

Report Title	Draft Dedicated Schools Grant (DSG) Budget 2025/26
Meeting	Schools Forum
Date	14 January 2025
Chair	Jenny Sims
Report Author(s)	Carol Worne, Strategic Finance Business Partner, Sutton Council
Open/Exempt	Open

1. Summary

- 1.1. This report provides details of the draft Draft Dedicated Schools Grant (DSG) budget 2025/26.

2. Recommendations

Budget and Block Transfer

- 2.1. Approve the Draft Dedicated Schools Grant (DSG) budget 2025/26 (Appx A).
- 2.2. Approve the proposed method of calculation to transfer the previously agreed 0.5% block transfer from Schools Block to High Needs Block,

Central School Services Block (CSSB) - Historic Commitments

- 2.3. Approve the contribution to combined budgets Local Safeguarding Children's Partnership (LSCP) - £15k no change from 24/25 (Appx A).
- 2.4. Approve the Termination of Employment Costs and Prudential Borrowing Costs (Appx E).

Central School Services Block (CSSB) - Ongoing Functions

- 2.5. Approve the proposed funding for the Admissions Service - 24/25 plus 2% uplift (Appx A).
- 2.6. Approve the costs of servicing of Schools Forum - no change from 24/25 (Appx A).
- 2.7. Approve funding for places in independent schools for non-SEN pupils - no change from 2024/25 (Appx A).
- 2.8. Approve the contribution to responsibilities that local authorities hold for all schools - (Central Provision) (Appx D).
- 2.9. Note the National Funding Formula (NFF) Schools Formula Funding Factors 2025/26 (Appx B).
- 2.10. Note the De-delegation Table for School Improvement 2024/25 (Appx C).

3. Background

3.1. This report provides details of the draft DSG budget for 2025/26.

4. DSG Budget 2025/26

4.1. The total DSG allocation published in December 2024, is £328.2m. The following are deducted to arrive at the total of £155.979m that is included in the draft budget: -

	Schools Block £'000	CSSB £'000	High Needs £'000	Early Years £'000	Total £'000
Allocation	223,867	1,993	64,310	38,071	328,241
Academy Recoupment	(161,682)				(161,682)
NNDR to be paid centrally	(1,749)				(1,749)
High Needs deduction			(8,522)		(8,522)
	60,436	1,993	55,788	38,071	156,288
Total Transfer to HNB	(1,119)		1,119		
Draft Total	59,317	1,993	56,907	38,071	156,288

4.2. Attached in Appendix A is the DSG Draft Budget 2025/26, updated in accordance with discussions that took place at the previous Schools Forum meeting and based on confirmed DSG allocations made in December 2024.

4.3. The Draft Budget has been set using two different scenarios to highlight the pressures in the High Needs Block and to show that even just budgeting based on 2024/25 outturn, there is a forecast £4.3m. Taking into account estimated growth, the in-year deficit increases to £13.4m. The total forecast in year deficit is £13.2m, including £0.2m overspend in the Central School Services Block (CSSB) and £0.4m underspend in the School Block.

4.4. The 2024/25 forecast year end cumulative DSG deficit is £11.07m; with the additional expected growth in 2025/26, the year end position is forecast as £24.3m deficit.

4.5. The DSG will be set as a balanced budget, with a deficit forecast from April 2025. The budget lines that have been adjusted to balance the budget are highlighted within the High Needs Block budget. An allowance of £0.6m has been made for therapies but this will be subject to a further report from Cognus at the February Schools Forum meeting.

4.6. Three national reports (National Audit Office, Institute of Fiscal Studies, ISOS Partnership) were published last year which set out the challenges in the SEND system currently and all call for national reform.

4.7. Notwithstanding the above, the local area cannot rely on additional funding from Government in the future and given the financial risks posed to the local area, it is vital

that spending on high needs is brought under control. This will only be achieved at a whole-system level through all schools and partners working collaboratively together to create a rebalanced system that is more inclusive across the Borough and more responsive to the identified needs of schools for support.

- 4.8. Outline proposals as part of a DSG management plan are being discussed with schools and a high level plan will be shared with the Schools Forum in February identifying proposals to mitigate pressures in the high needs block over the medium term.

Schools Block 2025/26

5. National Funding Formula (NFF) Factors 2025/26 (Appendix B)

- 5.1. NFF funding factors have been uplifted by the 2025/26 Sutton Schools Block Area Cost Adjustment, which is 1.10036.
- 5.2. The NFF funding factors have been adjusted to take account of the following grants, which are now rolled into the core funding:
- Teachers' Pay Additional Grant (TPAG)
 - 2024 teachers' pension employer contribution grant (TPECG 2024)
 - a full year allocation of the Core Schools Budget Grant (CSBG) which was allocated for the period September 2024 to March 2025, to help with schools' overall costs, including the 2024 teachers' pay award and support staff costs.
- 5.3. The following NFF formula factors have been adjusted to take account of the grants:
- Basic Entitlement
 - FSM6
 - Lump Sum
 - Minimum Per Pupil Funding (MPPF) Values
- 5.4. Funding through the mainstream schools National Funding Formula (NFF) is increasing nationally by 2.23% per pupil on average in 2025 to 2026, compared to 2024 to 2025. For Sutton this increase is 2.18%. This increase includes a 1.28% increase to ensure that the 2024 teachers and support staff pay awards continue to be fully funded at national level in 2025 to 2026.

6. Schools Delegated Budgets 2025/26

- 6.1. The NFF 2025/26 has set a minimum funding guarantee (MFG) for the Schools Block between -0.5% and 0%. The Local Authority is recommending that school budgets are calculated based on 0%. On this basis, before any adjustments for block transfers are made, ten primary schools are affected at this percentage value. After adjusting for the block transfer, the total number of schools affected is sixteen.
- 6.2. Sutton implemented the NFF in full in 2019/20, but has in the last couple of years made a change to the NFF Basic Entitlement to facilitate block transfers to the High Needs Block

and to ensure growth for bulge classes. The basic entitlement adjustment this year is set out in Appendix G, and the MFG values are in Appendix H.

- 6.3. At the previous meeting the Schools Forum agreed, in principle, to transfer 0.5% of the total Schools Block allocation to the High Needs Block. In order to transfer the sum of £1.119m (0.5% of £223.867m).
- 6.4. Percentage and per pupil adjustments to the Basic Entitlement Factor are: .

Table 1 - NFF Formula Factor Values and 25/26 Uplift

Factor	24-25 NFF including ACA	original % uplift from 24-25	25-26 NFF including ACA
Primary basic entitlement	£3,919.84	7.99%	£4,233.08
KS3 basic entitlement	£5,526.51	7.96%	£5,966.15
KS4 basic entitlement	£6,229.70	7.97%	£6,726.50

Table 2 - Basic Entitlement Values - 0.5% Tfr to HNB and 0% MFG

Factor	Uplift Amendment %	0.5% TFR to HNB 0% MFG	Change v NFF £
Primary basic entitlement	7.24%	£4,203.62	(29.46)
KS3 basic entitlement	7.20%	£5,924.63	(41.52)
KS4 basic entitlement	7.22%	£6,679.68	(46.82)

Table 3 - Basic Entitlement Values - 0.5% Tfr to HNB and -0.5% MFG

Factor	Uplift Amendment %	0.5% TFR to HNB -0.5% MFG	Change v NFF £
Primary basic entitlement	7.20%	£4,201.99	(31.09)
KS3 basic entitlement	7.16%	£5,922.33	(43.82)
KS4 basic entitlement	7.18%	£6,677.09	(49.41)

See Appendix G for the impact of the adjustments on individual school allocations (anonymously and on aggregate).

7. De-delegation (Appendix C)

- 7.1. De-delegation has been applied to the 2025/26 calculation, to cover statutory school improvement duties, following the removal of the School Improvement Grant. The total

value is £51,861, based on a per pupil rate of £5.26, from all LA maintained primary and secondary schools, as at the point of submission.

High Needs Block 2025/26

8. Budget Allocation

- 8.1. A separate Core Schools Budget Grant (CSBG) will continue to be allocated for the High Needs Block, and comprises three separate grants that were received in 2024/25:
- Teachers Pay Additional Grant (TPAG)
 - 2024 teachers' pension employer contribution grant (TPECG 2024)
 - a full year allocation of the CSBG which was allocated for the period September 2024 to March 2025, to help with schools' overall costs, including the 2024 teachers' pay award and support staff costs.
- 8.2. Further information about the distribution of additional funding to compensate employers for the planned increase in their National Insurance contributions from April 2025 will be published as soon as possible in early 2025 by the DfE.
- 8.3. The 2025/26 High Needs Block Minimum Funding Guarantee has been set at 0%, as per guidance.

9. Financial Implications

- 9.1. Since 2018/19 the schools block funding for each local authority has been set by calculating notional allocations for each school according to the National Funding Formula (NFF) and these have then been aggregated and used to calculate a total allocation for each local authority. Actual individual school budgets for 2025/26 will continue to be determined by local formulae in consultation with the Schools' Forum. Local formulae can be different from the notional allocations.

10. Influence on the Council's Corporate Core Values and Objectives

- 10.1. One of the core values is partnership working. Setting the budget for the Dedicated Schools Grant, and considering related issues, is an important part of the budget process that fully involves schools as partners and particularly recognises the important role of the Schools' Forum.

11. Appendices

Appendix Letter	Appendix Title
A	Dedicated Schools Grant (DSG) Draft Budget 2025/26
B	National Funding Formula (NFF) Schools Formula Funding Factors 2025/26
C	De-delegation Table 2025/26
D	Local Authority Contribution to Statutory Duties 2025/26
E	Historic Commitments 2025/26 estimate
F	Growth Fund Allocations 2025/26
G	Impact on Basic Entitlement Adjustment 0% MFG and -0.5% Minimum Funding Guarantee (MFG) 2025/26
H	Minimum Funding Guarantee Values at 0% and -0.5%