

To: The Chair of Governors and Headteachers of all Lincolnshire maintained schools and academies

31 October 2024

Dear colleague

Mainstream Schools Funding 2025/26

Lincolnshire County Council's consultation with all maintained schools and academies

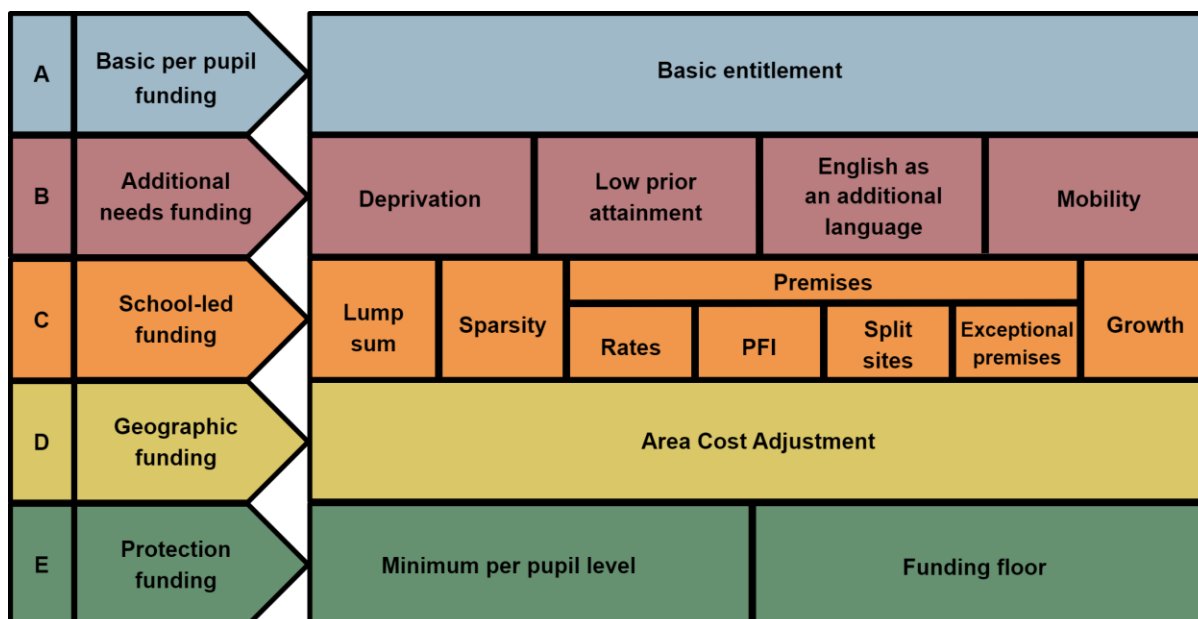
This consultation sets out the Local Authority's funding proposals for mainstream maintained schools and academies relating to 2025/26. At this current time, the Department for Education (DfE) has not published detailed school funding information, including allocations for 2025/26. Local Authorities have been informed that the National Funding Formula (NFF) allocations will not be published until after the budget, and to allow time for DfE quality assurance to take place, the allocations won't be published until late November. The DfE has however provided an outline of the NFF arrangements for 2025/26 to enable planning to take place. The consultation therefore focuses on the principles to enable schools budgets to be published within the agreed timescales for 2025/26.

The consultation seeks the views of primary and secondary maintained schools and academies to inform the following decisions for 2025/26:

- The approach to managing an affordability gap when adopting the mainstream schools NFF.
- The level of the Minimum Funding Guarantee (MFG) protection a school receives in per pupil funding from one year to the next.
- Annual approval of the primary rents factor.
- A transfer of 0.5% funding from the Dedicated Schools Grant Schools Block to the High Needs Block budget for the 2025/26 financial year to support High Needs block financial sustainability.

2025/26 National Funding Formula (NFF) arrangements

The 2025/26 schools NFF will continue to use the same factors as the 2024/25 NFF:



A key change for 2025/26 is the mainstreaming of previously separate grants into the NFF. The teachers' pay additional grant (TPAG) (teachers' September 2023 pay award); the teachers' pension employer contribution grant (TPECG) (teachers' employer pension increase by 5%), and the core schools budget grant (CSBG) Teachers' September 2024 pay award and support staff 2024/25 pay award will be rolled into the NFF factors for 2025/26. The funding will be rolled into the NFF using a similar approach to previous grants and how the current grant allocations are determined.

Local Authorities will continue to be responsible for deciding local funding formulae for mainstream schools. The funding levels that both maintained schools and academies receive will be determined by Lincolnshire's local formulae. Of the 152 Local Authorities in England, 123 have set all their formula factors in their local formulae within 2.5% of the NFF values – this includes Lincolnshire. For the purposes of the DfE's tightening criteria to move all Local Authorities to the direct NFF (DfE direction of travel), local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LA's such as Lincolnshire can establish their NFF values anywhere within the +/- 2.5% range.

Since the introduction of the NFF in 2018/19, Lincolnshire has adopted the Government's NFF due to the increased per pupil funding levels that have been received. From the 2022/23 Consistent Financial Reporting and the Academies Account Returns, Lincolnshire schools are in a strong financial position to respond to future challenges with below average schools in deficit (5.7%) and average in-year balances growing across both the primary and secondary sectors, which is adding to their reserve balances.

Consultation questions

The consultation questions are detailed below along with supporting background information to assist schools with responding to the questions. The link for submitting consultation responses can be found at the end of the consultation document. The consultation closing date is midday on Tuesday 12 November 2024 and the outcomes of the consultation will be considered at the Schools' Forum meeting on the 14 November 2024.

Affordability

The Council's policy decision remains to continue adopting the Government's NFF in 2025/26, subject to affordability. Affordability arises due to the Government's application of lagged funding arrangements for Local Authority Schools block funding for pupil-led factors. By way as an example, for 2024/25, the DfE uses the October 2022 schools census pupil characteristics for Local Authority funding, however the Local Authority is required to fund mainstream schools 2024/25 budgets using the latest schools census (October 2023). Lincolnshire has seen significant growth in both Free Schools Meals (FSMs) and FSMs Ever 6 over the years, firstly from the pandemic and latterly with the cost-of-living challenges, which has caused these affordability gaps. Local Authorities are required to set an affordable local formulae.

The Local Authority makes it best endeavours to fund the NFF in full for schools through firstly considering a movement of available budget from the Schools Growth Fund. This involves the Local Authority reviewing the financial commitments for planned primary and secondary reorganisations in accordance with local polices against the Government's formulaic allocation, with remaining monies re-allocated through the schools NFF. Any remaining shortfall is addressed through a downward deduction in the Key Stage Age Weighted Pupil Unit (AWPU) values. The Local Authority consider a sector-wide solution to be the preferred and fairest approach in Lincolnshire to manage the final affordability gap of the NFF, since the impact at an individual school level is low. In 2024/25, a 0.072% downward adjustment to the AWPU values were made from the Government NFF rates to address the affordability gap (or on average 0.03% below the Government's NFF levels). The minimum per pupil funding levels and MFG still remain in place within the formula to provide protection to schools. Lincolnshire also remain compliant with the DfE tightening of all formula factors being within 2.5% of the NFF values.

Question: Where affordability is an issue in adopting the mainstream schools National Funding Formula (NFF) in 2025/26, do you support Lincolnshire's current approach to making a downward adjustment to the Key Stage Age Weighted Pupil Unit (AWPU) values across the sector?

Yes / No

Where the responder would prefer an alternative approach, please specify your preference:

- Reduce the Minimum Funding Guarantee (MFG) from +0.5% to +0.0%. The MFG is to protect schools from excessive year-on-year changes in per pupil funding. Please note, a change to the MFG factor to +0.0% would only reduce funding requirements by £0.169m in 2024/25.
- Apply a gains cap percentage and scaling methodology for gaining schools. The cap sets the level of gain up to which a school retains 100% of any funding gain. The scaling factor determines the level of scaling back of any gain over the cap limit.
- Other.

Minimum Funding Guarantee

The Local Authority is required to set a minimum funding guarantee (MFG) per pupil between +0.5% and +0.0% against the schools existing per pupil baseline. The MFG is a funding protection that determines the change in per pupil funding levels that a school can experience from year to year, therefore preventing schools from having a significant downward shift in funding and supporting a

schools financial stability and planning. Schools in receipt of MFG may be as a result of previous funding changes (through the introduction of the NFF) or pupil characteristic movements.

All schools 2024/25 funding baselines will be re-stated to include grant funding rolling into the NFF for 2025/26 to ensure a like-for-like comparison is made.

Question: The Council has previously adopted a +0.5% increase in the Minimum Funding Guarantee (MFG) to ensure all Lincolnshire mainstream schools receive a per pupil funding increase to support with increasing costs. Do you agree with adopting the DfE +0.5% MFG in 2025/26?

Yes (+0.5%) – DfE maximum level

No (+0.0%) – DfE minimum level

Primary Rents Factor

Local Authorities can request the inclusion of additional factors in their formula for exceptional circumstances. The DfE may approve additional factors in cases where the nature of the school premises gives rise to 'significant additional costs greater than 1% of the school's budget, and where such costs affect fewer than 5% of the schools (including academies) in the area'.

A number of Lincolnshire primary schools are financially disadvantaged compared to other similar schools due to paying rents for ground and school buildings on the schools' site and playing fields. The Local Authority consider the primary rents factor to be fundamental to ensuring equity and fairness in funding across its schools. The table below provides examples of schools currently in receipt of primary rents funding:

School	NoR	Rents Factor	Percentage of Funding
School A	137	£16,570	2.35%
School B	53	£15,606	3.09%
School C	86	£14,574	2.57%

The primary rents factor has been an agreed formula factor within Lincolnshire's NFF since 2018/19, and Lincolnshire will receive funding at the 2024/25 rents funding level in 2025/26 through the Government's Schools block premise factor allocation.

The Council is now required to apply to the DfE on an annual basis through the disapplication process for the inclusion of the primary schools rents factor within the NFF.

Question: Do you agree that the Council should continue to include a primary school rents factor within its local formulae for 2025/26?

Yes / No

High Needs block

There continues to be an increasing number of Local Authorities who are incurring a deficit on their overall Dedicated Schools Grant (DSG), largely with the High Needs block being the contributing

factor. The latest ISOS report (July 2024) commissioned by the County Council Network and Local government Association estimated that the total SEND deficits across Council's in England could be as high as £3.2bn despite the increase in national funding.

Government funding, in the form of High Needs block allocations to Local Authorities, has risen from £4.8bn in 2014/15 to £9.2bn in 2024/25, but this has not kept pace with the growth in expenditure. ISOS analysis suggests that high needs spending by Local Authorities exceeded High Needs block allocations by £890m in 2023/24 and could rise to £1.1bn and £1.3bn over the next two years.

The DfE acknowledged the challenges the system is facing. The Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan Right Support, Right Place, Right Time (published in March 2023) has been the mechanism for implementing change, however Local Authority high needs spending continues to grow.

The Department for Levelling Up, Housing and Communities (DLUHC) amended the Local Authorities Capital Finance and Accounting (England) Regulations 2003 so that for financial years beginning April 2020 to 31 March 2026, any DSG deficit at the end of the financial year must be held in a separate reserve within the Local Authority's accounts. The scale of the deficits is causing a concern to local government finances, where growing DSG deficits without a sustainable recovery plan are impacting the overall financial position of the Local Authority, and its going concern status. This is in the context of financial pressures facing Local Authority finances caused by increased demands and cost of services.

The Education Skills and Funding Agency (ESFA) run three programmes offering direct support in respect of the effectiveness and sustainability of Local Authorities high needs systems: the safety valve intervention programme, the Deliver Better Value (DBV) in SEND programme and the ESFA support programme. The aim of all three programmes is to secure sustainable management of Local Authorities High Needs blocks through the development of a substantial plan for reform to rapidly place them on a sustainable footing. The primary goals are to appropriately manage demand for Education Health Care (EHC) plans and use appropriate and cost-effective provision.

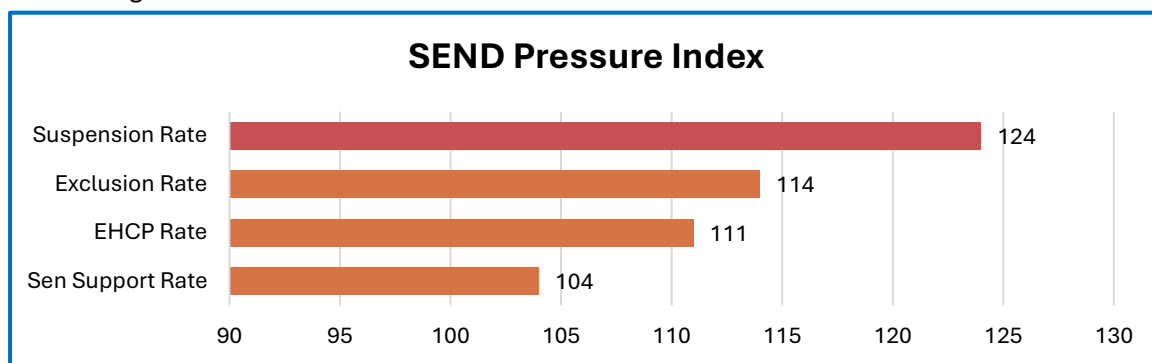
Local Authorities, such as Lincolnshire must ensure careful management of the DSG takes place to avoid overspending of the DSG. With the nature of the services that the High Needs block provides, which is driven by large, demand-led activities, it is difficult to change spending levels quickly, as can be demonstrated with the number of Local Authorities involved and the size of their deficit. Therefore, having a sufficient level of reserves to draw on is important to avoid going into a DSG deficit and provide the Local Authorities time to deliver change.

In Lincolnshire, transformational work is still considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable. Lincolnshire's Inclusive Ambition which incorporates a system ambition aims to ensure that the majority of children with SEND can fulfil their potential in mainstream settings where practitioners are clear how to meet their needs and the right support is available to do so at an early stage.

Lincolnshire has rolled out many workstreams through this work, such as the digital Valuing SEND Toolkit which helps settings to develop a single, rounded picture of the needs of children and support they require to succeed and prosper, this complements the Inclusion Toolkit; the Local Offer was re-launched; Workforce Development; Ask SALL Lincolnshire's advice service; multi-disciplinary panel; transitions protocol, and the significant capital investment (over £100m) in supporting special schools to meet all-complex needs and increasing the special schools estate by 500 places.

As outlined, there continues to be a growing trend nationally, and this growth in demand and price changes is being experienced in Lincolnshire with more young people requiring specialist support, including an increased need for specialist placements, whereby mainstream schools are unable to meet need, which is having a material financial impact on the High Needs block. The increased number of exclusions being issued by Lincolnshire schools is also having an impact on high needs spending. The Council had forecast a planned overspend on its High Needs block of £8.145m in 2024/25, which had planned to be met by one-off DSG reserves. The position however has escalated further to £12.991m at quarter 2, an increase of £4.846m. This is in the context of Lincolnshire High Needs block for 2024/25 of £131m, and a DSG reserve balance of £14.301m before considering earmarked commitments of £1.136m for 2024/25 only, reducing the available reserve to £13.165m. The Council had hoped that the available DSG reserves (one-off monies) would have allowed time for change to take place and be embedded into practices including impacting spending levels, however Lincolnshire is now at an imminent risk of going into a DSG deficit in the next 12 months. Financial forecasting for the medium-term is being updated through the Council's detailed budget setting exercise, however, difficult decisions will be required to ensure Lincolnshire avoids overspending its DSG.

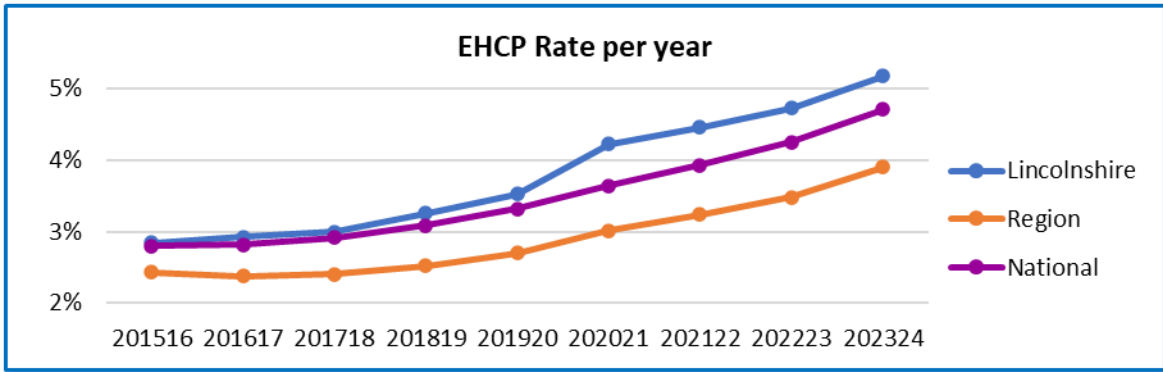
Considering Lincolnshire's local data:



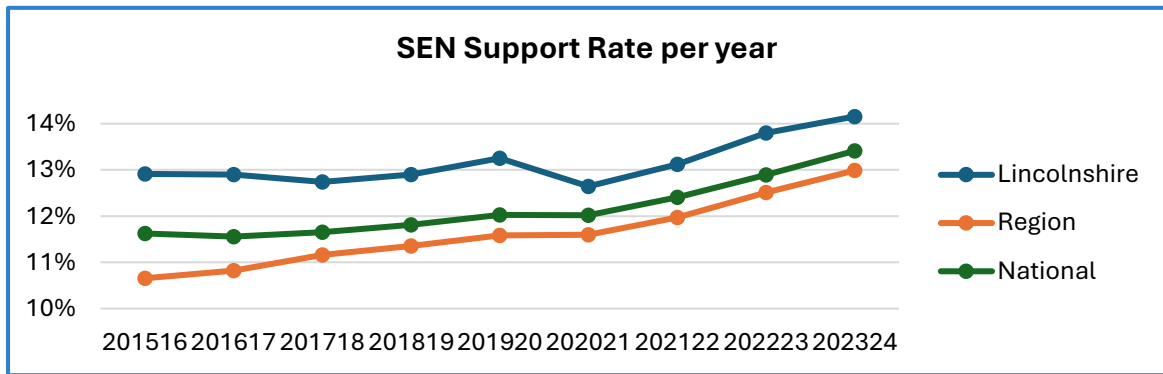
Among 153 Local Authorities, Lincolnshire ranks high on these key metrics, which the number of exclusions and EHC plans are the two key cost drivers influencing the high spending levels. Lincolnshire also ranks high amongst County Council comparisons. The suspensions and exclusions data are representative of annual data from 2022/23, and EHC plan and SEN support are annual data from 2023/24.

Rate of Permanent Exclusions and Suspensions												
	2017/18		2018/19		2019/20		2020/21		2021/22		2022/23	
	PEX	Susp	PEX	Susp	PEX	Susp	PEX	Susp	PEX	Susp	PEX	Susp
Lincolnshire	0.10	4.40	0.11	4.66	0.05	3.47	0.07	3.94	0.08	7.68	0.15	12.27
England	0.10	5.08	0.10	5.36	0.06	3.76	0.05	4.25	0.08	6.91	0.11	9.33
East Mids	0.09	4.55	0.09	4.82	0.06	3.65	0.05	4.40	0.07	7.59	0.12	10.69

Lincolnshire continues to be above national and the region for permanent exclusions and suspensions. In 2022/23, the Local Authority saw a 105% increase in the issuing of permanent exclusions, with a further 8% increase in 2023/24. Feedback from school leaders outlined a changing landscape following the pandemic and that they were supporting a higher number of pupils with more challenging behaviour than before.

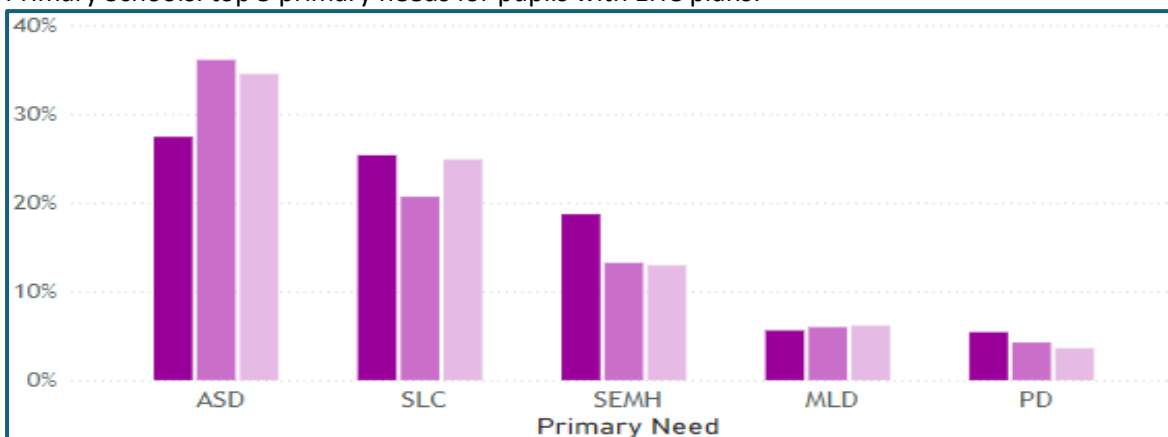


Lincolnshire’s EHC plan rate is 5.2% of the school population in 2024, which is 10% higher than national and 32% higher than the regional average. The EHC plan growth rate increased by 9% from the prior year, adding further pressure to the system. Overall, Lincolnshire is 111th highest ranked among 153 Local Authority for EHC plans (above median category).

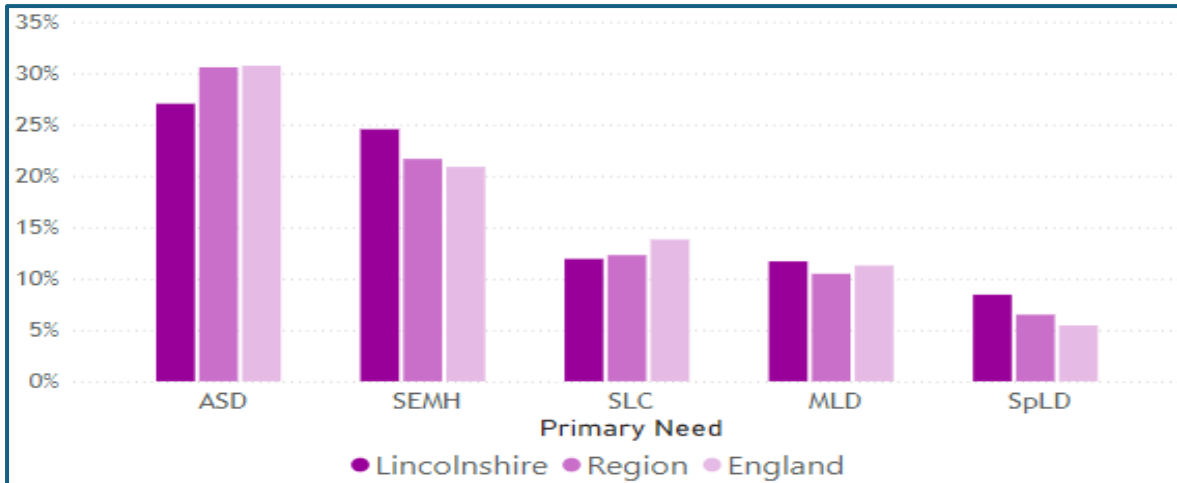


Lincolnshire’s SEN support rate is 14.2% of the school population in 2024, which is 6% higher than national and 9% higher than the regional average. The SEN support growth rate increased by 2% from the prior year. Overall, Lincolnshire is 104th highest ranked for SEN support (above median category).

Primary Schools: top 5 primary needs for pupils with EHC plans:



Secondary Schools: top 5 primary needs for pupils with EHC plans:



Lincolnshire's desire still remains to achieve a balanced sustainable budget on its High Needs block ensuring funding is directed to the right activities and cost-effective provision to maximise the outcomes for young people with SEND.

Difficult decisions are required going forward on all aspects of High Needs spending. To support Lincolnshire in working towards achieving a balanced sustainable budget, additional investment is necessary to attempt to alleviate the scale of the potential deficit. Lincolnshire has not previously sought a Schools block transfer (that funds schools delegated budgets) to the High Needs block, like many other Local Authorities, however the Council is proposing a 0.5% Schools block transfer for 2025/26. The high needs spending levels has been discussed in a number of school arenas, such as Lincolnshire's Schools' Forum; head teacher briefings and CEO MAT meetings, whereby the Schools block transfer has been referenced.

The Council consider the 0.5% Schools block level is a fair apportionment for 2025/26 (c.£3m based on 2024/25 values), even allowing for the current forecast in-year deficit on Lincolnshire's high needs spending (c.£13m) to support steps towards achieving financial sustainability of the High Needs block by supporting the majority of children with SEND fulfil their potential in mainstream settings. Without further measures, spending will escalate in future financial years if the present demands continue (increase in the number of EHC plans; increase in the number of pupils requiring specialist placements; over-reliance on the independent sector for specialist placements (c.400) and the material cost involved (c.£0.072m per place), since special schools are full even allowing for the significant place expansion project; high levels of exclusions) leaving a substantial DSG overspend. It is therefore important that the Council working with schools and other key stakeholders bring about change that secures a financially sustainable solution for Lincolnshire's high needs spending and the taxpayer.

Using 2024/25 financial modelling for illustration purposes, a 0.5% Schools block transfer would result in an AWPU reduction of 1.08% following the application of the Government's MFG and minimum per pupil funding levels. This would equate to c.£39 per pupil for Key Stages 1 and 2; c.£55 per pupil for Key Stage 3 and c.£61 per pupil for Key Stage 4. This decision would only relate to 2025/26, and any future Schools block transfer would require annual consultation with schools.

The Council plan to invest these monies into the High Needs block sustainability by supporting children meet their potential in mainstream schools:

- SEND Workforce Development (£0.106m): support the continuation of the learning platform for schools staff in meeting the needs of children and young people with SEND.
- Increasing Pupil Re-integration team staff capacity (£0.193m): to provide dedicated support in relation to transitions.
- Transitions funding (£0.080m): the transitions protocol includes a period of dual registration during which a £0.005m grant to the mainstream school allows provision to be made before the setting is named and the EHC plan funding is available. The budgeted sum may need to be flexed, since it is subject to demand.
- Behaviour Support review (£0.038m): to support secondary schools to identify and implement necessary and crucial developments within their settings to meet the behavioural needs of their pupils.
- Inclusion and Effectiveness team (£0.387m): providing challenge and support to schools with implementing effective inclusive practices ensuring high quality provision and ambitious outcomes for children and young people educated in mainstream settings.
- Enhanced Resource-based Provision in mainstream schools: the Council believes that mainstream schools can offer many students with SEND the opportunity for real inclusion but require access to enhanced support and resources to be able to continue meeting need throughout a pupil's education. This forms part of Building Communities of Specialist Provision Strategy – Phase 2. Within the SEND and AP Improvement Plan there is a strong emphasis on high-quality teaching and targeted evidenced-based support to ensure pupil's with SEND remain in mainstream settings wherever possible, to avoid escalation to specialist settings. For Lincolnshire to achieve this and address the growing reliance on alternative provision, special school or independent SEND placement, there needs to be a strengthened offer of mainstream inclusion developed which is consistent and effective. Further details can be found in the following committee report. The current pipeline for 2025/26 is eleven primary and three secondary SEND Hubs, and three alternative provision hubs (c.£3m).

[6.1 Appendix A - Building Schools of Specialist Provision Phase 2.pdf](#)

Schools Block Transfer

Question: Do you support the proposal to transfer 0.5% of the Schools block to the High Needs Block budget for the 2025/26 financial year to support the delivery of a more effective and financial sustainable system?

Yes / No

Link to the MS Forms consultation response platform:

<https://forms.office.com/e/hNS6Gte2bK>

The closing date of the consultation is midday on Tuesday 12 November 2024 to enable consideration to be made by the Schools' Forum.

The results of this consultation will be presented to members of Lincolnshire's Schools' Forum on the 14 November 2024, for their consideration and support. Executive Councillor decision will be made in Spring 2025 to ensure the schools budgets are published by the end of February 2025.

Privacy statement

We will only use the information you provide, for the purposes of this consultation and to discuss your survey responses if follow-up is necessary. We will only ask you to provide the minimum amount of information we need in order to do this.

Your information is only shared where necessary and where the law allows it.

We will only keep your information for as long as is necessary, and in line with our [retention schedules](#).

For further information on how we process your information, see our [Privacy Notice](#).