

Schools Forum

Date: 11 September 2025

Time: 8.30 am to 10.30 am

Venue: MS Teams

Paper

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Public

SCHOOLS REVENUE FUNDING 2025-26

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Summary

In Dec 2024, the Education & Skills Funding Agency (ESFA) published schools revenue funding guidance for 2025-26 for local authorities and schools forums.

This report summaries the latest Government guidance for schools revenue funding for 2025-26. The full guidance document can be accessed at

[Schools operational guide: 2025 to 2026 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/schools-operational-guide-2025-to-2026)

Shropshire Council, with the agreement of Shropshire Schools Forum, agreed to replicate the national funding formula through Shropshire's local funding formula from 2018-19.

Recommendation

This report is for information only.

REPORT

Background

1. The Government introduced a national funding formula for allocating schools, high needs, and central school services funding through the Dedicated Schools Grant (DSG) to local authorities from April 2018.
2. Local authorities currently retain responsibility for determining local funding formulas for allocating funding to schools and academies in their area. Shropshire Council, with the agreement of Shropshire Schools Forum, agreed to replicate the national funding formula in Shropshire's local funding formula to schools from 2018-19.
3. The guidance on schools' revenue funding arrangements for 2025-26 published by the ESFA in December 2024 and we are awaiting announcement for the publication of 2026-27 guidance, but all indications show there will not be much change from 2026-27.



School Revenue Funding Arrangements 2025-26

4. The actual primary unit of funding (PUF) and secondary unit of funding (SUF) used to calculate each local authority's schools block allocation, as published for 2025-26 in December 2024. For Shropshire these equate to £5,661 per pupil and £6,829 per pupil, respectively. As a comparison, in 2024-25 Shropshire's PUF was £5,224 and SUF was £6,314. In 2023-24 Shropshire's PUF was £4,960 and SUF was £5,971.

These units of funding were applied to pupil numbers recorded in the October 2024 school census to determine final schools block allocations for 2025-26.

5. In 2024 to 2026, each local authority will continue to set a local schools funding formula, in consultation with local schools. To ensure a smooth transition towards the direct NFF, local authorities will continue to be required to bring their own formulae closer to the schools NFF. As a reminder, Shropshire has mirrored the NFF in its local schools funding formula since 2018-19.
6. The following were implemented in 2025-26 formula funding.
 - Split site funding must follow national formula and – for Shropshire, more funding will have to be allocated under this approach than in previous years with the local formula.
 - Growth and falling rolls now formula-
 - Grants consolidate into baseline.
7. The following key funding factors of the schools NFF have been confirmed by the Government in 2025-26:
 - 73.6% of funding allocated through Basic entitlement, 10.7% for Deprivation(FSM.FSM6.IDACI), 5.9% of funding to Low Prior Attainment(LPA), 1.1% to English as an Additional Language (EAL) and 0.18% of funding to Mobility.
 - The minimum per pupil funding levels will be set at £4,955 for primary schools and £6,050, for secondary schools. These levels were £4,655 and £6,465 respectively in 2024-25. This represents the rolling in of the following grant Teachers' Pay Additional Grant (TPAG), Teacher' Pensions Employer Contribution Grant (TPEGC) and Core Schools Budget Grant (CSBG).
 - Local authorities set the minimum funding guarantee (MFG) also known as the funding floor, between -0.5% and 0.0%. The NFF funding floor is 0.0% for 2025-26.
8. Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required



for transfers above 0.5%, or any amount without schools forum approval. In previous years Shropshire schools forum has agreed to transfer any remaining balance, up to 0.5% of the schools block, to the high needs block to support the increasing pressures on the high needs block, after fully allocating individual school budget shares in line with the NFF.

9. Local authorities are required to engage in open and transparent consultation with all maintained schools and academies in their area, as well as with their schools forums, about any proposed changes to the local funding formula including the principles adopted and any movement of funds between blocks.
10. Local authorities are required to identify a notional budget for their mainstream schools which helps them comply with their duty to use their 'best endeavours' to meet the special educational needs (SEN) of their pupils. The notional SEN budget is not a separate budget but is identified within a maintained school's delegated budget share, or an academy's general annual grant and is calculated by local authorities using their local mainstream schools funding formula factors.

The guidance has been updated to help LA's review their notional SEN budget calculations and to help schools understand what the notional SEN budget is for. All LA's should review this calculation each year alongside their local formula to make sure that their schools' notional SEN budget must cover up to £6,000 per pupil and this should be calculated using a portion of basic entitlement and most or all of low prior attainment (LPA) and a portion of deprivation factors. High needs top-up funding applies beyond this threshold. [The notional SEN budget for mainstream schools: operational guide 2025 to 2026 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/the-notional-sen-budget-for-mainstream-schools-operational-guide-2025-to-2026)

High Needs Funding Arrangements 2024-25

11. The latest guidance confirms the following aspects of the High Needs national funding formula (NFF) for 2025-26:
 - The national increase in high needs funding from 2024–25 to 2025–26 is £850 million, representing a 7% uplift.
 - The funding floor ensures that all local authorities' allocations per head of population will increase by at least 7% compared to the 2024–25 baseline.
 - The gains cap is set at 10%, meaning local authorities can see an increase of up to 10% before gains are capped.
 - The basic structure of the high needs NFF remains unchanged, with funding distributed via:
 - Basic entitlement factor
 - Proxy factors: historic spend, population, free school meals, IDACI, bad health,



disability, and low prior attainment

- Area Cost Adjustment (ACA) applied to all factors except historic spend.
- Hospital education funding is increased by 7%, aligned with the funding floor.
- Additional funding is provided for new and growing special free schools, now included within the NFF rather than outside it.
- Import/export adjustments continue to ensure fair funding for cross-border placements.

12. Minimum Funding Guarantee (MFG) for special schools and academies in 2025–26:
- Must be set at, at least 0%, with local authorities encouraged to consider a range between 0% and 0.5%, consistent with mainstream schools.

13. 2026-27 Outlook:

- The 2026–27 High Needs NFF is expected to follow the same structure, with updates to datasets and adjustments based on census and ILR data.
- The DfE plans to publish the 2026–27 operational guide following the release of the national funding formula allocations.
- Continued focus on:
 - SEND system reform
 - Commissioning efficiencies
 - Sustainability of high needs budgets.

Central School Services Funding Arrangements 2025-26

14. The National Funding Formula (NFF) for the Central School Services Block (CSSB) of the Dedicated Schools Grant (DSG) continues to provide funding for local authorities to carry out central functions on behalf of compulsory school-age pupils in maintained schools and academies.

The CSSB will continue to have two distinct elements:

- Ongoing responsibilities: Funding for statutory services delivered by all local authorities, such as education welfare, asset management, and copyright licences.
- Historic commitments: Funding for commitments made prior to 2013–14, which are being gradually phased out.

15. Protection arrangements:

- Local authorities are protected from more than a 2.5% per pupil year-on-year reduction.
- Gains are capped at 5.51%.



- 16 Funding for historic commitments in 2025-26:
- Continues to be reduced by 20% from 2024–25 allocations.
 - Funding is protected from falling below the value of ongoing prudential borrowing or termination employment costs.
17. 2026-27 Outlook -While detailed figures are pending, it is expected that:
- - The phasing out of historic commitments will continue
 - - Rolled-in grants will remain part of the CSSB baseline
 - - Adjustments may be made based on pupil count and updated cost pressures, including copyright licenses and centrally employed staff

