

Agenda Item 4

School Funding Arrangements for 2025-26

Purpose of the Report

1. The purpose of the report is to provide Schools Forum with details on the school funding arrangements for 2025-26 following the publication by the Department for Education (DfE) in November 2024. The report also details the impact on Cheshire West and Chester and proposals for consulting with schools and Schools Forum on the arrangements for 2025-26.

Recommendations

2.
 - (i) The Forum is asked to note the report, in particular the proposal not to further consult with schools on the schools block funding formula as no changes are proposed.
 - (ii) Forum is requested to make a recommendation to Cabinet on the Schools Block funding formula continuing to mirror the Schools National Funding Formula (SNFF) values for 2025-26.
 - (iii) To approve the submission of disapplication requests for Upton by Chester High School and Wincham Primary School.
 - (iv) To agree the Minimum Funding guarantee level

Background

3. In 2025-26 local authorities will continue to receive Dedicated Schools Grant (DSG) funding through the national funding formulae (NFF) for schools for allocation to primary and secondary schools and academies. The Department for Education (DfE) have confirmed that they are still moving forward with their plans to implement a direct national funding formula (NFF), whereby funding will be allocated directly to schools based on a single national formula. Local authorities must move their local formula factor values at least 10% closer to the NFF, (building on the movement towards NFF made in 2024/25), except where local formulae are already 'mirroring' the NFF. The department expect all Councils to have moved to the direct NFF by the 2027-2028 funding year, if not sooner. Cheshire West and Chester already mirror the NFF, therefore there is no scope for change in relation to the formula.

Schools revenue funding arrangements for 2025-2026

4. In November 2024, the DfE published arrangements for schools revenue funding for 2025-2026 financial year. The operational guidance includes details on the schools block allocation methodology along with indicative funding rates to allow local authorities to start to plan with schools and Schools Forum for next year. In 2025-2026, the NFF will again set notional allocations for each school, which will be aggregated, and used to calculate the total schools block received by each local authority

5. The NFF announcement in November 2024 confirmed that there would be a higher level of funding in each local authority area in 2025-26 compared to 2024-25. The total core schools budget will total over £63.9 billion in 2025-26. For Cheshire West and Chester, the indicative increase in allocation is approx £11.516m from £378,768 m in 2024-2025 to £390,284m in 2025-26 This excludes confirmation of the Early Years Block which is expected in December 2024. The change in Cheshire West and Chester allocation announced to date is detailed in **Appendix A** and in summary shows the following:
- £7,494m (2.6%) increase in schools block funding.
 - £4,025m (7%) increase in high needs block funding.
 - No announcement on the early years block funding.
 - £3k decrease in central schools' services block funding

All allocations will be updated from pupil number changes on the October 2024 census and schools block growth funding will also be determined.

6. Update on Technical Changes to the School Block

6.1 The allocations reflect the following in 2025-2026.

- Through the minimum per pupil funding levels, every primary school will receive at least £4,995 per pupil, and every secondary school at least £6,465.
- The funding floor is cash flat at 0%.
- lump sum - every school attracts a lump sum through the NFF irrespective of its size or phase
- sparsity factor - eligibility for sparsity funding depends on the distance the pupils living closest to the school would have to travel to their next nearest appropriate (for example, same phase) school, and the average number of pupils per year group. The value of this factor will vary depending on the phase of the school. The distance thresholds, year group size thresholds, and operation of the distance and year group size tapers will remain as they were for 2024 to 2025
- premises – the NFF in 2025 to 2026 will continue to allocate funding to reflect the costs associated with a school's premises and overheads:
 - rates - for local accounting purposes, rates funding allocations will continue to notionally feature in the NFF allocation publication for all schools, including schools in billing authority areas where rates are paid directly by the Department for Education (DfE). Actual allocations to schools in those areas will not include funding for rates
 - PFI – the purpose of this factor is to fund the unavoidable additional costs to a school of being in a PFI contract. For 2025 to 2026 the DfE are making some changes to the operation of this factor. Setting conditions that local authorities would need to meet to receive above-inflation increases in PFI funding (with the expectation that these would be the exception). The default expectation will be that previous years' PFI funding through the NFF will be increased by the Retail Prices Index excluding mortgage interest payments (RPIX) measure of inflation. If local authorities want to request that the funding is increased by a higher amount, then they will need to submit an affordability model to the department
 - split sites – this factor targets extra funding to schools which operate across more than one site. As in 2024 to 2025, schools can attract funding for up to a maximum of 3 additional eligible split sites. There will continue to be basic eligibility funding – that is, a lump sum that schools attract for each site (up to

the maximum of 3 additional eligible sites) – as well as distance funding (through which up to 3 additional sites which are more than 100 metres from the main site, attract additional funding)

- exceptional circumstances – this factor provides additional funding where local authorities have had approval from ESFA to direct additional funding to a small number of schools with significant additional and atypical costs.

- 6.2 The mainstream schools elements of TPAG, TPECG 2024 and CSBG will be rolled into the schools NFF for 2025 to 2026. The funding for centrally employed teachers within the TPECG and CSBG are also being rolled into the CSSB NFF for 2025 to 2026. For all 3 of the grants, the funding will be rolled in following a very similar approach to previous grants. That is:
- (i) Adding cash amounts to the primary, key stage 3 and key stage 4 per pupil funding factors in the schools NFF, to represent the equivalent amounts in the grants.
 - (ii) Adding cash amounts to the primary and secondary FSM6 factors, and the lump sum, in the schools NFF, to represent the equivalent amounts in the grants.
 - (iii) Adding cash amounts to the minimum per pupil funding levels (MPPLs) for primary, key stage 3 and key stage 4 respectively, to reflect the average per pupil amount of funding that schools attracted through the preceding grants.
 - (iv) Adding an amount representing the total funding each school received through the preceding grants on to its baseline, which is used to calculate funding protection for the schools through the funding floor.

6.3 Minimum Funding Guarantee

Local Authorities can set an MFG between minus 0.5% and +0.0% per pupil compared to baseline. Previously Local Authorities were able to set an MFG up to +0.5% and Cheshire West and Chester's MFG was +0.5%. As this option is no longer available it is proposed that an MFG of 0.0% is set.

Changes to High Needs Block Funding allocations

7. The basic structure of the high needs national funding formula in is not changing in 2025-2026. The allocation will be updated in December for changes in pupil numbers and their movement between local authorities (captured by the basic entitlement factor update and import/export adjustment). A Minimum Funding Guarantee of 0% will continue to offer protection for special schools. The indicative allocation for Cheshire West and Chester is an increase of £4,025m (7%) overall.

Changes to Central School Services Block (CSSB) allocations

8. This block allocation comprises of formula funding for ongoing central local authority commitments and protected funding for historic commitments. The government has confirmed the total national funding for the ongoing responsibilities will increase to fund all local authorities for the functions they have a statutory duty to deliver for all pupils in maintained schools and academies. As in previous years, the government will continue to reduce the element of funding that some local authorities receive for historic commitments made prior to 2013-2014. In 2025-2026, historic commitments funding will be reduced by 20% as anticipated from £415k to £331k.

9. Subject to approval by Schools Forum, schools would be informed of the continuation of previous decisions in the allocation of the SNFF for 2025-2026. The only aspects that require annual agreement are de-delegation arrangements and any transfer to the high needs block and the Council would propose that a questionnaire is sent to all schools to gauge their views. The decisions then would be taken by Schools Forum in January 2025 in recommending the final formula and budget. The indicative SNFF values that we would propose to apply are shown in **Appendix B**. As with usual practice, the Basic Entitlement factors would be adjusted to manage school allocations within the overall allocation.

Notional SEN

10. DfE have published separate guidance to help local authorities review their notional SEN budget calculations, and to help schools understand what the notional SEN budget is for. The guidance states that all authorities should keep this calculation under review to make sure that their schools' notional SEN budget is a realistic amount for meeting the costs of additional SEN support up to £6,000 per pupil, and that any shortfall in this notional budget can be appropriately met from additional high needs targeted funding. In view of this guidance, a review of the notional SEN calculation will be undertaken for review by Schools Forum in January 2025.

Exceptional circumstances - Disapplications

11. This is an optional formula factor and local authorities can apply to the department to use exceptional circumstances relating to school premises where the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the local authority's area. Where local authorities have already received approval for exceptional circumstances from 2018-2019 onwards, they can continue to use the approved factors if the criteria are still being met. Where the latest approval was prior to 2018-2019 the local authority will need to submit a new disapplication request for consideration. This is the case for the two exceptional circumstances in Cheshire West and Chester, Upton-by-Chester High School sports facilities and Wincham Primary School rental of a hall. The submission date for local authorities to submit any application for exceptional circumstances to the ESFA was 18 November 2024. Officers liaised directly with these schools and submitted applications by the deadline to maintain the existing exceptional circumstances in the Borough. **The Forum to approve the submission of the disapplication requests.**

Next steps

12. The recommendations of Schools Forum will be made to Cabinet in January 2025. Final allocations for 2025-2026 will be received in December 2024 with the final funding formula to be agreed and submitted to the DfE by 22 January 2025. Schools Forum will be consulted on budget setting for the remaining elements of DSG funding in January.

Appendix A Current DSG 2024-2025 and Indicative 2025-2026 allocation

DSG Allocation Block	2024/25			2025/26		
	Pupil Numbers	Amount per pupil £	Allocation £000	Pupil Numbers	Amount per pupil £	Allocation £000
Schools Block						
Primary unit of funding	26,945	5,075	136,744	26,945	5,484	147,766
Secondary unit of funding	19,327	6,448	124,618	19,327	6,979	134,883
Funding of growth			778			778
Funding of premises			3,145			4,552
Teachers' Pension Employer Contribution Grant (TPECG)			5,355			
Teachers' Pay Additional Grant (TPAG)			4,376			
Core Schools Budget Grant (CSBG)			5,469			
Total	46,272		280,485	46,272		287,979
High Needs Block						
NFF			52,738			56,707
Basic Entitlement Factor, Hospital education and pay and pension grant, Import & Export			5,608			5,664
Total			58,346			62,371
Early Years Block						
3 and 4 year old Universal entitlement			14,125			14,125
3 and 4 year old extended entitlement			7,617			7,617
Disability Access Funding			227			227
2 Year Olds and under 2's			15,524			15,524
Early Years Pupil Premium			235			235
Total			37,728			37,728
Central School Services Block						
Ongoing responsibilities	46,272	£38.79	1,794	46,272	£40.50	1,874
Historic commitments			415			331
Total			2,209			2,206
Total DSG Allocation + Grants			378,768			390,284



Appendix A	2024-2025	2025-2026
Funding Factors	SNFF Formula Values £	Indicative Formula Values £
Basic per-pupil funding		
Basic entitlement: Primary	3,562	3,847
Basic entitlement: Secondary – Key Stage 3	5,022	5,422
Basic entitlement: Secondary – Key Stage 4	5,661	6,113
Minimum per pupil funding level Primary	4,610	4,995
Minimum per pupil funding level Secondary	5,995	6,465
Additional needs funding		
Current Free School Meal (FSM) top up (Pupils currently claiming FSM at the last census): Primary	490	495
Current FSM top up (Pupils currently claiming FSM at the last census): Secondary	490	495
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary	820	1,060
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary	1,200	1,555
Income Deprivation Affecting Children Index (IDACI) band F: Primary	235	235
IDACI band F: Secondary	340	340
IDACI band E: Primary	285	285
IDACI band E: Secondary	450	450
IDACI band D: Primary	445	445
IDACI band D: Secondary	630	635
IDACI band C: Primary	485	490
IDACI band C: Secondary	690	695
IDACI band B: Primary	515	520
IDACI band B: Secondary	740	745
IDACI band A: Primary	680	685
IDACI band A: Secondary	945	950
Low prior attainment: Primary	1,170	1,175

Appendix A	2024-2025	2025-2026
Funding Factors	SNFF Formula Values £	Indicative Formula Values £
Low prior attainment: Secondary	1,775	1,785
English as an additional language: Primary	590	595
English as an additional language: Secondary	1,585	1,595
Mobility: Primary	960	965
Mobility: Secondary	1,380	1,385
School led funding		
Lump sum: Primary	145,100	145,100
Lump sum: Secondary	145,100	145,100
Sparsity: Primary	57,100	57,400
Sparsity: Secondary	83,000	83,400
Premises		
Split Sites (criteria specified locally)	80,600	81,000
Private Finance Initiative (PFI) (criteria specified locally)	Continue 2023/24 criteria	Government criteria
Rates (to be funded based on actual charges)	Funded on actual charges	Funded on actual charges
Exceptional factors (criteria specified locally)	Reapplication of criteria to ESFA	Reapplication of criteria to ESFA