

To: Head teachers of all Lincolnshire maintained Nursery, Primary, Secondary and Special schools. Academy schools for information.

7 March 2025

Dear Colleague

SCHOOL BUDGET INFORMATION 2025/26

This letter, and the associated documents that were published at the end of last week are intended to provide the information that schools need to produce their budgets for 2025/26.

School budget shares information for 2025/26 is held on Lincolnshire County Council's external website at [School finances – School budget shares - Lincolnshire County Council](#)

Further information is available for maintained schools on budget preparation material (including guidance on using the existing Medium-Term Finance Plans (MTFP) tool to support financial planning until schools are trained on the new MTFP software that is being introduced for 2025/26; salary scales and buyback information). This information is available in Perspective Lite under HR and Employment Policy > Schools Finance (was Finance) > Budget Shares 2025-26.

Mainstream Schools Funding

The Government first introduced the National Funding Formula (NFF) in 2018/19 for mainstream schools, its purpose was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. Since its introduction, Local Authorities (LAs) have continued to be responsible for agreeing and calculating schools funding allocations however, LAs were strongly encouraged to move to the NFF arrangements so that schools' allocations were on a sensible trajectory towards the 'direct' formula. 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.

In 2020/21, the Government made available sufficient funding to LAs to adopt the NFF so that all schools would attract at least their full allocations under the formula. In 2021/22, the Government made further refinement to the NFF, which the Council consulted with the sector on to continue adopting the NFF.

As part of the transition to the 'direct' formula all LAs were required to bring their own formula factor values 10% closer to the NFF in 2024/25. This has seen a further increase in LAs who are now mirroring the NFF. In 2024/25, 123 have set all their formula factors in their local formulae within +/- 2.5% of the NFF values (106 LAs mirrored the NFF in 2023/24). The Council is one of those LAs. The DfE funding framework will continue to progressively tighten the rules governing LAs' flexibilities over school funding by requiring LAs to move their local formula factor values closer by at least a further 10% to the NFF in 2025/26, where they are not mirroring the NFF. For the purposes of the DfE's tightening criteria to move all LAs to the direct NFF, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LAs such as Lincolnshire can establish their NFF values anywhere within the +/- 2.5% range.

Following the general election the Department for Education (DfE) confirmed that the Government are investing an additional £2.3bn for mainstream schools and high needs for 2025/26. Overall core schools funding will increase to £63.9bn in 2025/26 compared to £61.6bn in 2024/25, a reported real terms growth of 1.8%. £1.0bn of the £2.3bn increase will be allocated to High Needs, resulting in High Needs funding nationally being £11.9bn in 2025/26 (£11.2bn through the High Needs block).

The DfE has confirmed that mainstream schools NFF is increasing by 2.23% per pupil on average in 2025/26 compared to 2024/25 from formula factor increases and pupil characteristic changes. This includes the funding of the full year effect of the 2024 teachers' pay awards (1.28% of the increase). Overall, there is a tightening of fiscal funding policy for schools in 2025/26, and at this stage, schools will be required to budget for next year's pay award through this funding settlement.

The LA Primary and Secondary Units of pupil funding used to finance mainstream schools' budgets continue to rise in monetary value. Table 1 below outlines Lincolnshire's schools overall funding level for 2025/26 through the notional NFF compared to other LAs.

Table 1: LA aggregated schools' notional allocations under the NFF:

2024/25	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£5,278	£5,281	-£3	104
Secondary	£6,552	£6,879	-£327	56
2025/26				
Primary	£5,716	£5,704	£12	105
Secondary	£7,101	£7,450	-£349	54
Difference				
Primary	£438	£423	£15	1
Secondary	£549	£571	-£22	-2

The primary and secondary ranked positions for Lincolnshire continue to remain fairly static from a national context for 2025/26. The primary unit of funding has moved above the England national average. The secondary unit of funding remains below the England national average, as a result of the indices being used.

The fundamental principles of the Government's NFF are not changing for 2025/26. The Council continue to approve the continued application of the NFF, including the 2025/26 measures to address the affordability issue (I035225), before the application of the c.0.5% Schools block transfer to the High Needs block to support high needs initiatives.

The main reason that causes Schools block affordability challenges relates to the Government's application of lagged funding arrangements for LA Schools block funding for pupil-led factors (i.e. the DfE uses the October 2023 schools census). The LA is required to fund mainstream schools 2025/26 budgets using the latest schools census (October 2024).

The October 2024 schools census has continued to see growth in both Free School Meals (FSMs) and FSMs Ever 6 with the cost-of-living challenges being a contributing factor to this. The increase in the recorded FSMs eligibility is 1.41% and 7.31% for primary and secondary schools respectively when comparing to the October 2023 schools census, this has been compounded by a reduction in pupil numbers (1.23%).

The FSM growth has been the main contributing factor to the affordability gap shortfall of £1.897m to adopt the NFF in its entirety including a +0.0% Minimum Funding Guarantee (MFG) in 2025/26. The Council is unable to set an affordable formula therefore following consultation with mainstream schools, and the Schools' Forum at the meetings held in November 2024 and January 2025, support was received for the following steps to be taken:

1. To reduce the Schools Growth funding budget within the Schools block from £1.784m (funded by central Government through a formulaic allocation using prior school level growth data) to £0.983m, which aligns to current commitments, and the remaining £0.801m supporting the NFF.
2. The remaining shortfall of £1.096m has been addressed through a downward adjustment of -0.361% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates in 2025/26.

The Executive Councillor decision was made on the 20 February 2025:

In November 2024, Lincolnshire Schools' Forum approved the c.0.5% Schools block transfer to the High Needs block in 2025/26 following a consultation with mainstream schools. The £2.812m transfer has been funded through a further downward adjustment of -1.403% of the Key Stage Age Weighted Pupil Unit (AWPU) values resulting in an overall downward adjustment of -1.764% below the Government 2025/26 NFF values when adopting the NFF for 2025/26, which is illustrated in Table 2. Local factor values within the +/- 2.5% of the respective NFF values are deemed to be mirroring the NFF.

Table 2: AWPU Values for 2025/26

Sector	Government NFF rate (AWPU)	Monetary Change AWPU reduction	Revised AWPU rate	Monetary change 0.5% block transfer	Lincolnshire Rate (AWPU)
Primary	£3,847	-£13.89	£3,833.11	-£53.97	£3,779.14
Key Stage 3	£5,422	-£19.57	£5,402.43	-£76.07	£5,326.36
Key Stage 4	£6,113	-£22.07	£6,090.93	-£85.76	£6,005.17

The key updates of the NFF for 2025/26 are outlined within appendix 1: section Mainstream Schools National Funding Formula.

Dedicated School Grant funding

The Dedicated School Grant (DSG) comprises of four blocks: – Schools block; Central School Services block (CSSB); Early Years block, and High Needs block, each of these blocks have been determined by a separate NFF.

The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations. The Schools block that provides aggregated schools funding to Lincolnshire schools is ring-fenced to the sector and is distributed through the NFF. LAs are able to transfer up to 0.5% of their Schools block to an alternative block with the agreement of their Schools' Forum following consultation with all schools and academies. Lincolnshire Schools' Forum approved the c.0.5% Schools block transfer to the High Needs block in 2025/26 following a consultation with mainstream schools. Lincolnshire has not previously sought a Schools block transfer (that funds schools delegated budgets) to the High Needs block, like many other LAs, but considered the timing appropriate with the scale of high needs spending being seen.

The Government is continually moving to a basis for distributing funding to LAs for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. The High Needs block allocation is £140.955m for 2025/26, an increase of £9.956m. LAs will be protected under the formula by seeing a minimum increase of 7% per head in 2025/26 compared to their 2024/25 High Need block allocation. To ensure Lincolnshire receives its 7% per head funding uplift, in addition to the national high needs formula, it will receive protection funding of £6.802m (or £46.13 per pupil) within the funding allocation.

The Government £1.0bn increase to SEND and Alternative Provision funding, which is equivalent to 6% real growth is welcomed, however the funding is insufficient. This commitment is intended to reform SEND provision to improve outcomes and return the system to financial sustainability. Although the Treasury predicts it is very likely that it will be used to fund LAs in-year deficits. There continues to be an increasing number of LAs who are incurring a deficit on their overall 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. This position is unsustainable. The National Audit Office (NAO) also reported concerns with value for money since outcomes for children and young people have not improved proportionally with the increase in high needs spending.

Even allowing for the careful management of the DSG; focus on early intervention, and a strong financial position compared to many LAs, the Council set a budget based on a planned overspend on its High Needs block of £8.145m in 2024/25, to be met from one-off DSG reserves.

Quarter 3 reporting forecasts further increased spending, and Lincolnshire is forecast to go into a structural DSG deficit at the end of this financial year, for the first time, with the deficit growing materially each year thereafter. As per the national context, Lincolnshire has seen significant growth in demand and price changes with more young people requiring specialist support, including an increased need for specialist placements, whereby mainstream schools are unable to meet need. This surge reflects both demographic changes and increased awareness of SEND needs, but it poses a challenge in terms of capacity and resources.

With the nature of the services that the High Needs block provides, which is driven by large, demand-led activities, (e.g. SEND-related budgets, including independent placements; top up funding for Education Health Care (EHC) plans for mainstream schools; special school placements; meeting the education needs for pupils through alternative provision arrangements following permanent exclusions, and added with the cost rises being seen), it is difficult to change spending levels quickly, as can be demonstrated with the number of LAs involved and the size of their deficit. This position is now being seen here in Lincolnshire, and future forecasts show the financial position worsening with material in-year deficits on high need spending.

Difficult decisions are required going forward on all aspects of High Needs spending. To support Lincolnshire's goal in working towards achieving a balanced sustainable budget, the Schools block investment to the High Needs block has been necessary to attempt to reduce the scale of the financial deficit through a number of initiatives, such as SEND workforce development; increase to pupil re-integration team; transitions funding support to schools; behaviour support review; inclusion and effectiveness team and the creation of new enhanced resource-based provision in mainstream schools. The Council intends to monitor the outcomes of these initiatives.

For the 2025/26 financial year, the top up rate will increase from £11.84 to £12.08 per hour (2% increase). In determining this inflationary uplift, the Council is very mindful of both the financial pressures being experienced by schools in this area, whilst also balancing this with the increasing costs being faced to Lincolnshire's High Needs block. Lincolnshire must secure a financially sustainable system; therefore, the Council's intention is to review mainstream top up and targeted funding arrangements with sector engagement, with a view of implementing changes from September 2025. It is therefore important to note that high needs funding levels for 2025/26 are indicative, and transition arrangements will be considered in any future planned changes.

The 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.

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.

Early Years funding

The Government will be spending £8.483bn on early years entitlement in 2025/26. By September 2025, working parents of all children over the age of nine months until they start school will be entitled to 30 hours childcare support.

Further information on the 2025/26 early years funding is outlined within appendix 1: section Early Years National Funding Formula.

Special Schools funding

The existing principles and formula for funding Lincolnshire special schools will continue in 2025/26. The Council considers the formula to be strong and fit for purpose and adaptable to the changing landscape of pupil needs. The formula reflects special schools 2025/26 academic year place number and band profile updates, and the additional funding streams in accordance with regulations and conditions to support fair funding in schools. Further information on the 2025/26 special schools funding formula is outlined within appendix 1: section Special Schools Funding Formula.

Summary

Budget information for nursery, primary, secondary, and special schools were published on 28th February in line with the DfE regulations.

Appendix 1 to this letter highlights a number of key points for schools to consider.

I hope you find the contents helpful.

Yours sincerely

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Mainstream Schools National Funding Formula (NFF)

Lincolnshire County Council is to continue adopting the National Funding Formula (NFF) factors and monetary values in 2025/26 except for a -1.764% downward adjustment to the Age Weighted Pupil Units (AWPU) NFF rates in the primary and secondary sectors.

The key updates to the NFF in 2025/26 are as follows:

- Free School Meals factor will increase by 1.02%, in line with GDP deflator forecast.
- Excluding the downward adjustment to AWPU, all other formula factors in the NFF will on average increase by c.0.5%.
- A Minimum Funding Guarantee (MFG) of +0.0% per pupil protection. The MFG range is between -0.05% and +0.0% per pupil in 2025/26. This ensures no school will receive a per pupil reduction in funding.
- No gains ceiling cap.
- The minimum per pupil funding levels will be set at £4,955 for primary schools (currently £4,610) and £6,465 for secondary schools (currently £5,995)¹.
- Rolling the 2024/25 teachers' pay additional grant (TPAG) (teachers' September 2023 pay award); the teachers' pension employer contribution grant (TPEG) (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) into the NFF for 2025/26. This will be achieved by adding an amount representing the funding schools received through their grant into their baseline for protection purposes and adding funding to the NFF lump sum, basic per pupil rates and FSM Ever 6 replicating the distribution of the grant.
- Continuation of the 'prior' methodology for the payment of Non-Domestic rates.
- Continuation of the primary school rents factor relating to schools premises.

School funding for 2025/26 is based on the October 2024 pupil census for mainstream schools (April 2025 to March 2026) and academies (September 2025 to August 2026). The key components of the NFF are as follows:

- To differentiate basic per-pupil funding between key stages by maintaining stepped rates between primary, key stage 3 and key stage 4, to reflect the higher costs as pupils progress.
- To maximise the proportion of funding allocated to pupil-led factors;
- Local Authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors in 2025/26;
- The lump sum rate of £145,100 is applied for all schools. The Government has set the lump sum in the context of maximising pupil-led funding and encouraging efficiency;
- The minimum per pupil funding level for each sector are a mandatory factor.

The Council has provided reports to the Schools' Forum on the NFF developments since 2018/19, which can be found through the link below. It is important that schools read these reports to understand the background and direction of travel to enable schools to plan financially for the future.

[Lincolnshire's Schools Forum Agenda and Minutes](#)

¹ The minimum per pupil values have been uplifted by the TPAG, TPEG, and CSBG grants' basic per-pupil values, and an additional amount which represents the average amount of funding schools received from the FSM6 and Lump Sum parts of the grants.

LAs have received updated guidance regarding their Notional SEN budget calculations within a schools delegated budget², therefore the Council considered it an opportune time to review its approach to identifying notional SEN budgets within the Lincolnshire formula. The notional SEN budget, within schools overall budget allocation should be used towards the cost of fulfilling their duty to secure special educational provision for their pupils with SEN. For 2025/26, the Council has updated the notional SEN percentages assigned to each formula factor in the NFF to ensure they better reflect lower-level SEN correlation, as advised by the DfE, providing a fairer notional SEN allocation, and overall notional SEN funding levels to better reflect local data.

Early Years National Funding Formula

Lincolnshire's universal 3-&-4-year-old hourly rate per pupil will be increased to a new rate of £5.21p in 2025/26. The same hourly rate will be applied for the universal free entitlement (up to 15 hours) and the additional hours for working families up to 30 hours. Funding will continue to be based on participation. The funding formula continues to have the mandatory deprivation supplement and SEN inclusion fund to target resource to vulnerable groups. Lincolnshire meets the pass-through threshold established by the Government of ensuring that at least 97% of early years funding is passed onto providers. Lincolnshire is however one of 51 out of 151 LAs funded on the DfE minimum funding rate.

On the 16 January 2025, a Schools' Forum report was presented on the early year's national funding formula, which can be found from the link below:

[Early Years Funding Formula 2025/26 - Schools' Forum Paper](#)

The new hourly rate for disadvantaged and working families 2-year-olds has been established at £7.81p in 2025/26. A deprivation supplement is to be applied for the children accessing under the disadvantaged criteria of £0.19p per hour per child. The working 2-year-olds current offer of 15 hours entitlement per week is increasing to 30 hours from September 2025.

By September 2025, working parents for children aged 9 months up to and including the 2 years offer is increasing to 30 hours entitlement per week. Lincolnshire's funding for under 2-year-olds will be £10.58p per pupil per hour.

A key decision (I030817) was taken by the Council to establish the new funding formula rates for early years entitlement.

Early years funding will continue to be allocated on a monthly basis using the number of eligible hours each child receives. The Early Years Provider Hub is the online system being utilised by all early year providers to ensure accurate and up to date claims are submitted to ensure payments are correctly made.

Lincolnshire is to be funded at the minimum hourly funding level for maintained nursery schools (MNS) supplementary funding for 2025/26. This funding is above the universal hourly rate for providers to recognise the additional costs incurred by a school setting. The MNS supplementary rate allocated through the formula to MNS will continue to be applied to both the 15 hours universal entitlement and the extended hours.

The MNS supplementary funding rate is £3.74p per pupil per hour for 3-& 4-year-old entitlement for 2025/26. The overall MNS funding rate is £8.95p (including the £5.21p universal rate) for 2025/26.

² Requirement to identify for each mainstream school a notional amount to guide schools in their spending to meet costs, up to £6,000 per pupil, of additional support for the school's pupils with special educational needs (SEN).

Special Schools Funding

Lincolnshire's special schools funding formula will remain in place for 2025/26. The Council considers the formula to be strong and fit for purpose and adaptable to the changing landscape of pupil needs. As a matter of good practice, the Council will continue to keep the formula under review to maintain fairness in its distribution to reflect current needs and practices, which will support the ambitions of the sector.

The current funding formula is underpinned by key cost drivers and their costs based on theoretical school models. There has been no monetary increase in the Lincolnshire's special schools funding formula factors for 2025/26 (apart from Free School Meals factor increasing by 1.02%) due to the increase in staff costs being captured within the newly established Core Schools Budget Grant (CSBG). The Council continue to monitor budget sustainability of the sector and consider the 2025/26 financial settlement for special schools provides that, whilst also balancing this with the increasing costs facing Lincolnshire's High Needs block.

The formula determines overall indicative funding for the 2025/26 financial year before being presented through the DfE's place and top up arrangements.

The following updates for 2025/26 include:

- Revised place numbers for the new academic year (2025/26) and updated pupil moderations incorporated into the special schools budgets.
- To support schools core costs, the Council is required to continue allocating additional funding for 2025/26 through the formula, consistent with the funding that was applied in 2024/25. The DfE (DSG Condition) requirement is to fund the same place amount as in 2024/25. The determination of the total funding is based on the 2025/26 financial year agreed place numbers and 2024/25 place amount through the previous 3.4% methodology. This is considered to be permanent funding. For 2025/26, the Council must separately identify these allocations i.e. outside the school's core funding (place and top-up).
- Core Schools Budget Grant (CSBG): to simplify the administration of the following grants: 2024/25 teachers' pay additional grant (TPAG), the 2024/25 teachers' pension employer contribution grant (TPECG) and the 2024/25 core schools budget grant (CSBG), the DfE have combined these grants into a single CSBG for 2025/26. The Council will receive grant funding to meet these costs. The CSBG funding rate for 2025/26 is £2,054 per place and has been calculated using the 2024/25 rates for TPAG (£446) and TPECG (£595) and the full year equivalent of the 2024/25 rate for CSBG (£1,013). The DfE (DSG Condition) requirement is to pass on the CSBG funding at the same combined rate per place through TPAG, TPECG and CSBG. Schools can forecast to see this funding in future years, for financial planning purposes, since it is essentially to support core education delivery. For 2025/26, the Council must separate out this funding stream, i.e. outside the schools core funding (place and top up).
- The DfE Minimum Funding Guarantee (MFG) is +0% comparing 2024/25 funding levels to 2025/26. This is to be based on a like-for-like comparison with a special school's overall budget in 2024/25. Using the 2025/26 formula factor values and 2024/25 pupil data, the total budget is required to be +0% from the published 2024/25 funding levels. All special schools passed this test.
- The DfE has confirmed a separate grant will be allocated to support schools with the cost of the new employer national insurance rates from 2025/26. Rates will be confirmed in the new year.

School Reorganisations

Primary, secondary, and special school policies are in place to provide a formalised approach to the funding of school reorganisations by sector to support the Council's statutory duty to provide

sufficient school places for the children of Lincolnshire. The policy seeks to address situations when, as part of its strategic planning of school places, the Council asks a school / academy to take in additional pupils in support of basic need requirements³ typically above the planned admission number (PAN) temporarily or expand permanently.

The current school reorganisation policies can be found using the following link (handbooks and guidance section):

School Reorganisation Policies

Falling Rolls Policy

Falling Rolls funding will be allocated to LAs on the basis of the reduction in pupil numbers that an LA experiences each year. The DfE has established a mandatory requirement for a LAs Falling Roll factor whereby the latest school capacity (SCAP) survey shows that these school places are expected to be required in 2025/26 and/or the subsequent 2 years.

The Council will only consider exceptional requests where there is a strong case for the receipt of a funding allocation from the Falling Rolls Fund considered against a number of measures. This consideration will take the form of the submission of an application for funding, which would be presented to a Panel of Council officers.

Energy Supply Scheme for Schools

The Department is introducing a new energy supply scheme for schools, to be known as 'DfE Energy', which allows schools and academy trusts to buy into the Department's own supply contract with Crown Commercial Service. This is currently in pilot stage and should be rolled out for schools from April 2025. The purpose is to secure competitive rates through bulk purchasing of gas and electricity.

Schools will be responsible for paying their own bills when they join this scheme. However, to protect the Secretary of State in the event that a school does not pay a bill for energy that has been supplied, the Department is adding a new regulation to the School and Early Years Finance Regulations (2025) to ensure recovery of costs.

Other School Grants

At the point of publishing school budgets, the Government has not provided LAs with updates to a number of 2025/26 school grant allocations. When further information becomes available, updates will be provided to schools through the Schools Bulletin.

Primary PE and Sport Premium

The Primary PE and Sport premium is in place for the current academic year 2024/25. The Government will provide details on the academic year 2025/26 funding arrangements in due course. It is assumed funding will continue and will remain at the same rates as 2024/25. Any allocation unspent at the end of this academic year (31 July 2025) will be recovered by the DfE.

Government guidance for 2024/25 is available at:

[PE and sport premium for primary schools - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/primary-pe-and-sport-premium)

³ Basic need definition is that local authorities need to fulfil their duty to make sure there are enough school places for children in their local area.

Universal Infant Free School Meals (UIFSM)

The grant for Universal Infant Free School Meals (UIFSM) funds a meal rate of £2.58 for the 2024/25 academic year. This allocation assumes that pupils will take 190 school meals over the academic year, providing £490 per eligible pupil. The Government will provide details on the academic year 2025/26 funding arrangements in due course. It is anticipated that this funding will rise by 1.02% in line with the GDP deflator forecast.

Government guidance for 2024/25 is available at:

[Universal infant free school meals \(UIFSM\): 2024 to 2025 - GOV.UK](#)

Core Schools Budget Grant (CSBG)

For maintained schools, the Core Schools Budget Grant (CSBG) will be allocated through the NFF. For academies, the grant will continue for the period April to August 2025, but with the rates reflecting five twelfths of the full-year costs. From September 2025, this funding will be rolled into academies' general annual grant (GAG) allocations through Lincolnshire's mainstream funding formula for 2025/26.

Employer National Insurance Increase

The Government's decision to increase the employer national insurance rate and reduce the threshold at which employer national insurance contributions apply – from 13.8% to 15.0% and from £9,100 to £5,000 respectively – has a significant financial cost impact to schools. The DfE has confirmed a separate grant will be allocated to support schools with the cost of the new employer national insurance rates from 2025/26. Rates will be confirmed in the new year, and it is anticipated funding will be allocated using a similar mechanism as per previous grants such as the Core Schools budget Grant, namely, AWPU; FSM Ever 6 and lump sum factors. It is important for schools to note that the allocations through this mechanism will not exactly match the additional costs at a school level.

Future Pay Awards

The DfE has indicated at this stage there will be no new grants to support schools with the cost of any new pay awards. Schools will therefore be required to budget for next year's pay award through the published 2025/26 funding settlement.

Holiday Activities and Food Programme (HAF)

The HAF programme in Lincolnshire will continue until March 2026. The purpose of the programme is to provide holiday provision for children who receive benefits-related free school meals in the Easter, Summer, and Christmas.

Further details can be found using the following link:

[Holiday Activities and Food Programme – Lincolnshire County Council](#)

Household Support Fund

The Government has confirmed the continuation of Household Support Fund in 2025/26. Lincolnshire schools have supported the Council with the targeted distribution of funding for children eligible for benefits-related Free School Meals in prior schemes. Subject to the new Schemes guidance, the Council will be proposing a similar approach in 2025/26.

[Household Support Fund - Lincolnshire County Council](#)

Public Sector Pay

In recent years, the Local Government pay award has not been determined until during the financial year. This will continue to be the case in 2025/26. The Council recommends budgeting for a provisional 3.5% pay increase in 2025/26 for financial planning purposes.

It is recommended to budget pay awards for future years as follows:

- April 2026 – 3%
- April 2027 – 2.5%
- April 2028 and April 2029 – 2.5%

This is consistent with the approach the Council's has applied in setting their budgets.

The DfE is recommending a pay award for teachers of 2.8% from September 2025. In its evidence to the School Teachers' Review Body, the DfE said this level of award would "maintain the competitiveness of teachers' pay, despite the challenging financial backdrop the government is facing." The department have said a pay award of 2.8% would deliver a real-terms pay rise in the context of inflation forecasts of 2.6% in the 2025/26 financial year.

It is recommended to budget pay awards for future years as follows:

- September 2025 – 2.8%
- September 2026 onwards 2.5%

Budget preparation guidance notes explain how to budget for this within the MTFP. Pay scales do not build in future pay offers.

National Living Wage Increase

The National Living Wage (NLW) will increase by 6.7% from £11.44 to £12.21 per hour from April 2025 for low-paid workers. The Low Pay Commission expects the £12.21 to meet the Government's target of two-thirds of median earnings for those aged 21 and over by 2025. The salary scales have been updated and ensure the lowest scale point meets the NLW level.

These next sections specifically relate to maintained schools only:

Managing Change / School Redundancies

The maintained primary school representatives on the Schools' Forum have continued to vote to de-delegate a budget for 'schools in financial difficulty' for 2025/26.

No such budget was retained for maintained secondary schools as they did not have sufficient critical mass, or for nursery schools and special schools, therefore these schools will be required to finance the total cost of redundancy payments.

The Staffing Reduction Panel will therefore continue to meet to carefully consider maintained primary schools' applications to access the 'schools in financial difficulties' budget. Schools will need to demonstrate that without implementing its proposed staffing reductions it will fall into a deficit within two years. Only then will this budget contribute to the redundancy costs.

The financial contribution that maintained primary schools will be required to make towards redundancies (if they meet the 'schools in financial difficulties' criteria) will be the first £5,000 of the total cost of every redundancy; or 50% of the total cost of every redundancy, whichever is the greater,

subject to a maximum of overall redundancy costs of 2.5% of the school's budget share for the financial year.

The Panel is happy to consider the proposals from other maintained school sectors; however, those redundancy costs will need to be met by the school.

It continues to remain important for schools to regularly monitor their spending against the budget (current and future years), to enable timely decisions to be made by the school. Scenario planning by the school is encouraged to support this process.

De-Delegation Budgets for 2025/26

As detailed above, the maintained primary schools' representatives of the Schools' Forum have voted to continue to de-delegate a number of budgets in 2025/26.

The de-delegation rate for 2025/26 is £38.00 to support termination of employment costs for schools in financial difficulties; school improvement locality lead support and intervention funding, and the Ethnic Minority and Traveller Education Team (EMTET).

Audit Services for 2025/26

Prior to the mainstream schools NFF reforms of 2018/19, the Council would hold a central budget within the Dedicated Schools Grant to carry out school audits. This budget was therefore devolved out through the NFF reforms. Internal audit should be delivered as a routine business activity, and the number of schools buying into internal audit services has diminished resulting in poor visibility of the risks exposure through schools' internal control environment.

The role of an internal auditor is to provide an independent and objective opinion on the adequacy of operating processes to deliver effective governance, risk management, human resources and finances in place across our maintained schools. The team deliver this in a supportive manner to provide assurance to the schools Senior Leadership Team, Governors and the Council that internal control processes are performing in line with policies, comply with statutory requirements and are following best practice.

Schools' Forum maintained schools' representatives agreed with the Council's proposals to re-establish routine audits across all maintained schools, where schools will receive an audit on a three-year cycle. This falls under the category of statutory and regulatory duties: internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of the Local Government Act 1972 for maintained schools (Schedule 2, paragraph 61). The Council will retain an amount of funding from maintained schools budget starting in 2025/26 (this will show under the de-delegation budget on the published document).

The per pupil rates are set at:

- | | |
|-------------|-------|
| • Primary | £2.38 |
| • Secondary | £5.80 |

To fulfil the three-year cycle of school audits, a budget of £0.170m is required. Recognising the level of primary maintained schools de-delegation reserves available, the Council is utilising £0.082m of this reserve in 2025/26 following Schools' Forum agreement, therefore temporarily reducing the cost to the primary maintained schools for 2025/26. In 2026/27, the primary school rate will revert back to the full per pupil rate.

Prime account schools will be required to meet the cost supplement from their delegated budgets for the additional audit work from operating their own bank account. Schools with no or limited

assurance ratings in their three yearly school audit will be required to meet the cost of the follow up audit. Further cost information for these can be obtained by contacting Schools&Academies@lincolnshire.gov.uk where the audit team will be happy to discuss your individual requirements.

Devolved Formula Capital (DfC) for 2025/26

The Government has not published information on DfC for 2025/26. It is assumed that the same allocations methodology will be applied as the current financial year, which will provide funding to schools to maintain their buildings and fund small scale capital projects.

The 2024/25 DfC allocations to schools are based on pupil numbers using the latest January school census data multiplied by the pupil rate. A lump sum of £4,000 has been provided together with a per pupil sum of: £11.25 for nursery and primary schools; £16.88 for non-boarding secondary schools, and £33.75 for boarding schools, special schools / alternative provision schools.

Voluntary Aided (VA) schools are required by law to make a 10% contribution of their total DfC allocation therefore, only 90% of the allocation is provided for these schools by the DfE. However, as VA schools do not have access to any VAT refund scheme for their capital costs, the DfC allocation paid to these schools includes an element of funding for VAT (20% of 90%).

Further details on school capital funding are available at:

<https://www.gov.uk/government/publications/capital-allocations>

LA School Carry Forward Policy

The Council's school carry forward policy states that primary and special schools may retain for any purpose, up to 8% of their budget shares, or £30,000 (whichever is greater). The corresponding figure for secondary schools is 5%, or £30,000 (whichever is the greater). The figure for nursery schools is 10%, or £30,000 (whichever is the greater). Additional sums can only be retained for specific, time limited, costed, capital projects that are consistent with the priorities set out in the school's Asset Management Plan.

Schools with excess balances at 31 March 2025 will be required to complete a pro-forma outlining their plans for the use of those funds (in line with the policy). A declaration form completed by the head teacher will be required confirming this has taken place each year, if applicable. The Council will adopt sample checking with schools on compliance with the policy going forward.

It is sensible for schools to retain a reasonable level of reserves (subject to the carry forward levels), and this should be considered as part of each school's budget setting, school development planning and MTFP work.

Scheme for Financing Schools

The scheme sets out the financial relationship between the Council and the maintained schools that it funds. It contains requirements relating to important financial management and associated matters, which are binding on both the Council and on schools. It is important that schools review this annually to ensure schools understand their responsibilities. There are no scheme changes for 2025/26.

The scheme applies to all maintained schools and is available on the below link:

[Lincolnshire's Scheme for Financing Schools](#)

School's Medium Term Finance Plan (MTFP)

For many years the Schools Finance Team have developed and enhanced an Excel MTFP for schools to use to fulfil the requirement of the Scheme for Financing Schools to complete medium term financial planning and to submit this annually to the Council, for review. It is recognised that the current Excel tool is labour intensive for the team in terms of development and testing, and schools in terms of data input and manual workarounds, therefore working with the Council's Procurement Team, Schools Finance Team have undertaken extensive market research and are procuring an on-line software tool for all maintained schools to use from 2025/26. The company selected are called School Business Services, who are currently used by over 2,000 schools nationally. Their software will streamline financial planning, simplify complex budgeting, and ensures schools maximise funding - all while offering a user-friendly interface that will save schools time and effort.

Implementing a dedicated budget software tool for schools will offer multiple advantages to schools including:

- **Automated Data Roll-Forward:** Unlike the current system, where staffing data must be manually re-entered each year, the software will automatically retain and roll forward key financial details.
- **Simplified Pay Adjustments:** Updates, such as finalised pay awards, will be automatically applied to all MTFPs, reducing errors and manual intervention.
- **Streamlined Payroll Reconciliation:** The Council can import monthly payroll data directly into the software tool, making it easier to identify discrepancies and manage budgets effectively.
- **On-line Platform:** As the software is on-line there will no longer be a requirement to email a copy of your MTFP to the Schools Finance Team at points during the year (MTFP submission date, Monitoring and Intervention work, Strategy meetings) as officers at the Council will be able to access your schools MTFP on-line.

We are acutely aware that schools may be nervous about the move to this new software, the following steps have been taken to alleviate those concerns:

- Access to the software will be managed by Schools Finance Team. The Council's Information Assurance Team have been involved in the project to ensure there are no concerns regarding data.
- The cost of the software will be managed within the existing cost base through operational efficiencies.
- Schools will receive on-line training on the new software by the supplier arranged by the Council of which a member of Schools Finance Team will be in attendance at each session to answer any specific Lincolnshire questions you may have.
- Schools will continue to liaise directly with Schools Finance Team should they require assistance with the software tool via Schools Finance Team Helpdesk, they will not liaise directly with the supplier.
- Schools Finance Team will be trained prior to the rollout of the software tool to schools.
- Schools will be able to save multiple versions of the software tool to assist with scenario planning.

It is important to note the following for 2025/26:

- Schools Finance Team have not issued an Excel version of the MTFP for 2025/26 at the end of February. Guidance has been issued on 28th February regarding any considerations schools need to make to their current MTFP to support financial planning until they are trained on the new software.

- The 'traditional' budget prep sessions will not be held in March, instead schools will receive their training session on the budget software tool as detailed, which is likely to be delivered after 21st April.
- The submission dates for the MTFP for 2025/26 will be adjusted to take into consideration the new software, once the final version of the implementation plan has been agreed. The new submission date for 2025/26 will be shared with schools once confirmed.
- Please note, the Schools Finance Team will not accept the current Excel MTFP for the 2025/26 budget setting process.

The Council considers it to be the right time to move to this platform to enhance financial planning, time efficiencies and automation within schools. The Schools Finance Team will be prioritising the implementation and support of this software tool to ensure a smooth transition for schools and the benefits of the system are optimised.

Regular communications will be made to schools through the implementation period.

Schools Benchmarking

Schools are encouraged to undertake financial benchmarking regularly to identify areas of potential efficiencies. The DfE Schools Financial Benchmarking and Insights tool helps with this process:

<https://financial-benchmarking-and-insights-tool.education.gov.uk/>

Schools are not permitted to overspend without the prior approval of the Council; therefore, adopting the following practices will help schools reduce the risk of overspending:

- Setting a detailed, balanced, and realistic budget at the start of the financial year.
- Monitoring expenditure against the budget each month to identify material variances.
- Projecting the forecast spend for the year-end position (including for every member of staff) at least three times and entering the forecast on the finance system.
- Taking timely action to address potential overspendings.
- Ensuring all grants are fully utilised.
- Considering the schools financial position beyond the next financial year, having regard to pupil number changes and cost rises. Maintaining an up-to-date MTFP remains a vital activity.

It is important that schools are familiar with the Council's Monitoring & Intervention Policy including the recommended best practice, the policy is available on Perspective Lite.

Budget Monitoring and Forecasting

It is essential that schools monitor their budgets on a regular basis, particularly due to the more challenging financial climate being faced. Robust financial planning and monitoring supports excellent financial management:

- This enables evidence-based decisions to take place
- Supports the delivery of schools spending within your agreed budget
- Monitoring financial performance regularly will enable schools to take measurable, timely and corrective actions to address risks to overspends
- Ensures forecasts are realistic and can be evidenced and provides timely reporting to the Governing Body.
- Considers the medium-term financial implications from changes.

Budget management requires income and expenditure to be monitored and compared with the latest approved budget throughout the financial year to ensure that it is contained within the budget

available, and any problems can be identified at an early stage, allowing sufficient time for any necessary corrective action to take effect.

It is therefore essential that schools undertake regular budget monitoring to support its financial health.

Schools should reconcile their payroll and review income and expenditure on a monthly basis. It is recommended that schools calculate a forecast, for those schools using BW, schools should forward a forecast to Schools Finance Team on a monthly basis, however as a minimum, forecasts should be forwarded to Schools Finance Team in September, November and January.

Schools Financial Value Standard (SFVS)

The SFVS is a mandatory annual return for schools to complete, which is designed to help schools manage their finances and to give assurance that they have secure financial management in place.

The checklist asks questions of governing bodies in 6 key areas of resource management:

- Governance
- School Strategy
- Setting the annual budget
- Staffing
- Value for Money
- Protecting public money

Schools can access the Dashboard through the schools Financial Benchmarking and Insights website.

Maintained schools are required to evidence that they have arrangements in place to manage related-party transactions. Schools are also required to submit a completed related-party transactions template which records any applicable contracts and agreements that are live in the year. The Council has a duty to oversee and advise on related party transactions.

The SFVS has not been published by the Government for 2025/26. The Council does not expect changes to the 2025/26 process. A communication will follow including timescales for submission of the 2025/26 SFVS.

Schools financial value standard (SFVS) and assurance statement - GOV.UK (www.gov.uk)

Sickness Insurance Scheme for 2025/26

The premium and reimbursement rates are currently being calculated and will be communicated to schools shortly.

The application form and employee template, like last year, will be included as part of the Sickness Insurance Scheme Template document. Schools will receive an email when the template is ready. Applications must be based on the staffing levels as at 23 April 2025, i.e. the first day of the summer term.

Lincolnshire's Finance Buyback charges for 2025/26

The Finance Buyback charges for 2025/26 have been calculated and will shortly be available on Perspective Lite. The service is a non-profit making service and is primarily a staffing-led model. The percentage increase are to reflect the pay levels.

As in previous years', a schools' current level of service will rollover into 2025/26. Should schools wish to discuss upgrading to a higher level of service or wish to discuss the different levels of service please contact:

sbss@lincolnshire.gov.uk

Charges will be based on the October 2024 schools census.

Licences

The Government continue to purchase a single National Copyright Licence managed by the DfE for all state-funded schools (including nursery schools) in England. The cost continues to be met from the Central Schools Services Block of the DSG; therefore, schools no longer pay for them directly.

For 2025/26 the licences covered by the central arrangement are:

- print and digital copyright content in books, journals and magazines (Copyright Licensing Agency (CLA)),
- printed music (Printed Music Licence (PML)),
- copyright content in newspapers and magazines (the Newspaper Licensing Agency media access (NLA) licence),
- recording and use of copies of radio and television programmes, including from a number of catch-up services (the Educational Recording Agency (ERA) licence),
- the showing of films (the Public Video Screening Licence (PVSL) and Motion Picture Licensing Company (MPLC) licences),
- payments for musical performances of covered work (Performing Right Society for Music (PRS);
- playing recorded music (Phonographic Performance Ltd. (PPL)),
- rights to make CDs and DVDs containing copyright music (the Mechanical Copyright Protection Society (MCPS)), and
- hymns and other Christian music (Christian Copyright Licensing International (CCLI)).

Keeping up to date on developments

All schools are encouraged to keep up to date with further developments in school funding arrangements by reading reports that are presented to the Schools' Forum at its four meetings (in January, April, June, and October) each year. The reports are available in Committee Records on LCC's website by following the link below:

[Committee details - Lincolnshire Schools' Forum \(modern.gov.co.uk\)](https://modern.gov.co.uk)

Also, useful information is available to support schools in managing their finances at the following link:

[School finances – School budget shares - Lincolnshire County Council](#)

Financial information and guidance are also available on Perspective Lite under HR and Employment Policy > Schools Finance.

Contact details

Should you wish to discuss any particular aspect of this pack of information, please refer to the named contact officer(s) on the relevant letter, or contact colleagues in the Local Authorities Finance Team:

Overall Schools Funding

Mark Nunn, Senior Finance Technician:

mark.nunn@lincolnshire.gov.uk

Adam Emson, Senior Finance Technician: adam.emson@lincolnshire.gov.uk

Early Years Funding Formula

Tracey Harrison, Finance Manager: tracey.harrison@lincolnshire.gov.uk

Will Hewing, Trainee Accountant: will.hewing@lincolnshire.gov.uk

Special Schools Funding Formula

Bev Hippisley, Finance Manager: bev.hippisley@lincolnshire.gov.uk

Sue Bainbridge, Senior Finance Technician: susan.bainbridge@lincolnshire.gov.uk

Alternatively, please contact the Schools Finance Helpdesk on: schools_finance@lincolnshire.gov.uk

For individual high needs pupil level detail queries, please contact the SEND team on 01522 554682 or SEnFinanceproject@lincolnshire.gov.uk