

Report to Cabinet

Report Title	Dedicated Schools Grant 2025/26				
Date of Meeting	Wednesday, 22 January 2025				
Report Author	David May, Head of Strategic Finance				
Corporate Director	Chief Financial Officer S151, Dawn Calvert				
Lead Cabinet Member(s)	Cabinet Member for Resources				
Why is this a key decision?	<table> <tr> <td>1. Expenditure over £500K</td> <td>Yes</td> </tr> <tr> <td>2. Significant impact on 2 or more wards</td> <td>Yes</td> </tr> </table>	1. Expenditure over £500K	Yes	2. Significant impact on 2 or more wards	Yes
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2. Significant impact on 2 or more wards	Yes				
Wards Affected	All Wards				
Identify exempt information and exemption category.	N/A				

Is report Urgent?	No
Reasons for urgency (only where applicable)	N/A
Appendices (if any)	

1. Executive Summary

- 1.1 The Dedicated Schools Grant (DSG) is a ring-fenced specific grant allocated to the Local Authority (LA) by the Government to support a range of education related services.

On 18 December 2024, Department for Education announced the schools funding settlement for 2025/26, reflecting the outcome of the October 2024 school census. The Dedicated Schools Grant to be received by Thurrock Council in 2025/26, before academy recoupment, is shown in the table below:

Dedicated Schools Grant	2024/25	2025/26	Increase
	£m	£m	£m
Schools Block	167.156	180.524	13.368
Central School Services Block	1.610	1.598	(0.012)
High Needs Block	39.083	41.870	2.787
Early Years Block	22.127	30.192	8.065
Total	229.977	254.184	24.207

- 1.1 A key part of the Dedicated Schools Grant is the Schools Block. As in previous years, local authorities will be responsible for deciding local funding formulae for mainstream schools in their area. The funding levels that schools – both maintained schools and academies – receive will be determined by the respective local formulae.
- 1.2 Thurrock's funding formula will implement the following principles consistent with the decision made by Cabinet from 2020/21:
 - National Funding Formula including Area Cost Adjustment values to be applied.
 - Where this is unaffordable the Basic Entitlement value, to be included, will be reduced to contain within the funding available. The reduction to be applied will be weighted, consistent with the distribution of funding between Primary and Secondary.
 - Growth fund to be retained to support sufficiency of school places.

These principles were discussed and supported by the Schools Forum on 28 November 2024.

2. Recommendations

For the reasons set out in this report, the Cabinet is recommended to:

- 2.1 **Agree that Thurrock's 2025/26 Schools funding formula to be implemented as stated in 1.3 above. This being consistent with previous Cabinets decisions made since 2020/21.**

3. Commissioner's Comments

- 3.1 Commissioners have been consulted on the content of this report and the report has been amended to incorporate Commissioner comments.

4. Proposals - the rationale and evidence for the recommendations

1.3 The Dedicated Schools Grant (DSG) is a ring-fenced specific grant allocated to the Local Authority (LA) by the Government to support a range of education related services.

1.4 The grant is allocated through 4 individual funding blocks:

- Schools Block used to fund individual school budgets in schools and academies within Thurrock.
- Central School Services Block which supports the local authority role in education.
- High Needs Block - Provision for pupils with high needs, including those with special educational needs and disabilities (SEND), education health and care plans (EHCP) in special schools and specialist provision in and out of area.
- Early Years Block, this provides funding for nursery free entitlement places for the expanded early years offer that include Under 2's, disadvantaged 2-year-olds, working parent 2-year-olds and 3-and-4-year-olds.

Dedicated Schools Grant 2025/26

1.5 On 18 December 2024, Department for Education announced the schools funding settlement for 2025/26, reflecting the outcome of the October 2024 school census.

1.6 The key headline announcements are:

- Funding for mainstream schools in DSG will increase by 2.15% per pupil, this includes existing funding and full year impact of the 2024 pay award.
- On high needs, the average funding increase is 9% in cash terms, with local authority-level increases between 7% and 10% per person aged 2-18.
- Alongside the Dedicated Schools Grant, councils will receive a separate core schools budget grant to pass on to special schools and alternative provision to continue funding costs of 2024 teachers' pay and pension and other staff increases.
- Around £8 billion will be allocated for early years settings through core funding rates. No significant changes have been made to the funding methodology from 2024/25, other than including the expansion of the 2-year-old and under 2s working parent entitlements to 30-hours, which will be available from September 2025.

1.7 The Dedicated Schools Grant to be received by Thurrock Council in 2025/26, before academy recoupment, is shown in the table below:

Dedicated Schools Grant	2024/25	2025/26	Increase
	£m	£m	£m
Schools Block	167.156	180.524	13.368
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Schools Block

- 1.8 The 2025/26 Schools National Funding Formula will use the same factors as in 2024/25. Protections will remain compulsory in the local authority funding formulae at minimum per pupil levels (Primary £4,955, KS3 £6,221, KS4 £6,831) and the funding floor that ensures that a school's funding is protected from excessive losses year-on-year.
- 1.9 The only structural changes being made to the NFF for 2025/26 are in relation to the PFI factor. In Thurrock, with no PFI schools this will have no impact.
- 1.10 The teachers' pay additional grant (TPAG) and the teachers' pension employer contribution grant (TPECG) 2024 will be rolled into the NFF for 2025/26. The recently announced core schools budget grant (CSBG) will also be rolled into the schools NFF for 2025/26.

Local authority formulae in 2025/26

- 1.11 As in previous years, local authorities will be responsible for deciding local funding formulae for mainstream schools in their area. The funding levels that schools – both maintained schools and academies – receive will be determined by the respective local formulae.
- 1.12 In 2025/26, each local authority will continue to set a local schools funding formula, in consultation with local schools. Local authorities were required to bring their own formulae closer to the schools NFF from 2023/24. This transition will continue in 2025/26.
- 1.13 Thurrock's funding formula will implement the following principles consistent with the decision made by Cabinet from 2020/21:
- National Funding Formula including Area Cost Adjustment values to be applied.
 - Where this is unaffordable the Basic Entitlement value, to be included, will be reduced to contain within the funding available. The reduction to be applied will be weighted, consistent with the distribution of funding between Primary and Secondary.
 - Growth fund to be retained to support sufficiency of school places.
- These principles were discussed and agreed with the Schools Forum on 28 November 2024.

High Needs

- 1.14 In 2025/26 the High Needs Block funding has an allocation of £41.870m, an increase of £2.787m (7.13%). Whilst the increase is welcome, Thurrock continues to experience high level of demand for Specialist places and Education, Health, and Care Plans (EHCP).
- 1.15 In 2025/26, the increase in funding will support the expansion of the local offer of commissioned numbers for the academic year to 904, an increase of 81. This reflects planned expansion of Primary Autism, Secondary SEMH and Specialist provision. In addition, Top-up values across all providers will be increased to reflect increased costs and inflationary pressures.

- 1.16 Thurrock as part of the Delivering Better Value SEND programme in 2023/24 received a grant from the Department for Education for additional funding of £1 million for 2024/25 to develop initiatives to support the reduction of EHCP and the upskilling of school-based staff. This was to support the long-term management of DSG. It is expected in the new year that the Government will outline its long-term plan for the management of SEND.

Early Years

- 1.17 On 10 December 2024, the Department for Education announced the local authority hourly funding rates for April 2025 to March 2026. These are the rates that the Department for Education (DfE) will pay to each local authority to fund the early years entitlements. This includes:
- the 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old (due to be extended to 30 hours from 1 September 2025)
 - the 15 hours entitlement for eligible working parents of 2-year-old children (due to be extended to 30 hours from 1 September 2025)
 - the 15 hours entitlement for families of 2-year-olds receiving additional support (formerly known as the 2-year-old disadvantaged entitlement)
 - the universal 15 hours entitlement for all 3 and 4-year-olds
 - the additional 15 hours entitlement for eligible working parents of 3 and 4-year-olds
- 1.18 Local authorities are best placed to determine how to use their total funding allocation to meet the needs of their communities. So, using DfE rates as a starting point, local authorities set their own provider hourly rates using their own local formulae. These formulae and the provider hourly rates are different to the rates announced by DfE and are decided at a local level.
- 1.19 Before deciding on their local formulae and provider hourly rates, local authorities must consult with their providers and schools forum to decide how the money will be spent.
- 1.20 The Local Authority is expected to announce their funding rates to childcare providers by 28 February 2025. This will be mandated as a requirement in the regulations from the financial year 2026/27.
- 1.21 Officers continue to work through the detail to determine the local funding formula that can be applied within Thurrock to support settings and the expansion of the early years offer. Consultation will take place with Thurrock Schools Forum in January the outcome of which will be report back to Cabinet for agreement in February.

DSG Reserve

- 1.22 The Dedicated Schools Grant 2024/25 is forecasting an outturn position of £1.415m (2%) overspend, against a revised budget of £61.870m. This movement to reserve will change the surplus position of £0.630m to a deficit of £0.785m.
- 1.23 This was planned to support identified funding pressures in the High Needs Block in 2024/25, whilst benefits from the Delivering Better Value in SEND programme are realised.

DSG Reserve - Summary	£m
DSG Unusable Reserve at the end of 2021/22	1.883
DSG Usable Reserve	(2.513)
DSG Balance 31/03/2024	(0.630)
DSG Outturn 2024/25	1.415
DSG Projected Balance @ 31/03/2025	0.785

- 1.24 The Government extended the DSG statutory override in December 2022 for a one-off period of three years up to 31 March 2026. When the statutory override falls away, the accumulated DSG deficit will be the responsibility of each Local Authority.
- 1.25 The engagement in the SEND Delivering Better Value programme is designed to support Local Authorities in the management of the Dedicated Schools Grants. The DSG Management Plan 2024/25 to 2028/29 submitted, validated, and approved through the DBV programme shows an accumulated deficit of £17m in March 2029.
- 1.26 The approved plan showed a forecasted deficit for 2024/25 of £2.364m. The position at Period 9 is a deficit of £0.785m. This is an improved position of £1.579m. The DSG Management Plan will be reworked and updated to reflect the impact of the increase in EHCP's and funding in 2025/26.
- 1.27 This reflects the national position of the High Needs Block and the challenges faced in meeting increased demand, complexity of need and price increases.
- 1.28 A long-term solution is required to funding available to support Schools and the High Needs Block.

2. Decision Required

- 2.1 Agree that Thurrock's 2025/26 Schools funding formula to be implemented as stated in 4.11 above. This being consistent with previous Cabinets decisions made since 2020/21.

6. Alternative options considered.

- 5.1 n/a

6 Consultation

- 6.1 The Schools Forum was consulted at its meeting on 28 November 2024 and agree with the recommendation.

7 Financial Implications

- 7.1 The attached report is primarily financial in nature and the financial implications are all to be contained within the Dedicated School Grant funding allocation for 2025/26.

Implications verified by: Sima Khiroya Assistant Director Financial Management & Procurement Corporate Finance

8 Risk Implications

- 8.1 Information is discussed regularly within Children Services Directorate and Thurrock Schools Forum. Financial updates are included in Quarterly monitoring reports to Cabinet.
- 8.2 To help local authorities plan and model their funding formula, the Department for Education provides a final APT with information from the October census, which includes the changes announced in the DSG settlement. Local authorities must submit their final APT by 22 January 2025.
- 8.3 The APT contains a range of validation checks to identify inconsistencies in the data local authorities have entered, and to highlight where required data and information may be missing. Local authorities must ensure that all validation checks have passed before submitting the APT.
- 8.4 The Department for Education on submission of the APT carry out their own validation checks and provide confirmation that the local funding formula is compliant with all regulations.

RISK DESCRIPTION & CONSEQUENCE	MITIGATIONS	RESIDUAL RISK STATUS (after mitigations)
Non-Compliance with Regulations in completing Local Funding Formulae	Validation checks included in the APT	Green

Implications verified by: Kelly McMillan, Chief Risk Advisor

9 Legal and Governance Implications

- 8.5 The Schools operational guide 2025/26 requires political approval to be included in the School Budget APT submission to Department for Education by 22 January 2025. This report is consistent with decisions made by Cabinet since 2020.

8.6 The legal implications of a Local Authority (LA) accepting a school funding formula in relation to the Dedicated Schools Grant (DSG) are shaped by statutory provisions, regulations and guidance governing school funding in England. The key legal considerations include:

- (i) **Compliance with Statutory Framework**
Schools Standards and Framework Act 1998. This Act underpins the allocation of funding to schools. Funding must be distributed in accordance with the Schools and Early Years Finance (England) Regulations.

The LA must adopt a formula that complies with the National Funding Formula (NFF) set up by the Department of Education

- (ii) **Consultation Requirements**
Local authorities must consult schools forums, headteachers, governors, and academies before finalising their funding formula.

If the LA does not properly consult or consider feedback, schools may have grounds to challenge the LA's decision via judicial review.

- (iii) **Decision-Making Process**
The decision to accept or amend the formula must be based on transparent criteria.

Schools Forum can approve or refuse certain formula changes, but ultimately, the LA retains decision-making authority.

- (iv) **Funding Allocations and Equality Duty**
The Public Sector Equality Duty under the Equality Act 2010 requires local authorities to consider how their decisions, including funding allocations, affect people with protected characteristics.

- (v) **Impact on Academies**
Academies are funded based on the same formula as maintained schools but through the Education and Skills Funding Agency (ESFA).

- (vi) **Judicial Review**
If an LA's funding formula breaches statutory regulations or is deemed unreasonable, it could be subject to a judicial review.

8.7 In conclusion, the acceptance of a schools funding formula by a Local Authority in relation to the Dedicated Schools Grant is legally complex and requires strict adherence to statutory regulations, transparent consultation processes, and compliance with the Public Sector Equality Duty. Any deviation from these requirements may expose the LA to legal challenges.

However, in this instance the LA has complied with its duties and responsibilities.

Implications verified by: Georgina Foster (and approved by Helen Nicol,
Assistant Director Legal & Governance)

10 Equality and Diversity Implications (including the public sector equality duty)

- 10.1 The increase in High Need Block funding will support the planned increase in Primary Autism and Secondary SEMH and specialist provisions.

Implications verified by: Rebecca Lee, Team Manager – Community
Development Team

11 Other Relevant Implications

- 11.1 Not applicable.

12 Background Documents

- 12.1 Not applicable.