

Dedicated Schools Grant 2025/26: Budget planning

Report of the Director of Finance & Public Value and Interim Director of Children and Young Peoples Futures

Recommendation:

It is recommended that Schools Forum:

- a) Specifically approve the Early Years funding rates proposed and shared with providers.
All to Vote

- b) To note the changes to Dedicated Schools Grant funding for 2025/26.
All to Note

For information

This report will cover

1. DSG Settlement 2025/26
2. Schools Block
3. Central School Services Block
4. High Needs Block
5. Early Years Block
6. Other Schools Grants
7. DSG Deficit & Management Plan

1. DSG Settlement 2025/26

- 1.1. On the 18 December 2024 the Education and Skills Funding Agency (ESFA) announced the Dedicated Schools Grant allocations for 2025/26
- 1.2. Note that the final allocations will be adjusted through the year for recoupment academies and the updated Early Years census. Individual maintained school budget allocations will be confirmed by 28th February 2025 following ratification by the ESFA; Academies will receive their notifications directly from the ESFA.

2. Schools Block

- 2.1. The Schools Block settlement for 2025/26 is £560.1 million, which includes £2.1 million for Growth Fund and the rolling in of the £37.8 million for the 2024 to 2025 teachers' pay additional grant (TPAG), the teachers' pensions employer contribution grant (TPECG), and the core schools budget grant (CSBG) into the schools baselines.
- 2.2. The National Non-Domestic Rates (NNDR) at present will continue to be paid by Schools rather than direct arrangement with the DfE as a couple of the Districts do not want to put procedures in place for April 2025. Guidance states that in 2 tier local authorities all billing authorities need to agree to implement the changes. If mutual consent is not reached it will not be possible for any billing authority to adopt the revised payment process.
- 2.3. The NNDR funding we receive is equivalent to the previous year's actual NNDR payments (along with adjustments relating to the year before that). Because the funding is lagged, any increases in NNDR costs compared to the previous year has to be managed within the overall allocation and less funding is available to distribute to individual schools.

- 2.4. Due to the delay in receiving information around funding arrangement for 2025/26 the following consultation results have been assumed as being agreed by Schools Forum.
- that schools would see funding per the National Funding Formula (NFF) levels for 2025/26 Minimum Funding Guarantee (MFG) for 2025/26 is set at 0%
 - that if the funding received in the final settlement was lower than expected that we would
 - i. Reduce Basic Entitlement (AWPU) by up to the allowed maximum of 2.5%.
 - ii. Reduce all other factors by up to the allowed maximum of 2.5%
- 2.5. However, the funding settlement received is £1.3 million below a fully funded model of the NFF and to ensure that the block remains within its funding envelop the following actions need to take place.
- 2.6. The Basic Entitlement (AWPU) factor has been reduced by 0.43%. This ensures that the authority remains mirroring the NFF.

3. Central School Services Block

- 3.1. The Central Schools Service Block recognises the Ongoing Responsibilities of Education Services Grant (ESG), Admissions, Copyrights and Schools Forum along with Historic Commitments for Termination of Employment Costs.
- 3.2. In 2025/26 the DfE have reduced the Historic Commitments by 20%, however as with the previous two years Devon has applied for a disapplication to remove this reduction to ensure that the Termination of Employment costs remain funded for the coming year of £873,000. This will be confirmed in the March DSG.

4. High Needs Block

- 4.1. The High Needs Block settlement is £125.5 million for 2025/26. High needs though continues to be under considerable budgetary pressure even after receiving this additional funding.
- 4.2. The budget required to meet current HNB demand and agreed future growth with the service is £172.7 million after management actions of £20.7 million.
- 4.3. The 3 main areas of funding within the block after management actions are:
- Independent Special Schools (£54.9 million)
 - Maintained & Academy Special Schools (£51.4 million)
 - SEN Mainstream (including FE) (£45.24 million)
- 4.4. A separate grant, which will include TPAG, TPECG and CSBG, will be given for Special Schools and AP based on 2024/25 academic year place numbers. This will be released in May 2025.
- 4.5. **Independent special schools.**
The budget has been set on 1,032 sole funded placements at an average cost of £52,442 (including 3% inflationary uplift) allowing for in year movement and built into this as part of the overall management plan are actions of £16.8 million.
- 4.6. **Maintained & Academy Special Schools.**
Part of the management plan is to invest in our maintained special schools to increase our own capacity to meet growing demand for placements in this type of provision. Overall, the budgeted places have increased from 1,787 to 1,819 in 2025/26, with an average cost of £24,903 (including inflationary increase).

4.7. SEN Mainstream (including FE)

Pre-16 Mainstream has seen a change in the number of EHCPs from 3,703 to 3,862 for 2025/26. Of this 2,377 are banded and 1,485 are Plus Packages resulting in an additional cost of £9.3 million overall. Whilst, FE Mainstream has seen an increase in the number of EHCPs from 1,033 to 1,269 for 2025/26 resulting in a £3.6 million increase. These have been offset by management actions of £3.5 million.

5. Early Years Block

5.1. The Early Years Block allocation is £103.6 million for 2025/26. This is an additional £35.2 million due to:

- the expansion of the early years working entitlements for children aged from 9 months up to (and including) 2 year olds to assist working parents with their childcare costs.
- the working entitlement increase to up to 30 hours from September 2024
- and an increase in the hourly funding rates, Early Years Pupil Premium and Disability Access Funding.

5.2. From April 2025 the Authority will be funded at £5.71 per hour for 3- and 4-year olds (national average £6.14) and £7.68 for 2-year-olds (national average £8.65). For the new funding for 9 months to 2-year-olds (under 2's) the authority will receive an hourly rate of £10.39 (national average £11.54)

5.3. The funding pass-through requirement has been increased from 95% to 96% for 2025/26. Devon will be pass-through 97%.

5.4. Devon proposes that the full DfE increase is passed onto providers with an additional uplift to each age range to give the following hourly rates from April 2025:

	Devon Funding Rate 2024/25	Devon Funding Rate 2025/26	Increase
3- & 4-year-olds (per hour)	£5.22	£5.50	28p
2-year-olds (per hour)	£7.10	£7.42	32p
Under 2's (per hour)	£9.60	£9.92	32p
Early Years Pupil Premium (per hour)	68p	£1.00	32p
Disability Access Funding (per year)	£910 per year	£938 per year	£28

5.5. The provider hourly rates for 2024/25 include Universal Supplements of 4p for Deprivation and 6p for SEND and so that providers can respond to low-level and emerging need.

5.6. Within the hourly rate increases for 2025/26, 4p will be added to the Universal SEND supplement and the balance of the increase onto the base rate for each age range.

5.7. Forecasting at a 97.5% take-up of 3 & 4 year old funding means that the additional uplift can be funded from with the Early Years allocation.

5.8. The full rate of Early Years Pupil Premium and Disability Access Funding must be passed onto providers in full.

6. Other Schools Grants

6.1. Teacher's Pay Award Grant and Teacher's Pension Employer Contribution Grant

In 2025/26 the £19.5 million Teacher's Pay Award Grant (TPAG) and Teacher's Pension Employer Contribution Grant (TPECG) funding for Devon schools has been rolled into the baseline.

6.2. Core Schools Budget Grant

£18.3 million, representing the full year effect of the Core Schools Budget Grant (CSBG) funding for Devon schools, has been rolled into the baseline in 2025/26,

6.3. Pupil Premium

For 2025/26 the budget is £30.4 million and is based on the latest available data available at the 2024/25 funding rates.

6.4. Other Grants

Universal Infant Free School Meals (UIFSM), PE & Sports Premium and Teachers Pay and Pensions Grants are based on the latest available data for 2024/25 and we will be notified of further details by the ESFA in the new year.

7. DSG Deficit & Management Plan

- 7.1. Increasing demand and expenditure within SEND will be mitigated by the SEND Transformation Programme Deficit Management Plan, which has been developed with support from the Department for Education. These pressures will be managed across four key strategic areas, Inclusion and early help; Preparation for Adulthood; Sufficiency; and Financial Management and placement value. The overarching aim is to ensure that the children and young people of Devon are supported according to their level of need within the funding envelope available.
- 7.2. The Authority joined the DfE's Safety Valve Intervention Programme in March 2024 and has seen investment from the DfE agreed totalling £95 million between 2024-2032.
- 7.3. As part of budget preparation, we are projecting to see the Dedicated Schools Grant (DSG) deficit increase by a further £14.7 million. This is based on the Safety Valve submission in March 2024. The main reasons are the increasing volume of requests still being seen from schools and the continued demand being put on the service for SEN placements.
- 7.4. Within the budget for 2025/26 are management actions totalling £20.7 million.
- 7.5. The Authority is very concerned over the ability to reduce this pressure and bring this back to a balance budget over the coming years. This could have a considerable impact on future education budgets within the DSG as well as impacting on the financial stability for Devon County Council.
- 7.6. The additional demands or requirements by the DfE to clear the EHCP backlog within SEND and has meant it has been difficult to contain the costs within the funding being received from Government. The Discussions with the DfE advisors have led the Authority to submit a revised submission in February 2025 to recognise the changing pressures to SEND and the Safety Valve.

Recommendations

It is recommended that Schools Forum:

- a) Specifically approve the Early Years funding rates proposed and shared with providers.
All to Vote
- b) To note the changes to Dedicated Schools Grant funding for 2025/26.
All to Note

ANGIE SINCLAIR
Director of Finance & Public Value

JULIAN WOOSTER
Interim Director of Children and Young People's Futures

Please ask for: Adrian Fox Adrian.fox@devon.gov.uk

