

**York Schools Forum**

**23 January 2025**

Report of the Head of Children & Education Finance

**SETTING THE SCHOOL, HIGH NEEDS, EARLY YEARS & CENTRAL SERVICES BUDGETS FOR 2025/26**

**Summary**

- 1 This report provides the Schools Forum with details on the Schools Budget and Dedicated Schools Grant (DSG) funding for the 2025/26 financial year, with updates on the provisional information provided in the previous October report. The report now focuses on the areas that the forum needs to consider in order for budgets for schools, early years providers and local authority (LA) central services to be set prior to 31 March.
- 2 The majority of the items for consideration are consultative, with only a small number of decisions resting with the forum. Any relevant comments will be reported to the Executive and/or Budget Council, by the Executive Member for Children & Young People, when those meetings consider the overall council budget.

**Background**

- 3 The Dedicated Schools Grant (DSG) is ring-fenced for funding the provision of education or childcare for 9 months to 16 year olds in all settings, and Special Educational Needs & Disabilities (SEND) provision for pupils up to age 25. It covers funding delegated to individual Local Authority (LA) maintained schools, academies and private, voluntary & independent (PVI) nursery providers through the Local Management of Schools (LMS) & Early Years funding formulae, plus funding for other pupil provision which is retained centrally by the LA to support SEND and some central education services.
- 4 The DSG does not include funding for home to school transport, assessing pupils and administering the SEND system and other statutory LA education responsibilities such as monitoring schools' performance, all of which have to be funded from the council's general fund budget.
- 5 For further background information, members of the forum are asked to refer to the interim 2025/26 budget report presented to the forum in October.

**DSG Allocations for 2025/26**

- 6 The overall DSG is allocated to LAs via four sub blocks; schools, high needs, early years and central school services. The funding that LAs receive in each block is now determined by specific national funding formulae (NFF). These arrangements are continued for 2025/26 but with some changes to the early years NFF, and a continuing reduction in the funding allocated to the LA for centrally retained budgets.
- 7 The total DSG allocation for 2025/26 is estimated at £195.090m, an increase of £12.748m (7.0%) from 2024/25 and broken down as follows:

DSG Funding Block	Adjusted 2024/25 £m	2025/26 £m	Increase	
			£m	%
Schools Block	132.743	133.689	0.946	0.7%
Early Years Block - Existing	19.099	19.921	0.822	4.3%
Early Years Block - Expansion	-	9.340	9.340	NA
High Needs Block	28.470	30.340	1.870	6.6%
Central School Services Block - Ongoing	1.022	0.994	(0.028)	(2.7%)
Central School Services Block - Historic	1.009	0.807	(0.202)	(20.0%)
<b>Total DSG</b>	<b>182.343</b>	<b>195.090</b>	<b>12.748</b>	<b>7.0%</b>

## Schools Block

### School Formula Funding

- 8 The vast majority of the Schools Block DSG (£133.551m) is used to fund the local funding formula for mainstream schools (maintained and academies). Following a detailed consultation with all schools and the Schools Forum prior to setting the 2018/19 budget, the LA agreed to introduce the DfE's new national funding formula (NFF) at school level from April 2018. For 2025/26 the LA is again proposing to follow the NFF for schools.
- 9 The funding factors used in the 2025/26 NFF remain the same, however the factor values will increase by the following amounts:
  - 0.6% to the basic entitlement, free school meals at any time in the last 6 years (FSM6), income deprivation affecting children index (IDACI), lower prior attainment (LPA), English as an additional language (EAL), sparsity and the lump sum
  - 1.0% to pupils currently accessing free school meals (FSM),
  - 0% on the premises factors, except for the PFI factor which has increased by RPIX
- 10 On top of these uplifts, the DfE have increased the basic entitlement, the FSM6 and the lump sum factors to reflect the rolling in of the teachers' pay additional grant (TPAG), teachers' pension employer contribution grant (TPECG) and core schools budget grant (CSBG) into the NFF.
- 11 The minimum per pupil levels in 2025/26 will be set at £4,955 per pupil for primary schools and £6,465 per pupil for secondary schools. These amounts include additional funding for the rolling in of TPAG, TPECG and CSBG plus a further 0.6% increase.
- 12 The 2025/26 NFF funding floor has been set at 0.0%. This means that every school will, as a minimum, have their pupil-led funding per pupil protected at their 2024/25 baseline per pupil funding level. Funding floor baselines have also been increased to take account of the rolling in of TPAG, TPECG and CSBG.
- 13 At a national level, school funding through the NFF is increasing by 1.6% per pupil. However, the average increase for York schools is estimated at 1.1% per pupil as a higher proportion of York schools are already receiving protection through the funding floor and the minimum per pupil amounts, which only increase by 0.0% and 0.6% respectively in 2025/26. Local authorities will continue to determine the final allocations for all local mainstream schools in 2025/26.

- 14 In addition the DfE have said that further funding in respect of the increase in employer National Insurance contributions will be provided by a new separate grant outside of the NFF.

### Growth Fund

- 15 The remaining £0.138m of the Schools Block DSG is allocated to the growth fund. The growth fund can only be used to support increases in pre-16 pupil numbers to meet basic need, additional classes needed to meet the infant class size legislation or meet the costs of pupils in new schools commissioned to meet basic need. The growth fund may not be used to support schools in financial difficulty or general growth due to popularity; which is managed through lagged funding.
- 16 The amount of growth funding allocated to the LA by the DfE continues to fall, down from £0.383m in 2024/25 (£0.800m in 2018/19). The level of funding required to be allocated to schools under the current local growth criteria and formulae is difficult to predict with any certainty each year. In each of the last five years the fund has been oversubscribed and this is likely to continue in 2025/26. Therefore, for all allocations made since the 2020/21 academic year onwards, the LA has implemented a cash limit on this budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant formulae, exceeds the budget available then all allocations will be reduced pro-rata.

### **Early Years Block**

- 17 Earlier last year the DfE announced a significant phased expansion of the entitlement to funded childcare. By September 2025 working parents of all 9 month to 4 year olds will be entitled to access 30 hours per week of government funded childcare. In addition, increased support for Maintained Nursery Schools (MNS) has been announced through the MNS supplementary factor.
- 18 The hourly rates received by York for 2024/25, plus the new 2025/26 hourly rates are set out in the table below:

	<b>2024/25 £/hr</b>	<b>2025/26 £/hr</b>	<b>Increase £/hr</b>	<b>%</b>
3 & 4 Year Olds Universal & Working Parents	5.47	5.71	0.24	4.4%
2 Year Old Disadvantaged & Working Parents	7.59	7.91	0.32	4.2%
9 Month to 2 Years Old Working Parents	10.30	10.72	0.42	4.1%
Mainstream Nursery School Supplement	4.64	5.27	0.63	13.6%

- 19 Under the early years entitlements funding system, the DfE distributes funding to LAs who in turn distribute this funding to their providers using their own local funding formulae. In setting their local formulae, LAs must adhere to regulations and should comply with guidance set by the DfE stipulating how funding for the entitlements should be spent.
- 20 Following agreement by the forum it is proposed to continue the arrangements introduced in 2024/25 following detailed consultation with providers. This would mean that for 2025/26 each of the formulae (under 2s, 2 year olds and 3/4 year olds) would utilise the respective hourly rates provided by the DfE in the following way:
- 93.50% allocated to the base rate
  - 1.25% allocated to the deprivation rate
  - 1.25% allocated to the SEND Inclusion Fund

- 4.00% allocated to fund LA Early Years services (centrally retained fund)

- 21 The eligibility criteria and proportion of funding for deprivation will continue to be based on the child's home address postcode and the Income Deprivation Affecting Children Index (IDACI). With postcodes in the top 30% most deprived areas attracting deprivation funding.
- 22 Subject to the views of the forum, the following early years funding rates for all York providers are proposed for 2025/26:

	<b>Base Rate £/hour</b>	<b>Deprivation Rate £/hour</b>	<b>Nursery School Lump Sum £</b>
3 & 4 Year Olds Universal & Working Parents	5.34	0.56	166,026
2 Year Old Disadvantaged & Working Parents	7.40	0.77	NA
9 Month to 2 Years Old Working Parents	10.02	1.05	NA

### **High Needs Block**

- 23 The high needs block DSG increases by £1.870m (6.6%) in 2025/26. This is a lower increase than in recent years where high needs allocations have increased by up to 8% per year. As has been previously reported, the high needs budget is already under significant pressure due to rising demand from increased numbers of SEND pupils. For 2024/25 net in year expenditure within the high needs block is projected to be £1.350m higher than the core DSG funding allocated by government.
- 24 However, as part of the safety valve agreement that the LA has made with the DfE, additional grant of £1.460m is due to be received by the end of the financial year. The effect of this additional grant produces a net in year high needs block surplus of £0.110m and reduces the projected high needs deficit carry forward to 2025/26 to £0.181m.
- 25 It should be noted that the original safety valve agreement with the DfE planned for a balanced high needs budget by the end of 2025/26. However, given the funding settlement for 2025/26, it is not now expected that a balanced position will be achieved until at least 2029/30.
- 26 The original plan included a commitment from the DfE to allocate additional funding to York of £17.1m over the period 2021/22 to 2025/26, subject to certain conditions. To date £15.6m of this funding has been received by the LA, with a further £1.5m due in 2025/26.

### **Central School Services Block**

- 27 This funding block was created in 2018/19 from elements of the previous schools block and the former Education Services Grant (ESG). As part of the DfE's policy to remove funding within this block that directly supports exceptional expenditure previously agreed between LAs and their Schools Forums (historic commitments), there is a significant net reduction of £0.230m (11.3%) in 2025/26. This follows similar reductions in the previous two financial years. This net reduction is made up of a 2.7% reduction in the allocation for the on-going responsibilities that the LA continues to have for all schools, and a 20% reduction in the allocation for historic commitments.
- 28 For 2025/26 this means allocations of £0.994m for LA on-going responsibilities and £0.807m for historic commitments. As historic commitments currently total £1.009m in 2024/25 the LA will need to identify budget reductions totalling £0.202m for 2025/26.

- 29 Outturn expenditure in 2023/24 for termination of employment costs and prudential borrowing totalled £0.683m and it is expected that the DfE will continue to protect the LA's historic commitments allocation at at least this level. As the LA removed all of its other remaining historic commitment budgets in 2024/25, the 2025/26 required reduction (£0.202m) will need to be taken from the School Improvement Commissioning budget. That means a reduction in the budget from £0.326m in 2024/25 to £0.124m in 2025/26.
- 30 For completeness, the remaining expenditure areas that are funded from the £0.994m on-going LA central responsibilities grant are described at Annex 4. The LA proposes that this element of the DSG (given specifically for this purpose) continues to be used in this way.

**Recommendations**

- 31 Members of the forum are asked to:
- note the mainstream school funding formula factors and values for 2025/26, as set out at Annex 1,
  - note that capping will again be required to maintain pupil growth fund expenditure within the cash limited budget, as described at paragraph 16,
  - comment on the LA's proposed Early Years funding rates for 2025/26 as set out at paragraph 22,
  - comment on the LA's proposal for managing the 20% reduction in funding for historic commitments within the central school services block as per paragraph 29,
  - confirm their continued agreement to maintaining the contribution to LA centrally retained budgets at the level of the on-going central services grant, as per paragraph 30.

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**Annex 1 - School Funding Formula Factors and Values for 2025/26**

**Annex 2 - Pupil Growth Funding**

**Annex 3 - Central Historic Commitment Budgets 2024/25**

**Annex 4 - Central On-Going LA Services 2025/26**

## School Funding Formula Factors and Values for 2025/26

All data used in the formula is derived from the October 2024 Pupil Census unless otherwise stated.

### Basic Per Pupil Funding

Primary Pupils (Reception, KS1 & KS2)	£3,847
Secondary Key Stage 3 Pupils	£5,422
Secondary Key Stage 4 Pupils	£6,113

### Deprivation Funding

Current pupils eligible for Free School Meals:

Primary	£495
Secondary	£495

Pupils eligible for Free School Meals in any of last 6 years:

Primary	£1,060
Secondary	£1,555

Income Deprivation Affecting Children Index (IDACI)

Band A Pupils - Primary	£685
Band A Pupils - Secondary	£950
Band B Pupils - Primary	£520
Band B Pupils - Secondary	£745
Band C Pupils - Primary	£490
Band C Pupils - Secondary	£695
Band D Pupils - Primary	£445
Band D Pupils - Secondary	£635
Band E Pupils - Primary	£285
Band E Pupils - Secondary	£450
Band F Pupils - Primary	£235
Band F Pupils - Secondary	£340

### Low Prior Attainment

Pupils whose prior attainment has not met the expected level as they move to the next stage of their education:

Primary: Pupils who did not achieve a good level of development in the Early Years Foundation Stage Profile	£1,175
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Secondary: Pupils who did not achieve the expected level at key stage 2 in one or more of reading or writing or mathematics	£1,785
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### English as an Additional Language

Primary pupils with EAL at the time of any of the three latest October Censuses (2024, 2023, 2022)	£595
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Secondary pupils with EAL at the time of any of the three latest October Censuses (2024, 2023, 2022)	£1,595
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### Pupil Mobility

Where the number of pupils whose start dates are within the last 3 academic years and whose start dates are not typical (typical means that the first census on which a pupil is recorded is the October census [or January for reception]) exceeds 6% of the total pupil numbers for the relevant school, then each pupil in excess of the 6% threshold will attract funding at the following rate:

Primary	£965
Secondary	£1,385

### Lump Sum1

A fixed amount for each school regardless of its size:

Primary & Secondary	£145,100
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### Sparsity

Primary: Distance = 2.0 miles : Average Year Group = 21.4 fte : Lump Sum = £57,400  
Secondary: Distance = 3.0 miles : Average Year Group = 120.0 fte : Lump Sum = £83,400

### Split Sites

Basic Eligibility Funding	£54,000
Distance Funding Rate	£27,000

### Rates

Schools will be funded for the actual costs of business rates for school buildings and land.

### Private Finance Initiative (PFI) Charges

The PFI top up is calculated as the difference between the actual PFI charge for the school and a notional premises amount deemed to be included in the formula allocation. The notional premises amount is based on a lump sum of £25,676, plus an amount per pupil of £328.50.

### Formula Transition Damping

Minimum Funding Guarantee (Floor): + 0.0% per pupil  
Limit on Gains (Ceiling): + 0.0% with a 45.57% scaling factor (i.e. all gains in excess of 0.0% per pupil will be reduced by 45.57%)

### Minimum Per Pupil Funding

The formula includes a minimum per pupil funding factor, which sets a minimum per pupil funding any school will attract through the formula. This minimum refers to the level of relevant per pupil funding schools attract through the formula (excluding rates, PFI and split site funding). It differs from the minimum funding guarantee which provides a minimum increase over individual school baselines. Any additional funding allocated through this factor will not be subject to the limit on gains cap.

Primary	£4,995
Secondary	£6,465

## Pupil Growth Funding

### Infant Class Size Funding

To maintain class sizes at no more than 30 pupils, Infant Class Size funding will be allocated based on the actual autumn census numbers for each school, i.e. autumn 2024 for an allocation for the 2024/25 academic year. Schools will be allocated a sum equivalent to the notional class teacher element of the primary AWPU to provide funding to support a teacher for each infant class, with reductions to take account of the economies of scale available to larger schools.

The total number of reception, year 1 and year 2 pupils at each school is divided by 30. The remainder (after whole classes of 30 have been accounted for) is deemed to be the size of the “last class”. The amount of funding for the “last class” then depends on its size.

The formula calculates the total amount of notional class teacher funding already allocated to the school within the AWPU sum for each pupil in the “last class”. This sum is then deducted from the notional cost of a class teacher. The result of this calculation is the top-up amount available to support a full time equivalent teacher for the “last class”. The table below shows the amount of the top up depending on the size of the “last class”. However, it should be noted that these values have not been updated for the last four years whilst the growth fund allocation from the DfE has been reducing:

Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £
0	0	10	20,943	20	7,903
1	32,679	11	19,639	21	6,599
2	31,375	12	18,335	22	5,295
3	30,071	13	17,031	23	3,991
4	28,767	14	15,727	24	2,687
5	27,463	15	14,423	25	1,383
6	26,159	16	13,119	26	79
7	24,855	17	11,815	27	0
8	23,551	18	10,511	28	0
9	22,247	19	9,207	29	0

Each school then receives a proportion of this top-up funding depending on the total number of infant pupils in the school (this is to try and recognise that larger schools are likely to have more flexibility in organising class structures than smaller schools). The following table shows the percentage of the top-up funding actually received:

Number of Infant Pupils	Funding Percentage
1 to 90	100%
91 to 120	80%
121 to 150	60%
151 to 180	40%
181 and above	20%



No retrospective adjustments are made even if pupil numbers change during the year.

Example:

- Autumn Census = 100 infant aged pupils
- Size of “last class” = remainder of 100 / 30  
= 10
- Top-up funding from table 1 = £20,943
- Percentage of top-up from table 2 = 80%
- Infant Class Size Funding = £20,943 x 80% = **£16,754**

Basic Need Pupil Growth Funding

Additional funding for basic need growth will be made available to schools that are subject to a significant (i.e. >1%) increase in pupil numbers under the following circumstances:

- the LA (or the school at the request, or with the support, of the LA) carries out a formal consultation and approves an increase in the capacity of a school
- the LA requests a school to increase or exceed its published admissions number
- the LA requests a school to admit significant additional pupils as part of a reorganisation or school closure

Funding will not be allocated to a school in the following circumstances:

- the school has surplus places and then takes additional pupils up to its PAN outside of the circumstances described above
- the school admits pupils in excess of their PAN at their own choice
- the school is directed/requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc.

Depending on the circumstances, funding will be calculated based on the number of relevant (i.e. whole school, specific year groups, geographic areas etc.) additional pupils admitted as per the autumn census data for each year, multiplied by the appropriate AWPU value and pro-rated for the period that the pupils will be unfunded (normally 7 months for maintained schools and 12 months for academies) in the main school funding formula allocation. Whatever the circumstances, the maximum pupil growth allocation will be capped at an amount equivalent to that attributable to the school’s total increase in reception to year 11 pupils in excess of 1%.

Funding Cap

The level of funding required to be allocated to schools under the local growth criteria and formulae is difficult to predict with any certainty each year. In recent years the fund has been overspent and this is likely to continue as the DSG allocation from government reduces. As a result, and following consultation with the Schools Forum, all allocations made from the growth fund will be capped under a cash limited budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant formulae, exceeds the budget available then all allocations will be reduced pro-rata.

**Central Historic Commitment Budgets 2024/25**Termination of Employment Costs (£0.383m)

School redundancy and early retirement costs where the revenue savings achieved by the termination of employment to which they relate are greater than the costs incurred. The costs charged to this budget only relate to decisions made prior to 2013/14.

Prudential Borrowing Costs (£0.300m)

This budget is set aside to fund the repayment of loans for school building capital works where the original investment contributed towards an overall net revenue saving to the Schools Budget. Contributions to the following schemes are covered by the current budget provision:

- York High School (Merger of Lowfield and Oaklands Secondary Schools)
- Clifton with Rawcliffe Primary School (Merger of Clifton without Junior and Rawcliffe Infants Schools)
- Our Lady Queen of Martyrs Primary School (Merger of Our Lady's and English Martyrs Primary Schools)

School Improvement Commissioning Fund (£0.326m)

Under the school finance regulations, prior to 2012/13 schools could agree (through the Schools Forum) to allow the LA to use DSG funding to support certain central services that have a wider educational benefit or generate a net overall saving to the Schools Budget.

For York this funding relates to former standards fund grants that were mainstreamed in 2011/12. At that time a total of £12m of standards fund grants were transferred into the DSG. Of this £11m was delegated directly to schools or other settings through the school funding formula or other mechanisms. As the remaining standards fund allocations were supporting central services the Schools Forum agreed to allow this to continue.

The last remaining element of this funding is the School Improvement Fund which, prior to 2015, supported the salaries of school improvement professionals in the LA. These posts were removed when the LA moved to system led / school to school arrangements and agreed to allocate resources via the York Schools & Academies Board.

## Central On-Going LA Services 2025/26

### School Admissions

A contribution to the costs of the LA's statutory functions in respect of the schools admissions processes.

### Servicing of Schools Forums

This includes the costs of the School Forum meetings including officer time in preparing reports and attendance, clerking and other associated costs such as consultations linked to specific School Forum related decisions.

### School Copyright Licence Agreements

The costs of a number of school copyright licence agreements that are now negotiated nationally by the DfE for all publicly funded schools and charged to LAs rather than to individual schools. For 2025/26 these are:

- The Copyright Licensing Agency licence
- The School Printed Music licence
- The Newspaper Licensing Agency Schools licence
- The Educational Recording Agency licence
- The Public Video Screening licence
- The Motion Picture Licensing Company licence
- The Performing Right Society licence
- The Phonographic Performance licence
- The Mechanical Copyright Protection Society licence
- The Christian Copyright Licensing International licence

### Former ESG Retained Budgets

This reflects the services formerly funded by the education services grant (ESG). LAs are able to retain funding centrally within the schools budget for services which they provide for all schools, including academies (previously funded by the "retained duties" element of the ESG). The services covered include:

- education welfare service
- management of the LA's capital programme
- management of private finance transactions
- general landlord duties for buildings including those leased to academies
- the director of children's services and office
- planning for the education service as a whole
- revenue budget preparation and accounts
- external audit
- formulation and review of local authority schools funding
- internal audit and other tasks related to the LA's chief finance officer's responsibilities under Section 151 of LGA 1972
- consultation costs
- Standing Advisory Committee for Religious Education