

# Title of report: **Schools Budget 2025/26**

**Decision maker: Cabinet Member for Children and Young People**

**Decision date: 14 February 2025**

**Report by: Senior Finance Business Partner – Schools**

**Service Director: Education, Skills and Learning**

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant. Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

To approve school forum's recommended budget proposals for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2025/26. Dedicated Schools Grant funding for the schools block in 2025/26 is £138.2m which is an increase of 2.36% per pupil (excluding growth funding) from 2024/25 (1.94% 2024/25 equivalent). At this stage, the funding for early years blocks are provisional as are subject to final adjustments based on actual termly take up. The school funding values and formula calculations are in accordance with the national school funding formula as set by the government. £0.69m is to be transferred from the schools block to the high needs block for 2025/26 to continue the SEN protection scheme.

Recommendation(s)

**That: Herefordshire's school funding proposals for 2024/25 be approved as set out in appendix 1.**

## Alternative options

1. In considering these proposals the Council has consulted with all schools and early years providers.

Three options were considered by the Budget Working Group of which Option C was recommended to Schools Forum regarding the funding of the SEN protection scheme. Schools Forum recommends Option C for Cabinet member decision.

Alternatives were also considered in the Early Years block on the % of monthly estimated funding, the 2 year old rate differential (a higher rate for families receiving additional support to promote inclusivity), rurality being included in the 3&4 year old rate, and the deprivation/SENIF being funded across all provisions.

## Key considerations

2. Following the absence of the National Funding Formula (NFF) in July 2024 due to the national change in government, the Schools Forum in October 2024 approved the use of the 2024/25 budget approach/timetables as a framework for budget 2025/26. In October 2024 the government announced that total core school funding would be increased nationally by £2.3 billion in 2025/26, meaning that this funding would total almost £63.9 billion. This includes funding through the schools NFF, high needs funding, Central schools services block, and pupil premium. Final DfE funding information was received on 18th December 2024. The DSG funding assumptions underlying the proposed budget are set out below.

3. The schools NFF continues to distribute this fairly, based on the needs of schools and their pupil cohorts. The main changes in 2025-26 are:

- i. Prior to 2025/26, the 2023-24 mainstream schools additional grant (MSAG) was rolled into the schools NFF ensuring that this additional funding formed an on-going part of schools' core budgets. New to 2025/26, funding provided to mainstream schools through the teachers' pay additional grant (TPAG), the teachers' pension employer contribution grant (TPECG), and the core schools budget grant (CSBG), have been rolled into the schools NFF. Funding provided for special schools and alternative provision (AP) through these grants will be consolidated into a single CSBG. In addition, the guidance mentions that further funding, in respect of the increase in employers' National Insurance contributions, will be provided in 2025/26 by a grant outside the NFF (we will bring further information on this to subsequent Schools Forum meetings when further information is known).

- ii. Almost all factor values in the NFF have increased from 2024/25 to 2025/26. The amount of the increase varies between factors. The increases are driven by the roll in of the TPAG, TPECG and CSBG, plus the 'CSBG uplift' which accounts for a full 12 months of teachers' pay award in mainstream schools (part year from Sep24 in 2024/25). A general overall increase has also been applied to school- and pupil-led factors, as well as to the split sites factor (see Appendix 3).

- iii. Through the minimum per pupil funding levels, the DfE have specified that every primary school will receive at least £4,955 per pupil, and every secondary school at least £6,465 in 2025/26.

- iv. The minimum funding guarantee (MFG) will continue to protect schools from sudden drops in their per-pupil funding. New guidance stipulates that the minimum funding guarantee can be between -0.5%-0%. We will apply the maximum allowed at 0% (2024-25 maximum allowed 0.5%).

- v. Changes have been made to the operation of the Private Finance Initiative (PFI) for 2025/26: pro-rata funding when a PFI contract is coming to an end in the financial year will be introduced, and the

department are also setting conditions that local authorities need to meet to receive above-inflation increases in PFI funding (anything over this will require submission of an affordability schedule to the Department). The RPI applied to 2025-26, as advised by the DfE, is 2.3%.

## SCHOOLS BLOCK STRATEGY 2025/26

4. Funding through the mainstream schools national funding formula (NFF) is increasing by 2.36% per pupil in 2025-26 (1.94% 2024-25). The CSBG, TPAG, TPECG + CSBG uplift (full year roll in of the teachers' pay award) have been rolled into the 24/25 baseline and have also been included as part of the NFF 25/26 budget factors. It is important to note that in 2025/26, 1.28% of the 2.36% increase is for the CSBG uplift which ensures that the 2024 teachers and support staff pay awards continue to be fully funded at national level in 2025 to 2026. **Growth excluding CSBG uplift therefore is only 1.08% (2024/25 equivalent 1.9%).** Compromises will therefore have to be made in the schools block in 25/26 this year in order to fund the schools to high needs block transfer.

Actual DSG schools funding allocation £138,165,364 (2024/25 £129,938,453, rebased for grants £137,359,837)

Block transfer: SEN Protection scheme £690,827 (2024/25 £649,692)

5. Herefordshire's pupil numbers have also dropped year on year by 339 (before any implicit/explicit growth in pupils), which again tightens funding and adds to the compromises required to fund the schools to high needs block transfer.

Final allocations including pupil growth are based on 2025-26 pupil number of 22,187 pupils inc Aylestone school 30 pupil growth (primary 12,877 and secondary 9,310). This is a drop in total of 308 pupils from 2024-25.

6. Herefordshire's approach to schools block funding for 2025/26 will therefore be as follows:

I. Seek to fund schools at the National Funding Formula values. 3 Options will be considered with Options B & C below adjusting the Basic entitlement/pupil NFF factor to aid with affordability (adjustment will remain within the min/max amount specified in the APT).

II. To fund schools at the maximum permitted Minimum Funding Guarantee of 0.0%

III. To use the school block transfer process to fund the SEN Protection Scheme with the maximum allowed transfer of 0.5% (£690,827) which Schools Forum can agree without the Secretary of State's permission.

IV. For 2025/26, growth will be seen in Aylestone where there will be an additional classroom for 30 children for the period September 2025 to March 2026. We have funded this as implicit growth within our planning tool.

V. We will continue to fund the £17k lease for Eastnor Primary school to provide additional classroom space via the ESFA disapplication process.

VI. Split site funding continues for Hampton Dene School at £81,000 for 2025-26.

7. Options given to Budget Work Group/School's Forum for SEN Protection scheme:

SEN Protection scheme expenditure in 2024-25 is currently forecast at £1.3m, with the existing scheme cap of £175 x NOR (i.e. payments to schools are only made above this value). There are three base options for the SEN protection scheme for 2025-26:

### Option A:

- Transfer to high needs block of £690,827, i.e. the maximum permitted 0.5%

- Applying a gains cap of 2.45% to the NFF funding allocation
- 100% NFF factors applied
- Creates a funding deficit of £847,951.36. This means that the block transfer of £690,827 is not affordable, and hence block transfer could not happen, meaning closure of the SEN protection scheme.

#### Option B:

- Transfer to high needs block of £690,827, i.e. the maximum permitted 0.5%
- Applying a gains cap of 2.1% to the NFF funding allocation
- NFF basic entitlement factors reduced to 98.5%.
- Creates a funding deficit of £89,552.60. This means that the block transfer would have to be reduced from £690,827 to £601,274 putting more pressure on the high needs block to fund the SEN protection scheme.

#### Option C:

- Transfer to high needs block of £690,827, i.e. the maximum permitted 0.5%
- Applying a gains cap of 2.0% to the NFF funding allocation
- NFF basic entitlement factors reduced to 98.5%.
- Full high needs block transfer of £690,827. Maximum benefit for the SEN Protection scheme, most inclusive option. **This option is the Council's preference and was recommended by the Budget Working Group and Schools Forum.**

All schools are protected by the minimum funding/pupil levels set by the DfE for both primary and secondary schools. There is additional protection created by the minimum funding guarantee being set at the maximum of 0% for 2025-26 which means that year on year no school will see a drop in their funding/pupil (first example below). Any school that was benefitting from a 2.45% gains cap in Option A will see their allocation drop in both Options B and C as the gains cap is reduced to 2.1% and 2.0% respectively (second example below).

Some examples below:

Primary with 256 pupils:				
	Allocation as per NFF factors	Minimum Pupil funding (MPF) applied:	Minimum Funding Guarantee (MFG) applied (0% all options):	Final allocation
Option A	£1,359,999	£11,297	£802	<b>£1,372,097</b>
Option B	£1,345,226	£26,069	£802	<b>£1,372,097</b>
Option C	£1,345,636	£25,660	£802	<b>£1,372,097</b>
	<i>Allocation reduces (A vs B&amp;C) due to basic entitlement factor being % reduced</i>			<i>Allocation stays the same due to MPF &amp; MFG protection</i>
Primary & Secondary school, total 324 pupils:				
	Allocation as per NFF factors	Minimum Pupil funding (MPF) applied:	Cap applied:	Final allocation
Option A	£2,126,912	£0	-£68,130	<b>£2,058,783</b>
Option B	£2,104,430	£0	-£51,865	<b>£2,052,565</b>
Option C	£2,104,948	£0	-£54,160	<b>£2,050,789</b>
	<i>Allocation reduces (A vs B&amp;C) due to basic entitlement factor being % reduced</i>		<i>Even with a reduction in NFF basic entitlement factor the yoy % growth/pupil is greater than the cap for this school, hence reduction in allocation required</i>	<i>Final allocation at cap % maximum</i>

## De-delegation/ Education Management proposals

8. Increase De-delegation and Education Management Function for locally maintained schools by a small inflation allowance, 2.36%, which is in line with the year on year increase in funding/pupil for the schools block:

I. Computer licences for the school budgeting software to increase from £431 to £441;

II. Free school meals eligibility checking, primary to increase from £1.33 per pupil to £1.36 and secondary to increase from £1.01 per pupil to £1.03

III. Support for underperforming ethnic minority groups and bilingual learners to provide English additional language services for initial assessments, observations and follow-up advisory and monitoring visits funded by de-delegation costs as follows;

a. Increase per pupil amount from £1.19 to £1.22

b. increase per Ever6 free school meals pupil from £7.06 to £7.23

c. change to english additional language 3 year factor from £37.19 per pupil to £37.55

IV. A small increase to Trade union facilities agreement by £2.70 to £2.76 per primary pupil to reflect expected cost pressures (secondary schools continue to use SLA service)

V. Education Management – a small increase from £12.74 to £13.04 for local authority maintained schools.

VI. School Improvement Services from £6.11 per pupil to £6.25 per pupil. To include:

a. Headteacher support

b. Ofsted/School Improvement support

c. General education management advice and support

VII. Contingencies at £1.04 per pupil (increased from £1.02) to fund unexpected costs such as pupil census errors, unavoidable redundancies from small school closures and costs from Employment Tribunals.

VIII Behaviour support service at £4.25 per primary pupil (2024/25 £4.15)

## **HIGH NEEDS BLOCK STRATEGY 2025/26**

9. As at 31<sup>st</sup> March 2024 the cumulative high needs budget deficit for Herefordshire Council was £6.1m. During 2024/25 the High needs budget has been monitored by close collaboration between service and finance departments in the Council, and as at Q2 the full year deficit is forecast to be £7.6m, which would bring forward a cumulative deficit of £13.7m as at 31<sup>st</sup> March 2025. The pressures in the current forecast are driven by independent school placements due to a shortage of Local Authority special school places.

We are using the DSG Management Plan tool to manage the growing deficit, with many of the strategies employed (both current and future) being brought to the School's Forum in October 2024.

10. The DfE has allocated £28.9m for high needs in 2025/26 (year on year growth 7.6%). We will use the DfE high needs block funding allocation to set a budget for 2025/26 which manages the increasing high needs block deficit. Inevitably, this will require some difficult compromises as the DfE funding allocation is unlikely to be sufficient to meet cost pressures (to be discussed at March 2025 Schools Forum).

11. The SEN protection scheme was expanded to include secondary schools in 2020/21 and was supported by a transfer of £0.6m from the schools block in both 2023/24 and 2024/25. The cost of the scheme continues to grow each year and the scheme is hugely supported by schools. However the cost of the scheme is at the limit that the Schools Forum can approve without reference to the Secretary of State and expenditure is forecast to grow further in 2025/26. Therefore compromises on expenditure will inevitably be necessary. On top of the schools to high needs block transfer, further funds from the high needs block (and hence reductions elsewhere within the block), plus an adjustment to the schools contribution cap (currently £175 x NOR) will need to be added to the SEN

protection scheme subject to the detailed budget plan which will be considered by the Schools Forum in March.

## 12. EARLY YEARS BLOCK

Starting from April 2024, existing childcare support was expanded in phases. By September 2025, working families with children under the age of 5 will be entitled to 30 hours of childcare support. The changes are being introduced gradually to make sure that providers can meet the needs of more families. This means that:

- **Prior to April 2024**, eligible working parents of 3 & 4 year-olds are able to access 15 hours childcare support. Additional support category at 30 hours.
- From **April 2024**, eligible working parents of 2-year-olds are able to access 15 hours childcare support.
- From **September 2024**, 15 hours childcare support has been extended to eligible working parents of children from the age of 9 months to 2 year-olds.
- From **September 2025**, eligible working parents of children under the age of 5 (school age) will be entitled to 30 hours of childcare a week.

Depending on the individual provider, these hours can be used over 38 weeks of the year (during school term time), or up to 52 weeks if you use fewer than your total hours per week.

Main points for Budget 2025/26:

- Pass through rate increased for 2025/26 to 96% (2024/25: 95%) by the Department for Education. Future years expected at 97%.
- Herefordshire Council central retention for 2025/26 kept at 2.7% in line with Budget 2024/25.
- The roles that the central retention will fund are Early Years Improvement advisors, Early Years Inclusion Officers, Early Years Lead Improvement Advisor, & Early Education Funding Team. The main duties carried out by the teams are: training to Early Years providers, advice, support, visits, sitting on funding panels, attending OFSTED feedback, making payments to Early Years providers.
- SEN inclusion funding (SENIF) kept in line with 2024-25 at £150,000.
- All rates to fund SENIF & deprivation. To be distributed back out to providers (across all rate categories) based on SEN and EYPP pupil numbers respectively.
- Rurality now incorporated into 3&4 year old rate for 2025-26. In previous years deducted from 3&4 year old rate to then be given back to all 3&4 year old providers. (Rurality payment was originally set up to benefit small rural providers, however in recent years not being used for that purpose and distributed out to all providers regardless of location).

## 13. CENTRAL SCHOOL SERVICES BLOCK (CSSB)

For 2025/26 the CSSB will continue to be made up of 2 elements: ongoing responsibilities and historic commitments (Herefordshire Council has £0 historic commitments within their funding allocation). Changes for 2025/26 includes the rolling in of funding from centrally employed teachers (CET) elements of the TPECG and CSBG, alongside funding for copyright licences (which was issued separately in 2024 to 2025).

Overall for 2025/26, the central block is increasing from £851,810 (2024-25 rebasing for additional grant: £926,185) to £933,855 in 2025-26. The funding will be allocated as follows, with the main change year on year being the increase in the allocation to the high needs block:

	2024-25	2025-26	
Statutory retained duties	£390,000	£390,000	Funding of Education service mgmt team
Schools Forum administration costs	£20,000	£20,000	Funding of democratic School's Forum services
School admission costs	£169,000	£100,000	Funds admissions service + democratic services FTEs (ie. re. appeals) inclusive of corporate recharges associated with FTEs
National licences for schools	£157,000	£157,000	
Additional funding for statutory duties for SEN casework team	£28,000	£0	Cost to be absorbed in Council budget for 2025-26
SACRE funding for statutory duties	£10,000	£10,000	RE curriculum costs
Transfer to the high needs block	£77,800	£256,855	To aid with high need block deficit
<b>TOTAL</b>	<b>£851,800</b>		
Grant rebasing	£74,385		
	<b>£926,185</b>	<b>£933,855</b>	

## Community impact

- The government's national funding formula determines the allocation of funding to schools and the DSG is essential in helping the council achieve its priority to keep children and young people safe and give them a great start in life. The school funding formula must meet the national requirements of the DfE. Within these national guidelines the funding is targeted to support the achievement of improved outcomes for all Herefordshire pupils in accordance with a carefully considered strategy that is subject to annual consultation with schools and governors.

## Environmental Impact

- This is a consultation with the Schools Forum on school and high needs funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the council's environmental policy.

## Equality duty

16. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
17. The mandatory equality impact screening checklist has been completed for this decision and it has been found to have low impact for equality.
18. Due to the potential impact of this project/decision/activity being low, a full Equality Impact Assessment is not required. However the following equality considerations should be taken into account when making a decision about this activity/project:
  1. Deprivation factors are included in the National Funding Formula eg. Free school meals, English additional language to name a few.
  2. Block transfer has been recommended to Cabinet from Schools Block to High Needs Block to fund the SEN Protection scheme. This scheme promotes inclusion and equality within schools.

## Resource implications

19. The recommendations, if agreed, aim to set Individual School Budgets and the School Block budgets within the available funding of £138.2m whilst continuing to provide support for school inclusion through the SEN Protection scheme. This requires a transfer of £0.69m from the Schools Block to the High Needs Block for 2025-26. The High Needs block will be considered further by the Schools Forum on 14<sup>th</sup> March 2025, prior to determination by the Cabinet Member for Children and Young People. The Early Years Block and Central School Services Block budgets are set within the DSG allocations announced by the DfE.
20. Herefordshire will retain the current practice of ring fencing the DSG blocks and allocating spend accordingly, with the exceptions being the schools forum approval required for the 0.69m block transfer from schools block to high needs block (SEN Protection), the early years block £150,000 inclusion funding being transferred to high needs block (SENIF), & the central block savings being transferred to high needs block. The DSG grant income is noted within the council's Medium Term Financial Strategy given the increasing deficit position, and given that current legislation about this deficit being ring fenced ending in Mar26. DSG is planned jointly with the Schools Forum.

## Legal implications

21. The Schools Forum Regulations 2012 states that the School Forums generally have a consultative role. However, there are situations in which they have decision-making powers, as detailed in Regulation 10. The Regulations state that the council must consult the Schools Forum annually in connection with amendments to the school funding formula, for which voting is restricted by the exclusion of non- school members except for private, voluntary, independent representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.



22. The decision making powers of the Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet 'School Forum Powers and Responsibilities' published in March 2020.
23. This budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2023.

#### Risk management

24. The Budget Working Group (BWG) reviews proposals in detail prior to making recommendations to the Schools Forum. This two stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified. Any identified risks will be monitored and managed by the Children and Young People directorate jointly with the Schools Forum.

#### Consultees

25. All maintained schools and academies in Herefordshire have been consulted following the Schools Forum in October 2024. 18 responses were received prior to the 6<sup>th</sup> December 2024 deadline. The responses were as follows:

#### **Question 1: Do you support the principle that Herefordshire should broadly follow the National Funding Formula values?**

(18 replies)

Yes: 18

No: 0

If No – what are your reasons and do you have any suggestions for an alternative approach?

Reasons given: NA

#### **Question 2: Do you support the principle to fund schools at the maximum permitted Minimum Funding Guarantee (0.5% in 2024/25)?**

(18 replies)

Yes: 18

No: 0

If No – what are your reasons and do you have any suggestions for an alternative approach?

Reasons given: NA

#### **Question 3: Do you support the principle to transfer 0.5% of Schools Block funding to High needs funding to fund the SEN Protection scheme?**

(18 replies)

Yes: 18

No: 0

If No – what are your reasons and do you have any suggestions for an alternative approach?

Reasons given: NA

#### **Question 4: Do you support the principle to continue with the same delegations and education management as those for 2024/25?**

(18 replies)

Yes: 15

No: 3

If No – what are your reasons and do you have any suggestions for an alternative approach?  
 Reasons given: *Would prefer option as to which dedelegations to opt into from list (as per SLA), + unsure, + EAL services for initial assessments @ £7.06 per Ever6 pupil & School improvement services @£6.11 per pupil should not be included as services not being delivered.*

In previous years the School Forum has taken a low response rate to mean that schools are broadly in favour of the national funding formula and de-delegation proposals given the support of the Budget Working Group. Consultation response rate in 2025/26 has increased by 80% over responses received in 2024-25 as the Council adopted an online SurveyMonkey approach vs the paper approach used in previous years (as requested by Schools Forum in October 2024).

26. The early years Nursery Education Funding (NEF) steering meeting took place on 12<sup>th</sup> December 2024. The Early Entitlements Funding Providers Forum meeting took place on 18<sup>th</sup> December 2024. A further consultation was then sent to providers via SurveyMonkey (closing date 6<sup>th</sup> January 2025). 17 consultation responses were received and highlighted the following:

- 94.1% of providers favoured the 80% estimate on funding proposal
- 52.9% of providers favoured the higher 2 year old families receiving additional support rate to promote inclusivity
- 67% of providers favoured the roll in of rurality into the 3&4 year old rate
- 88.2% of providers favoured the funding of SENIF & deprivation from all rates (as distributed back out to all providers based on SEN and EYPP pupil numbers respectively)

**The Budget Working Group were consulted on 10<sup>th</sup> January 2025 and were provided with all options and agreed to proceed with option C which was the Council’s preferred option. They recommended the continued support and highlighted the importance of the SEN Protection scheme. On 20<sup>th</sup> January 2025 Schools Forum recommended all proposals in Appendix 3 for Cabinet Decision.**

### Appendices

Appendix 1 – Schedule of recommendations for Schools Budget 2025/26

### Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 28/01/2025
Finance		Date Click or tap to enter a date.
Legal		Date Click or tap to enter a date.
Communications		Date Click or tap to enter a date.
Equality Duty		Date Click or tap to enter a date.
Procurement		Date Click or tap to enter a date.
Risk		Date Click or tap to enter a date.

Approved by	Date Click or tap to enter a date.
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**Please include a glossary of terms, abbreviations and acronyms used in this report.**

BWG	Budget Working Group (of Schools Forum)
CAMHS	Children and Adolescent Mental Health Service
DSG	Dedicated Schools Grant
DfE	Department for Education
CCG	Clinical Commissioning Group
NFF	National Funding Formula
CLEAPPS	Advisory service for schools to support with science and technology
EHCP	Education Health Care Plan
NEF	Nursery Education Funding
2YO	Two year olds
34YO	Three and Four year olds
ESFA	Education and Skills Funding Agency
MASH	Multi Agency Safeguarding Hub
MFG	Minimum Funding Guarantee – a funding mechanism by DfE to provide a funding protection mechanism to smooth budget losses over a number of years
PRU	Pupil Referral Unit
H3	Home and Hospital Teaching Team (Hub, Home, Hospital)
SEN	Special Education Needs
SEND	Special Education Needs and Disability
SENIF	Special Education Needs Inclusion Fund ( Early Years)