

## Appendix 8

### Schools Budget 2025/26

#### Introduction

- 1.1 In conjunction with the National Funding Formula (NFF) the Dedicated Schools Grant (DSG) funding is allocated over four blocks and the indicative Dedicated Schools Grant for 2025/26 totals £207.169m after deductions for national non-domestic rates and direct funding of high needs by Education & Skills Funding Agency (ESFA).
- 1.2 This budget has 4 elements - budgets delegated to individual schools (Schools Block), support to high needs pupils (High Needs Block), provision for early years expenditure (Early Years Block), and support for central services (Central Services Block).

#### Funding Allocations

- 1.3 The following table provides a summary of the amounts to be received in 2025/26 and a comparison to that received in 2024/25. It should be noted though that the above amounts are subject to change during the year as the Schools Block includes amounts which are passported directly to academies (known as recoupment), and certain elements of the High Needs Block are paid directly to providers. No assumption has currently been made of any increases in DSG for 2026/27 and 2027/28.

**Table 1 - Dedicated Schools Grant (DSG) after deductions 2025/26**

| DSG Block                         | 2024/25<br>£m  | 2025/26<br>£m  | Increase<br>£m | Increase<br>% |
|-----------------------------------|----------------|----------------|----------------|---------------|
| Schools Block                     | 139.892        | 150.103        | 10.211         | 7.3           |
| Central School Services Block     | 1.061          | 1.136          | 0.075          | 7.1           |
| High Needs Block                  | 30.650         | 33.283         | 2.633          | 8.6           |
| Early Years Block                 | 17.557         | 22.647         | 5.090          | 29.0          |
| <b>TOTAL DSG AFTER DEDUCTIONS</b> | <b>189.160</b> | <b>207.169</b> | <b>18.009</b>  | <b>9.5</b>    |

#### 1.4 Schools Block

2025/26 DSG Schools Block allocation, after business rate deduction, is an increase of £10.211m (7.3%) compared with 2024/25. However, it should be noted that the Teachers' Pay Additional Grant (TPAG), the Teachers' Pension employer contribution rate (TPECG) and the Core Schools Budget grant (CSBG) have been rolled into the above allocations for 2025/26, having previously been separate grant allocations outside of the DSG.

DSG Schools block funding is allocated based on the National Funding Formula (NFF), which is based on the October 24 census:

**Table 2 – Pupil Numbers**

|              | October 2024<br>census numbers | October 2023<br>census numbers | Difference   |
|--------------|--------------------------------|--------------------------------|--------------|
| Primary      | 13,515                         | 13,728                         | (213)        |
| Secondary    | 8,805                          | 8,868                          | (63)         |
| <b>Total</b> | <b>22,320</b>                  | <b>22,596</b>                  | <b>(276)</b> |

Funding for Schools budgets comprises:

- a) Dedicated Schools Grant (DSG) - this is the main funding stream allocated to schools by the LA.
- b) Pupil Premium Grant – this is distributed by the Council to maintained schools only. The allocation is set out by the (ESFA) with academies receiving this funding directly.

The minimum funding guarantee (MFG) is in place at -0.50% ensuring schools management forum desire to fund, as best possible within allocation, the primary school settings as they are experiencing reducing school roll numbers along with one significant secondary reduction. The formulation of the budget is also aligned with government guidance and the necessary approvals required from Schools Management Forum (SMF), which are public documents. SMF approved modelled option 4 on 15 January 2025. The Schools Budgets has been submitted for Middlesbrough schools on 22 January 2025 within the required deadline along with political ratification.

The standard approach followed by the Local Authority in setting the Schools Budget is to set budgets by block which mirror the DSG income received. However, for 2025/26 the Local Authority is responding to an improved offer for schools, aligned within the High Needs Block and requested transfer from the Schools Block.

Schools Block transfer of 0.5% to High Needs Block of (£0.750m), was approved by SMF on 15 January 2025.

DSG allocation is updated throughout the year as pupil numbers are confirmed. During this process any unallocated balance is put to DSG Reserve, reported in the council balance sheet as “DSG unusable Reserves”. This is not currently a council liability. Any surplus in schools block, identified as Growth funding and agreed by SMF, is used to support the following year(s) place planning and sufficiency across Middlesbrough schools.

### 1.5 **Central School Services Block (CSSB)**

The CSSB is made up of two categories, historic and ongoing commitments with funding totalling £1.136m for 2025/26 for Middlesbrough. This includes Teachers’ Pension Employer Contribution (TPECG) funding for centrally employed teachers.

The grant has reduced the historic element by 20% when compared to 2024/25 by £24,379. The DfE have indicated that this element will reduce by 20% year on year and will be nil once the hard funding formula is implemented. Due to this overall, there is a £75,466 increase from 2024/25.

The services funded can be found in the SMF DSG CSSB report 2025/26 of 15 January 2025.

### 1.6 **High Needs Block**

For 2025/26 Middlesbrough’s indicative allocation is £33.283m. The indicative allocations are based on the latest mid-2024 ONS population estimate for Middlesbrough. The High Needs Block allocation for 2025/26 is finalised during 2025/26 taking into account the Spring 2025 pupil numbers and any other deductions and recoupment. Middlesbrough are signed up to the Delivering Better Value (DBV) programme that invests £1m over an approximate 18-month period ending 31 March 2025 with any extension period only due to timing of grant and delivery of the programme.

Currently after deductions and recoupment the Council will receive DSG of £63.655m in 2024/25. The forecast expenditure is £70.055m, a forecast year-end over-spend of £6.400m within 2024/25 as shown in **Table 3**.

**Table 3 - Dedicated Schools Grant (DSG) after recoupment and deductions 2024/25**

|                               | 2024/25<br>Income<br>Forecast | 2024/25<br>Expenditure<br>Forecast | 2024/25<br>Forecast<br>Year-end<br>Overspend | Balance as<br>at<br>31/03/2024 | Forecast<br>Cumulative<br>DSG<br>Deficit as<br>at<br>31/03/2025 |
|-------------------------------|-------------------------------|------------------------------------|--|--------------------------------|---|
|                               | £m                            | £m                                 | £m   | £m                             | £m  |
| Early years                   | 17.557                        | 17.797                             | 0.240  | (0.467)                        | (0.227)   |
| Schools Block                 | 14.387                        | 14.324                             | (0.063)                                      | (0.298)                        | (0.361)   |
| High Needs                    | 30.650                        | 36.852                             | 6.202  | 15.079                         | 21.281  |
| Central school services block | 1.061                         | 1.082                              | 0.021  | (0.021)                        | 0.000   |
|                               |                               |                                    |  |                                |   |
| <b>TOTAL</b>                  | <b>63.655</b>                 | <b>70.055</b>                      | <b>6.400</b>                                 | <b>14.293</b>                  | <b>20.693</b>   |

As shown in **Table 3** above there was a £14.293m total cumulative deficit on the DSG grant at the end of 2023/24, which included £15.079m attributed to the High Needs Block. The DSG deficit is predicted to increase during 2024/25 and it is currently forecast that there will be a total cumulative DSG deficit of £20.693m on 31 March 2025, including £21.281m relating to the High Needs Block.

The pressure has been driven up by Education and Health Care Plans (EHCPs) increasing from 2023 to 2024 by over 12.3% (up from 1804 to 2026) and the service has faced the full year effect of this increase along with continued increasing numbers in the past 12 months and increasing exclusions.

As part of the Delivering Better Value (DBV) work, it was identified that there would be a pressure in the current year. However, additional risks were highlighted as part of the DBV programme; specifically, that this may not be achieved without significant change regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision. These are over commissioned places which has resulted in financial pressure to provide place funding. Alongside this, there has also been an increase in rates from specialist providers across the board and significant increased pressure from rising permanent exclusions.

A range of management actions are being taken alongside the DBV programme these include initiatives such as:

- Work with health colleagues to identify health contributions where relevant
- On-going reviews of Education, Health and Care (EHC) assessments
- Training for staff and school staff to support children remaining in mainstream settings,
- Reintegration of Excluded pupils to mainstream where possible,
- Governance of High Needs budget

- Service review and modelling
- Review of Top-ups in line with Improvement Plan
- Reduce Exclusions
- Consider notional SEND budget and how this is used,
- Linking school inspection in with SEND and Alternative Provision Improvement plan,
- Review school reserves and examination of potential of implementing a policy (subject to SMF) for taking excess reserves back into High Needs where relevant and appropriate.

The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however the Government extended the arrangement to at least 31 March 2026. This is a potential major risk to the Council's financial resilience in the long term if the Government remove the statutory override before the deficit position is resolved – the current balance is £20.693m which would be required to be met from the General Fund resources. The position that Government takes on this national issue which presents significant financial risks for many local authorities, will be closely followed and updates will be provided as appropriate.

## 1.7 Early Years Block

The funding split of the indicative £22.647m for Early Years in 2025/26 is shown in **Table 4** below:

**Table 4 – Indicative Early Years Block Funding 2025/26**

| Description                                      | 2025/26 (Provisional)<br>£ |
|--|----------------------------|
| 3 & 4 Year Old Universal Entitlement             | 7,778,093.00               |
| 3 & 4 Year Old Additional 15 hours               | 2,542,022.00               |
| 2 Year Old Families Receiving additional support | 3,407,532.00               |
| 2 Year Old Working Parent Entitlement            | 3,274,283.00               |
| Under 2s Entitlement                             | 4,875,996.00               |
| Early Years Pupil Premium (EYPP)                 | 364,230.00                 |
| 2 Year old Pupil Premium                         | 214,320.00                 |
| Under 2s Pupil Premium                           | 19,289.00                  |
| Disabled Access Fund (DAF)                       | 171,654.00                 |
| Maintained Nursery Supplementary Funding         | 0.00                       |
| <b>TOTAL</b>                                     | <b>22,647,419.00</b>       |

*Note: This is a provisional allocation (based on January 2024 pupil numbers)*

The required SMF noting of rates and the approval of Special Education Needs (SEN) and pass through rate for the Council was agreed on 15 January 2025.