid as a rate per child, per year. Children do not have to accept all of the early education that they are entitled to in order to receive DAF.
- 4.18. There are no other changes to the eligibility criteria for DAF and the rate will be the same across all age groups.

4.19. The Disability Access Fund allocation rate for 2024-25 is £938 per eligible child.

### **Supplementary Funding for Maintained Nursery School (MNS)**

4.20. From 2023 to 2024 DfE reformed the distribution of supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs.

4.21. The only change that has been made to the MNS Funding for 2025-26 is the hourly rate, which has increased from £4.64 to £5.27.

4.22. Supplementary funding rate for Warwickshire is £5.27 and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.

## **5. High Needs DSG Budget Allocations 2025/26**

5.1. The 2025/26 allocation for High Needs Block DSG is £104.417 million. This represents a £6.879 million increase on the current allocation for 2024/25. Of this total allocation, the DfE will top slice and allocate £17.488m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £86.929m.

5.2. The High Needs Block allocation will be distributed to individual service budgets, taking into account both expenditure requirements and savings requirements (based on workstreams and interventions within the Education Transformation Programme (DSG High Needs Recovery Plan) and participation in the DfE's Developing Best Value (DBV) in SEND programme.

5.3. High Needs Block funding is based on SEND pupil numbers at October 2024 in mainstream; special and resourced provision, maintained schools and academies, and SEND pupil numbers at January 2024 in independent provision. The funding is made up as follows:

- Basic entitlement factor funding at £4,711.07 per pupil, adjusted for area costs.
- Historic spend factor. This amount is maintained at a cash-flat level and accounts for approximately 90% of the total high needs allocation. The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
  - 2 to 18 year old population
  - deprivation
  - health and disability
  - low attainment

- The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
- Hospital education funding is added.
- Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County.
- Additional funding for Special Free Schools

5.4. The 2024/25 Quarter 3 forecast figures reported to Cabinet elsewhere on this Cabinet agenda, forecasts a 2024/25 High Needs Block in year overspend of £45.217m. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are an issue; and Local Authorities continue to raise this with Central Government.

5.5. Nationally, there are significant pressures from SEND costs. This results from national reforms of 2015. This Council is no different and the challenges we face reflect national issues, not local ones. With the Government requiring all schools and early years services to be provided within the level of DSG allocated, officers are taking all possible action to mitigate the overspends on the High Needs DSG budget through the Education Transformation Programme and Warwickshire's participation in the DfE's Developing Best Value (DBV) in SEND programme. However, independent experts commissioned by the DfE concluded that even if the Council implemented every possible mitigating action, we could not balance the high needs budget or generate sufficient underspends to repay the cumulative deficit which will otherwise become unsustainable. This requires urgent national action.

5.6. The County Councils Network (CCN) advocates for urgent reform to the SEND system, including clarity on how the government plans to address local authorities' deficits and the need for sustainable resources to be allocated in the 2025 Spending Review. Without substantial and immediate reform, the SEND system will continue to face significant challenges.

5.7. As noted in the December MTFs report to Cabinet, it is no longer affordable for the Authority to make provision for the deficit. The financial position is that the Authority has no choice but to use the statutory override to provide financial cover for the gap between the Dedicated Schools Grant (DSG) funding for pupils with Special Educational Needs and Disabilities (SEND) and the estimated level of spend, with no provision to set aside further resources to underwrite the DSG deficit in 2025/26 in the absence of clarity from Government about future arrangements to make good the cumulative deficit; this is a major national issue, and the uncertainty about what will happen to DSG deficits after the statutory override ends in March 2026 represents the key risk for the MTFs.

- 5.8. The Provisional Local Government Finance Settlement makes reference to SEND and Alternative Provision funding, acknowledging that the Government recognises the strain that the rising costs of SEND provision are placing on Local Authorities, in particular the DSG deficits on councils' finances. The Government will set out plans for reforming the SEND system next year, which will also include plans to help Local Authorities "deal with their historic and accruing deficits" as well as considering any transitional period between the current and reformed system. This work will inform any decision to remove the statutory override, which currently ends on 31 March 2026. Rapid national resolution to what is WCC's major financial risk is urgent and critical.

## **6. Central Schools Services Block 2025/26**

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.523m in 2025/26. This represents a £0.345m increase on the 2024/25 figure. CSSB funding is allocated partly for historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. For Warwickshire's historic commitments allocation, this has reduced by 20% from 2024/25 despite an early application of appeal made by Warwickshire. However, with the lateness of the DSG allocation the DfE have extended the deadline for appeals and will now consider them all at once and announce the result before the final allocation in March 2025. Warwickshire has been successful with all previous appeals and sees no reason this will not be repeated. The value of a successful appeal is £0.201m. The cost of the historic commitments are fixed at £1.003m.
- 6.3. Funding for ongoing functions is allocated using a pupil-led formula based on October 2024 pupil numbers and comprises a basic per-pupil amount. This has been increased from £38.96 to £46.01 for 2025/26.
- 6.4. The decision on the use of the CSSB is one for the Schools Forum. The CSSB allocations for 2025/26 will be confirmed by the Schools Forum at their meeting on 20 March 2025.

## **7. Financial Implications**

- 7.1. In addition to the financial implications which are within the body of the report, the following paragraphs are for noting:
- 7.2. The demand and cost pressures covered in this report, alongside the need to deliver material savings and manage future demand to bring the budget back

into balance, means the High Needs Block DSG remains an area that requires close oversight. Progress on the recovery plans will be reported to Cabinet and to Schools Forum as appropriate.

- 7.3. A High Needs Block DSG deficit is not unique to Warwickshire and reflects a major national problem. A sustainable funding model needs to be implemented by Government.
- 7.4. The Council’s policy is to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant. Indeed, Councils may not apply Council Tax revenues to school provision without approval from the Secretary of State. However, meeting this policy aspiration in relation to high needs services and support is both impossible and unaffordable even over the medium-term in the absence of further additional Government funding or fundamental system change, given the national rapid growth in demand for services at a rate well in excess of funding levels, and the wider lack of capacity in the system. This represents a fundamental risk to the MTFs, and it is a matter of the utmost urgency for the Government both to reset the SEND system to better meet children and young people’s needs on a financially sustainable basis, and to fully reimburse councils for accumulated deficits created directly by Government policy change without sufficient funding.

## 8. Environmental Implications

- 8.1. There are no specific environmental implications arising from the decision being made as part of this report.

## Appendices

None

## Background Papers

1. Schools Forum 16 January 2025 meeting.

	<b>Name</b>	<b>Contact Information</b>
Report Author	Liz Firmstone, Head of Operational Finance Brian Smith Children and Young People and Schools Funding Finance Manager	lizfirmstone@warwickshire.gov.uk  briansmith@warwickshire.gov.uk

Director	Johnny Kyriacou, Director of Education Purnima Kandula, Director of Finance	<a href="mailto:johnnykyriacou@warwickshire.gov.uk">johnnykyriacou@warwickshire.gov.uk</a> <a href="mailto:purnimakandula@warwickshire.gov.uk">purnimakandula@warwickshire.gov.uk</a>
Executive Director	Nigel Minns, Executive Director for Children and Young People, Rob Powell, Executive Director for Resources	<a href="mailto:nigelminns@warwickshire.gov.uk">nigelminns@warwickshire.gov.uk</a> <a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
Portfolio Holder	Peter Butlin, Portfolio Holder for Finance and Property Kam Kaur, Portfolio Holder for Education	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a> <a href="mailto:kamkaur@warwickshire.gov.uk">kamkaur@warwickshire.gov.uk</a>

Elected Members have not been consulted in the preparation of this report.