



Borough of Telford and Wrekin

Cabinet

Monday 6 January 2025

2025/26 Telford & Wrekin Schools Funding Formula

Cabinet Member:	Cllr Shirley Reynolds - Cabinet Member: Children, Young People, Education, Employment & Skills
Lead Director:	Simon Wellman - Director: Education & Skills
Service Area:	Education and Skills
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Wards Affected:	All Wards
Key Decision:	Key Decision
Forward Plan:	20 November 2024
Report considered by:	SMT - Tuesday 3 December 2024 Business Briefing - Thursday 12 December Cabinet - Monday 6 January 2025

1.0 Recommendations for decision:

It is recommended that Cabinet:

1.1 Approve the 2025/26 funding formula for Telford & Wrekin mainstream schools, consulted on with the Schools Forum. The formula:

- distributes an estimated £178m;
- mirrors the governments national funding formula for schools as far as is possible;
- guarantees no reduction in funding per pupil for all mainstream schools in Telford & Wrekin. This is the maximum protection allowed by the DfE for 2025/26, as the 'minimum funding guarantee' – MFG – must be set between -0.5% and 0%;

- where appropriate, supports growing schools by using estimated pupil numbers to determine funding, to avoid a lag in money reaching growing schools;
- for 2026/27 onwards, grant delegated authority to the Director for Education & Skills, in consultation with the Cabinet Member: Children, Young People, Education, Employment & Skills and the Schools Forum, to approve the Telford & Wrekin funding formula for mainstream schools.

2.0 Purpose of Report

- 2.1 Each year we review the local funding formula for mainstream schools in the context of revisions to Department for Education (DfE) regulations or any other relevant developments.
- 2.2 Although we consult with schools and the Schools Forum regarding any changes, the Council makes the final decision on the funding formula. The local funding formula applies both to academies and maintained schools.

3.0 Background

- 3.1 Dedicated Schools Grant (DSG) is allocated to local authorities by the DfE in four blocks; Schools, High Needs, Early Years and Central School Services, using the following bases:
- Schools Block: Calculated by multiplying the number of pupils at the preceding October census (i.e. October 2024 for 2025/26) by a unit of funding, which is different for each local authority. The 2025/26 allocation for T&W is approximately £178m, around £5m more than 2024/25.
 - High Needs Block: Calculated by a combination of historic allocations and a national funding formula. The 2025/26 allocation for T&W is approximately £39.6m, an increase of £3m, (8%), compared to 2024/25.
 - Early Years Block: Calculated by taking the average pupils in the relevant two January censuses (i.e. January 2025 and January 2026 for 2025/26) and then multiplying by a unit of funding. The 2025/26 allocation for T&W is difficult to accurately estimate due to the extensions of children entitled to funded provision in 2025, but could be around £26m.
 - Central School Services block: Calculated by a mixture of historic expenditure levels and number of pupils. The grant was introduced in 2018/19 replacing (albeit at a much reduced level) the abolished Education Services Grant. The 2025/26 allocation for T&W is approximately £1.2m, similar to 2024/25
- 3.2 This report concerns the local funding formula used to distribute the school block to mainstream schools.

- 3.3 The DfE usually provides the national bases of the funding formulas in the summer, with the final funding allocations in December being determined by applying these bases to the October census data. Due to the change of government in 2024, the national bases were provided later this year, on 28 November.
- 3.4 There is some flexibility to move money between blocks, but any movement out of the Schools and Early Years blocks is limited in scale and subject to a Schools Forum vote. DSG as a whole is ring-fenced for schools.
- 3.5 The increase in per pupil funding for mainstream schools in 2025/26 is 2.23% per pupil nationally, reflected in a similar figure for T&W.

Possible transfer of 0.5% from the Schools Block fund

- 3.6 In order to help with addressing high needs pressures, local authorities can transfer up to 0.5% of the schools block budget to high needs. For T&W 0.5% would amount to £0.9m in 2025/26. As the DfE classifies this as a transfer between DSG blocks, rather than a funding formula issue, this is a decision for the Schools Forum, rather than T&W's cabinet, which will take place in January 2025.

4.0 Summary of main proposals

- 4.1 For a number of years, T&W has adopted the principle of mirroring the national funding formula, as far as possible, in our local funding formula. We propose to continue with this policy in 2025/26. This approach is in the context of the DfE's stated intention to move to a national funding formula at school level. This is now supported by a requirement for local authorities to converge to the national formula year on year.
- 4.2 The local funding formula was discussed with the Schools Forum on 12 December 2024. The Forum agreed that we should continue to mirror the NFF funding factors in the local funding formula 2025/26 as far as is possible.
- 4.3 Since 2020/21 the DfE has also required local authorities to apply a national minimum funding per pupil amount to all schools. For 2025/26 this is set at £4,955 for primary schools and £6,465 for secondary schools. This has the impact of boosting the funding of schools with less deprived intakes, as these schools receive relatively little from funding factors linked to deprivation and low prior attainment.
- 4.4 There is a further national minimum funding guarantee, assuring a minimum increase per pupil compared to the previous year. For 2025/26 national regulations mean this must be set at between 0% and -0.5%. T&W propose to adopt the highest possible level of 0%.
- 4.5 There continues to be significant pupil growth in the secondary sector in T&W. In order to support this growth, when schools agree upon request from the Council to increase their pupil admission number (PAN), or to admit pupils above their PAN, these schools are proposed to be funded based on the resulting estimated pupil numbers in the admission year (reception for primary, year 7 for secondary schools).

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- 4.6 This avoids the lag in the school funding system, as usually funding for the financial year April to March (maintained schools) or academic year September to August (academies) is based on the preceding year's October census.
- 4.7 This proposal matches the arrangements followed since 2022/23. These arrangements have supported expansion of school provision in areas of demographic growth within the borough and in the secondary sector generally, ensuring that there is sufficient local provision of school places across the borough.
- 4.8 Additional funding for pupil growth is provided by government based on local demographic data.
- 4.9 Actual allocations to schools can only be finalised once final funding information is released by the DfE in December and Schools Forum decisions are made in January (e.g. regarding any transfer of funds from the schools block to high needs). Cabinet approval is therefore being sought for the principles behind the local funding formula for schools, rather than the precise amounts to be allocated to each school.
- 4.10 As these principles have remained unchanged for some years and are unlikely to materially change in future years, Cabinet is requested to grant delegated authority to the Director for Education & Skills, in consultation with the Cabinet Member: Children, Young People, Education, Employment & Skills and the Schools Forum, to approve the Telford & Wrekin funding formula for mainstream schools for 2026/27 onwards.

5.0 Alternative Options

- 5.1 Local authorities ability to significantly alter their local funding formula is now constrained by the requirement to begin converging to the national model from 2023/24. However, as noted above, for several years before this we already aimed to replicate the national model as far as possible locally.

6.0 Key Risks

- 6.1 The funding formula for schools aims to provide a fair allocation of resources to all schools, within the constraints of total available DSG funding, by taking account of each schools demographics and other circumstances.
- 6.2 However, with regards to school income, the amount of funding available is determined by government. With regard to expenditure, key determinants of schools costs such as pay awards, energy bills etc are outside the local authority's control. Therefore, whilst aiming to be as fair as possible, the funding formula cannot protect schools from all financial risks. As noted above (paragraph 3.5), the government's increase in funding per pupil in 2025/26 for mainstream schools is modest compared to potential inflationary pressures.

7.0 Council Priorities

- 7.1 The school funding formula aims in particular to support the Council's priority to ensure that *'Every child, young person and adult lives well in their community'*. By supporting the ability of schools to enable children and young people to achieve their academic potential, it also contributes to ensuring that *'Everyone feels the benefit from a thriving economy.'*

8.0 Financial Implications

- 8.1 As described above, schools are funded by the Dedicated Schools Grant (DSG), ring-fenced funding allocated to councils by government. Most mainstream schools in Telford & Wrekin (T&W) are forecast to receive an increase in funding in 2024/25 both in funding per pupil and in total funding. There is a national Minimum Funding Guarantee (MFG) per pupil set at between 0% and -0.5% for 2024/25. We propose to set the local MFG at the maximum 0%. However this protection and the average increases in per pupil funding will not necessarily be enough to match inflationary pressures. Depending upon their financial circumstances – for example the level of revenue balances that are held – some schools in T&W, may need to find financial efficiencies in 2025/26.

9.0 Legal and HR Implications

- 9.1 The dedicated schools grant (DSG) is payable to the local authority under Section 14 Education Act 2002 and administered under the DSG: Conditions of Grant Guidance, as updated by the Education & Skills Funding Agency from time to time.
- 9.2 The Chief Financial Officer of the local authority is required to confirm the deployment of the DSG in support of the schools budget
- 9.3 The School and Early Years Finance (England) (No. 2) Regulations 2018 were revoked for financial year commencing 1st April 2023, replaced by the School and Early Years Finance (England) Regulations 2023 which govern how the local authority determines its schools budget and consultation requirements.
- 9.4 The application of the national funding formula (NFF) for schools for 2025-2026 is informed by Department for Education guidance and Education & Skills Funding Agency operational guidance, as updated from time to time.

10.0 Ward Implications

- 10.1 The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough.

11.0 Health, Social and Economic Implications

- 11.1 As noted above, the local schools funding formula now mirrors the national formula as far as possible. This formula allocates substantial funding based on measures

of deprivation and low prior attainment, to assist schools to address educational under attainment linked to the social and economic background of pupils.

12.0 Equality and Diversity Implications

12.1 Social and economic inequality is addressed in the local formula as described in section 11 above. In addition, the formula contains funding for pupils with English as an Additional Language.

13.0 Climate Change and Environmental Implications

13.1 There are no direct implications of the proposed funding formula on climate change and the environment.

14.0 Background Papers

- 1 "Schools Operational guide: 2025 to 2026", Education & Skills Funding Agency, November 2024.
- 2 T&W Schools Forum, minutes and accompanying papers of meetings held on 5 December 2024.

15.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	28/11/2024	28/11/2024	RP
Director	28/11/2004	06/12/24	SW