

THE SCHOOLS BUDGET 2025/26

Cabinet Members & Portfolios	Cllr Martin Goddard – Finance and Transformation Cllr Susan O’Brien – Children, Families and Education
Responsible Officer	Richard Ennis, Corporate Director of Finance
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Papers with report	N/A

HEADLINES

Summary	This report seeks Cabinet’s approval for the Schools Budget for 2025/26 as required by the Department for Education (DFE).
Putting our Residents First Delivering on the Council Strategy 2022-2026	<p>This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents</p> <p>This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council</p> <p>This report supports our commitments to residents of: Thriving, Healthy Households</p>
Financial Cost	Funding for the Schools Budget is provided by the DFE through the Dedicated Schools Grant (DSG) and as such has no direct impact on the Council’s budget requirement.
Select Committee	Children, Families & Education
Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

1. Approve the Dedicated Schools Grant budgets for 2025/26 as set out in paragraph 1.2, Table 2 below.
2. Approve the Primary and Secondary schools block funding formula for 2025/26 as set out in paragraph 2.3 below.

3. **Note the Early Years Funding Formula allocation, for which a consultation with Early Years providers is currently underway as set out in paragraph 3.2 and 3.8 below.**
4. **Note that the indicative budget for the High Needs block was set out in the Council's DSG Management Plan submission to the DfE and that the final 2025/26 income and expenditure budgets for the High Needs Block was dependent on the decisions taken by the DfE in relation to the School Block Transfer disapplication. This has now been updated and a revised DSG Management Plan will be updated in due course to reflect the Secretary of State's decision to award a 0.5% Schools Block Transfer as set out in Table 2 below.**
5. **Should any further Council approval regarding the Schools Budget 2025/26 be required, agree to delegate authority for this to the Leader of the Council, in conjunction with the Cabinet Member for Finance & Transformation and Cabinet Member for Children, Families & Education and in consultation with the Corporate Director of Finance, to determine under urgency provisions.**
6. **Request the waiver of the scrutiny call-in period, in accordance with constitutional obligations, so that schools can be formally notified of their approved individual budgets by the 28th February 2025.**

Reasons for recommendation(s)

1. Cabinet is the decision-making body for schools funding issues, and decisions are required on the arrangements to allow for the final School Block budget and Early Years budget funding allocations to be provided to schools by 28th February 2025.
2. The School and Early Years Finance (England) Regulations 2025 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. On 28th January 2025 the Council consulted the Schools Forum on the 2025/26 Schools Block and Early Years funding allocations.
3. The DfE issued the allocated funding for each block of the DSG for Hillingdon for 2025/26 on 18th December 2024 with the DSG Conditions of Grant document.
4. This report now asks Cabinet to agree the recommendations following these consultations with School Forum and provide relevant delegated authority to be able set the 2025/26 DSG budgets within the required time frames.

Alternative options considered / risk management

5. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula and the Early Years Funding Formula.
6. The recommended Schools Budget 2025/26 contains a contingency for in year growth for expanding schools.

Democratic compliance / previous authority

7. Cabinet approval is required to agree the Schools Budget. A request is proposed to be made to the Chair of the relevant select committee to waive the scrutiny call-in period on the decision Cabinet makes. This is because the call-in period overlaps with the date that schools must be legally notified of their budgets (28 February).

Select Committee comments

8. None at this stage. However, the Children, Families & Education Select Committee have been briefed on the Schools Budget as part of the 2025/26 budget process.

SUPPORTING INFORMATION

1.1 Overall Dedicated Schools Block Allocations from the DfE

- 1.1 The Education and Skills Funding Agency (ESFA) published the draft authority level DSG allocations for the schools, central school services, early years, and high needs blocks on 18th December 2024.
- 1.2 Table 1 sets out the published baseline DSG funding for 2025/26, compared to the 2024/25 DSG allocation that was updated in November 2024 from £385,990,092 due to an increase in the Central Services Block allocation of £33,784, a decrease in the Early Years Block allocation of £70,709 and an increase in the High Needs Block allocation of £940,326. An overall change to the initial allocations for 2024/25 of £903,401.

Table 1: DSG Funding Allocations for 2025/26

	DSG Funding 2024/25	DSG Funding 2025/26	Change in Funding	% change
Funding Block				
Schools Block	280,971,388	299,426,354	18,454,966	6.57%
High Needs Block	66,700,364	71,632,804	4,932,440	7.39%
Early Years Block	36,758,514	48,177,150	11,418,636	31.06%
Central Services Schools Block	2,463,277	2,511,016	47,739	1.94%
Total DSG Budget	386,893,543	421,747,324	34,853,781	9.01%

Table 2: DSG Funding Allocations for 2024/25 and 2025/26 – with adjustments for the Schools Block Transfer to the High Needs Block, 0.75% (£2.098m) and 0.5% (£1.497m) respectively:

	DSG Funding 2024/25	DSG Funding 2025/26	Change in Funding	% change
Funding Block				
Schools Block	278,873,243	297,929,222	19,055,979	6.83%
High Needs Block	68,798,509	73,129,936	4,331,427	6.30%
Early Years Block	36,758,514	48,177,150	11,418,636	31.06%
Central Services Schools Block	2,463,277	2,511,016	47,739	1.94%
Total DSG Budget	386,893,543	421,747,324	34,853,781	9.01%

1.3 The Teachers Pay Award Grant (TPAG), Teachers Pension Employer Contribution Grant (TPECG) and Central Services Block Grant (CSBG) grants for 2024/25 have been rolled into the Schools Block for 2025/26 and form part of the increase in comparison for 2024/25 to 2025/26. The TPAG, TPECG and CSBG will cease to exist as separate grants upon being rolled into schools block. Academies who get their grants on an academic year basis will continue to get TPAG, TPECG and CSBG grants for April to August 2025.

2.0 School Block Allocations

2.1 The final allocation of Hillingdon's 2025/26 Schools Block DSG has been received from the Education and Standards Funding Agency (ESFA) and this is £299.426m before recouPMENT and including the TPAG, PTECG and CSBG grants that have been rolled into the schools block for 2025/26 and will not be paid separately to schools in 2025/26 (academies will continue to get their 3 grants from April 25 to August 25 in line with their other academic year funding).

2.2 In 2025/26, as in previous years, each local authority will continue to set a local schools funding formula, in consultation with local schools. In July 2021, DfE published a consultation on proposals for completing their reforms of the funding system, whereby individual schools' budgets would be set directly through one single national formula, rather than local funding formulae. The consultation proposed that, from 2023/24, local authorities will be required to bring their own formulae closer to the schools National Funding Formula (NFF), to smooth the transition.

2.3 The 2025/26 local schools funding formula will be set by the Council using the following:

- each school will receive a minimum increase in their per pupil funding as per the DfE minimum allocations.
- the Minimum Funding Guarantee (MfG) is between -0.5% and 0% and the schools budget will be set in accordance with this.

The APT is being revised following the Secretary of State approval on 5th February 2025 of a 0.5% Schools Block Transfer.

- 2.4 The Schools Budgets will be set using the 0.5% schools block transfer and using the ESFA's Authority Proforma Tool (APT) and operational guidance. The outcome will be reviewed by Schools Forum and the model will take into account the following updates:
- Pupil numbers which the ESFA have now been updated for the October 2024 census.
 - The Council did not meet the criteria for the Falling rolls Fund of 10% between years.
 - The Schools block transfer of 0.5% - £1.497m.
- 2.5 The modelling assumes a Growth Fund of £0.251m but this is subject to final Schools Forum decision.
- 2.6 The DfE have approved the disapplication request and the funding for General Education duties for maintained schools' budgets for 2025/26 and will be deducted at £11.02 per pupil from the budget shares maintained schools receive for 2025/26 totalling (£0.200m).

3.0 Early Years Allocations

- 3.1 The Early Years National Funding Formula (EYNFF) was introduced in April 2017. The Government publishes guidance on how the funding formula should be set and implemented. They also publish the rates that will be allocated to local authorities.
- 3.2 In terms of the funding formula, the government set the following requirements:
- In 2025-26, Local Authorities are required to pass-through minimum of 96% of funding to providers compared to 95% in 2024-25.
 - The funding formula must have a base rate and can have additional supplements
 - The maximum, now 4% of block funding, is to be retained centrally.
 - The department expects local authorities to announce their funding rates to the childcare providers by 28 February 2025.
 - Local authorities (LA) are required to consult providers on annual changes to their local formula.
- 3.3 Local authorities are made aware of the Early Years Block allocation for the following financial years in December of the previous financial year. This allocation is based on the January 2024 census data and is updated throughout the year to reflect the actual take up of the early year settings.
- 3.4 The same funding streams available for settings in 2024-25 will continue into the financial year 2025-26. Total indicative Early Years Block funding for the financial year 2025-26 based on the January 2024 census is £48.177m. This is an increase of £11.419m. Majority of the increase coming from the full year effect of 2-year-old working parent entitlement and under 2s entitlement.

3.5 The table below summaries total funding received and percentage of centrally retained funding between 2024-25 and 2025-26 financial years.

Table 1: Summary of Early Years Block and Centrally Retained Fund

Funding Streams	FY 2024-25	FY 2025-26	Increase	% increase
Universal entitlement for 3 and 4 year olds	£18,136,088	£18,684,835	£548,747	3.03%
Additional 15 hours for working parents of 3 and 4 year olds	£6,013,815	£6,195,776	£181,961	3.03%
2-year-olds of families receiving additional support	£2,731,003	£2,828,642	£97,639	3.58%
2 year old working parent entitlement	£4,900,368	£7,876,976	£2,976,608	60.74%
Under 2s entitlement	£4,220,816	£11,672,163	£7,451,347	176.54%
Total 3-4, 2 and under 2 year old funding	£36,002,090	£47,258,392	£11,256,302	31.27%
% of allocated to settings	95%	96%		
Budget available for settings	£34,201,986	£45,368,056	£11,166,071	32.65%
% Retained Centrally	5%	4%		
Centrally Retained Budget	£1,800,105	£1,890,336	£90,231	5.01%
Other passported grants				
Early years pupil premium	£207,700	£300,630	£92,930	44.74%
Disability access Fund	£206,570	£234,500	£27,930	13.52%
Maintained nursery schools supplementary	£342,154	£383,628	£41,474	12.12%
Total other grants	£756,424	£918,758	£162,334	21.46%
Total Early Years Block	£36,758,514	£48,177,150	£11,418,636	31.06%
Effective funding % of allocated to settings	4.9%	3.9%		

3.6 Inclusion fund for 2025-26 is set at £0.400m and the early years contingency fund at £0.100m. The final inclusion fund allocation will vary depending on the options selected from those presented below.

3.7 The below compares the Early Years national funding formula rates that the ESFA use to allocated Early Years Block between current 2024-25 and the 2025-26 financial years. Funding rate of each setting will differ from these due to the deduction of centrally retained fund, contingency, inclusion fund and various supplements.

Table 2: National Funding Formula Funding Rates 2024-25 vs 2025-26

	2024 -25	2026 -26	Increase between 24-25 and 25-26	Increase between 24-25 and 25-26
	£ (per hr)	£ (per hr)	£ (per hr)	%
3- & 4-Year-olds : Universal and additional 15 hrs	6.61	6.81	0.20	3.03%
2-Year-olds : Families receiving additional support and workign families	9.51	9.85	0.34	3.58%
2-Year-olds working Parent New	9.51	9.85	0.34	3.58%
Under 2-Year-olds New	12.95	13.40	0.45	3.47%
MNS Supplementary	5.61	6.29	0.68	12.12%

3.8 For 2025-26, local authority is proposing following changes to the 2024-25 early years funding formula:

- (a) Remove or phase out the additional needs supplement
- (b) Introduce a supplement for 2-year-old pupils from a disadvantage background.

3.9 The Local authority is consulting with the School's Forum on the removal or the phasing out the additional needs supplement in 2025-26. The intention of this supplement was to ensure that the settings are sufficiently funded for pupils with additional educational needs, who do not currently have an Education Health and Care Plan (EHCP).

3.10 However, the allocation methodology uses prior year Special Educational Needs (SEN) data to arrive at the current years funding. This meant that the settings would have to put in place additional support for their pupils, with the expectation that they will receive the funding in the following year. This creates a timing mismatch between the funding received and the actual SEN cohort.

3.11 The current SEN supplement also gives settings a SEN supplement for all children receiving funding, whether they have SEN or not.

3.12 The local authority proposes to move towards a "real time" funding methodology that rectifies this discrepancy by using the Early Years Inclusion Fund (EYIF). However, the current EYIF budget and the per pupil amount paid to settings are insufficient to address this issue. Options proposed below address the size of the budget. These options impact the 3–4-year-olds and 2-year-olds funding rates and does not affect the under 2s.

3.13 The table below summarises the expected size of the EYIF under each option.

	Option 1	Option 2	Option 3
Proposed inclusion fundig for 2025-26	£400,000.00	£400,000.00	£400,000.00
Additional contribution from 3-4 year old funding	£696,000.00	£417,000.00	£417,000.00
Additional contribution from 2 year old funding	£60,000.00	£60,000.00	£36,000.00
Total Inclusion Funding	£1,156,000.00	£877,000.00	£853,000.00

(b) Introduce a supplement for 2-year-old pupils from a disadvantage background.

3.14 Prior to April 2024, only disadvantaged two-year-olds would be eligible to receive funded childcare for up to 15 hours a week. From April 2024, two-year-olds with eligible working parents can also get up to 15 hours of funded childcare. Though this has been beneficial for working parents, with additional children benefiting from the expanded entitlement, the proportion of disadvantaged two-year-olds receiving funded childcare has decreased significantly. This may be because working parents are more able to purchase additional hours of paid for childcare, as so they may be more likely to be able to access childcare.

3.15 From September 2025, the entitlement for working parents to receive funded childcare for their two-year-old is expanding from 15 to 30 hours per week but the entitlement for disadvantaged two-year-olds will still be for 15 hours a week. This risks further encouraging

settings to take children eligible for the working parents' entitlement, rather than disadvantaged children.

- 3.16 The proposal to introduce a supplement for disadvantaged two-year-olds is to encourage settings to provide funded hours for these children, by giving settings a higher hourly rate for them, than they will get for two-year-olds eligible for the working parents' entitlement.
- 3.17 The consultation is on-going and the final decision will post date the submission date for Cabinet papers so the final decision will need to be made under Recommendation 5.

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2024/25 following an increase in the Schools Block funding of 6.57%. It should be noted that school budgets will be protected by the Minimum Funding Guarantee level of -0.5% to 0% per pupil funding.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2025/26, including the final individual school budget shares, which must be distributed to schools on or before 28 February 2025.

Consultation carried out or required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2025. The Schools Forum has a limited range of decision-making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to be consulted on proposed changes to funding arrangements, including any changes to the School Block funding formula on which the council now has little flexibility as the DFE move towards a Hard National Funding model.

CORPORATE CONSIDERATIONS

Corporate Finance

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2024/25 following an increase in the Schools Block funding of 6.57%. It should be noted that school budgets will be protected by the Minimum Funding Guarantee level of -0.5% to 0% per pupil funding.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

Legal

The Schools Budget must be set in accordance with the School and Early Years Finance (England) Regulations 2025.

BACKGROUND PAPERS

Nil