

Schools and Early Years Revenue Funding Arrangements 2025-26

To: Children and Young People Committee

Meeting Date: 14 January 2025

From: Sarah Callaghan – Service Director: Education
Martin Wade – Strategic Finance Manager

Electoral division(s): All

Key decision: Yes

Forward Plan ref: Not Applicable

Executive Summary: To advise the Committee of the 2025-26 Dedicated Schools Grant (DSG) allocation for Cambridgeshire published by the Department for Education (DfE) in December 2024.

To seek the Committee's approval of the 2025-26 local Cambridgeshire schools funding formula.

Recommendation: The Committee is recommended to:

a) Approve the formula factors and draft unit values to be applied in the local Cambridgeshire funding formula, for primary and secondary mainstream schools as set out in Appendix A (to follow).

b) Approve the proposed hourly rates for Early Years settings as detailed in section 6.3.

Voting arrangements: Co-opted members are eligible to vote on this report.

Officer contact:

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 This report relates to **Ambition 7**: Children and Young People have opportunities to thrive.

2. Background

2.2 This report provides an update on the Dedicated Schools Grant (DSG) and the associated funding formula to be applied for Cambridgeshire schools and Early Years providers in 2025-26.

2.3 On 18th December 2024 the Department for Education (DfE) published the provisional DSG allocations for 2025-26. Full details can be found on the DfE website at the following link and a summary of the key highlights is provided in Section 2:

[Dedicated schools grant \(DSG\): 2025 to 2026 - GOV.UK](#)

3 The 2025-26 Dedicated Schools Grant (DSG)

3.1 The DfE originally published a summary policy statement on 6th November 2024 to confirm key elements of the schools national funding formula (NFF), prior to the publication of the delayed NFF allocations for 2025 to 2026. Initial illustrative DSG allocations for each local authority were subsequently published on 29th November 2024. These figures were based on changes the national funding formula (NFF) applied to 2024-25 datasets to allow local authorities to assess the potential impact of the changes and undertake initial modelling.

3.2 In December 2024 the DfE published the revised DSG allocations which have been refreshed to reflect the October 2024 school census information. These figures, which include the Schools Block, the Central Services Schools Block, the High Needs Block and Early Years Block (indicative) are the basis for the funding allocations below. The actual amount to be received by the local authority during the 2025-26 financial year is subject to change and will be amended to reflect recoupment for academies. The initial 2025-26 allocations for Cambridgeshire are set out in table on the following page, which also provides the 2024-25 allocations for comparison.

DSG Block	2024-25 Allocation £m	2025-26 Initial Allocation £m	Difference to 2024-25 Allocation £m	% Change
Schools Block (incl. growth & business rates)*	£508.501	£518.893	£10.393	2.0%
High Needs Block	£107.084	£114.610	£7.527	7.0%
Central Services Schools Block	£5.286	£5.272	-£0.014	-0.3%
Early Years Block*	£67.282	£101.475	£34.193	50.8%
Total	£688.152	£740.251	£52.098	7.6%

*Please note: The 2024-25 Schools Block figure above includes a number of grants which have now been baselined into main allocations for 2025-26.

- 3.3 The increase in the Schools Block for 2025-26 is as a result of a combination of the additional investment through the national funding formula and the changes in pupils between October 2023 and October 2024.
- Primary (Reception – Year 6) – net decrease of 565 pupils
 - Secondary (Year 7 –Year 11) – net increase of 389 pupils
- 3.4 The High Needs Block increase is as expected, but has significant implications in the context of continued increasing demand and inflationary pressures.
- 3.5 The change in the Central Services Schools Block (CSSB) is as expected, and relates to historic commitments that the DfE have been tapering funding reductions over an extended period.
- 3.6 The Early Years Block indicative figures are currently based on January 2024 data and as such will be amended to reflect actual levels of take-up on receipt of the January 2024 census data.

4. Additional Funding

- 4.1 Details of other revenue grants such as Pupil are yet to be confirmed.

5. Proposed 2025-26 Cambridgeshire Schools Funding Formula

- 5.1 Following receipt of the revised datasets from the DfE on 18th December 2024, further budget modelling has been undertaken reflecting discussions with Schools Forum at their November meeting:
- £2m centrally retained growth fund
 - Align funding rates with the National Funding Formula (NFF)
 - Apply the maximum 0% Minimum Funding Guarantee (MFG)
- 5.2 As a result of the continuing increases in demand and costs associated to high needs, School Forum were asked to consider block transfers between the Schools Block and High Needs Block of 1% and 1.25% at their November meeting. Schools Forum did not support such a transfer on the basis that there is insufficient funding to meet demand nationally and their refusal 'sends a message' to central Government on the severity of the challenges to all Councils aiming to meet demand within the current context. [Minutes of Schools Forum - November Meeting](#)
- 5.3 However as part of the ongoing Safety Valve discussions, and to meet national deadlines, a disapplication request had already been submitted to the DfE requesting a block transfer of up to 1.25%. At the time of writing, we still awaiting a final decision as to whether this will be approved.
- 5.4 Following receipt of the provisional DSG allocations and subsequent financial modelling a block transfer of 1.25% would not be affordable as would not meet the DfE's minimal allowable factor values. Equally, as a result of the minimal uplifts applied to the NFF factor

values for 2025/26, and the potential impact at individual school level a block transfer of 1% is also deemed to be unviable.

- 5.5 Further discussions will be held with Schools Forum at the meeting on the 10th December where they will be asked to consider approving a block transfer of 0.5% (the maximum Forum is permitted to approve). The outcome of these discussions will then inform the final budget proposals for approval and will therefore be circulated as soon as they are available.
- 5.6 **Appendix A (to follow)** shows a comparison between the current funding formula rates and the proposed rates to be used to allocate the total schools block to primary and secondary schools for 2025-26. These unit values reflect the national funding formula rates, including the revised minimum per pupil levels (MPPL) and have been scaled to meet overall affordability.
- 5.7 The illustrative impact of the budget proposals at school level can be seen in **Appendix B (to follow)**.
- 5.8 Key points to note:
- All school level figures remain draft until further data validation has been undertaken and the formula has been approved by ESFA.
 - Actual amounts to be received by academies will be notified directly by the ESFA for the 2025-26 academic year and may differ due to pupil numbers and protections applied.
 - Proposed unit values all exceed the Education, Skills and Funding Agency (ESFA) minimum allowable values, required as part of a move towards a direct national funding formula.
 - All schools will receive at least the MPPL at an overall cost to the formula, but the impact will vary for individual schools dependent on their individual circumstances.
 - Despite the MPPL and MFG protections, there are a number of schools with falling rolls which is likely to result in an overall cash reduction when compared to previous years.

6. Early Years Funding

- 6.1 As part of the DSG settlement the DfE announced additional funding nationally for early years in 2025-26, which translates into:
- 25p per hour increase for funded two-year-olds
 - 26p per hour increase for all three- and four-year-olds
 - 31p per hour increase for nine-month to two-year-olds
 - 32p per hour increase (from 68p to £1.00) per hour for Early Years Pupil Premium per eligible child
 - £28 increase, from £910 to £938 to the Disability Access Fund per eligible child per year
- 6.2 Cambridgeshire's Early Years Provider Reference Group has been engaged in discussions around the funding rates and the approach to the new entitlements since the rates were published in late December. The group's stated priorities were:

- To agree and publish local rates as soon as possible, to allow the sector to plan for the expansion;
- To maximise the base rate payable for all children, to support provider sustainability;
- To support the inclusion of children with Special Educational Needs and Disabilities where possible.

6.3 The proposals for Cambridgeshire funding rates for 2025-26 are:

Age	DfE funded rate	Proposed CCC rate	Increase from last year CCC rate
3- and 4-year-olds	£6.06	£5.66	+£0.26
2-year-olds	£8.40	£8.15	+£0.15
9-months – 2 years	£11.38	£11.00	+£0.30

The proposed rates pass on 100% of the increase from Government to the 3- and 4-year-old rate. In addition to the £8.15 hourly rate, funded two-year-olds can now receive Early Years Pupil Premium, which is paid at an extra £1.00 per hour for eligible children.

6.4 EYPP and DAF will continue to be passported on to eligible children at the national rate. Providers will also receive, for the first time, EYPP at £1.00 per hour for children under three years of age who are eligible. This funding is allocated separately in addition to the main hourly funding rate.

6.5 Maintained nursery schools (MNS) will also continue to receive MNS supplementary funding as a separate allocation in addition to the main hourly funding rate.

7. Significant Implications

7.1 Finance Implications

This report sets out details of the overall resources in respect of the DSG for 2025-26.

7.2 Legal Implications

The need to set the schools funding formula in line with the DfE requirements
 The need to submit the final 2025-26 Authority Pro-forma Tool (the schools budget data) to the ESFA by the 22 January 2025
 The requirement to publish primary and secondary school budgets by the statutory deadline of 28 February 2025

7.3 Risk Implications

There are no significant implications within this category.

7.4 Equality and Diversity Implications

There are no significant implications within this category.

7.5 Climate Change and Environment Implications (Key decisions only)

There are no significant implications within this category.

8. Source documents

8.1 [Dedicated schools grant \(DSG\): 2025 to 2026 - GOV.UK](#)

[Early years funding: 2025 to 2026 - GOV.UK](#)