

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 16th January 2024

Subject: 2024/25 School Funding Arrangements

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Summary of main issues

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central school services. Regulations set by the Education and Skills Funding Agency (ESFA) require that we consult with Schools Forum, and in some cases ask Schools Forum to make decisions, on proposals relating to the use of the DSG. This report provides an update on the 2024/25 arrangements relating to the schools, high needs and central school services blocks. An update on the early years block will be provided at the February 2024 meeting.
2. In relation to the Schools Block, the report covers the Growth Fund, Falling Rolls Fund and the schools funding formula:
 - For the Growth Fund, the Council is proposing that
 - The existing criteria be retained for primary schools and secondary expansion.
 - The existing criteria for additional resources be retained at £150 per pupil for existing schools and £250 per pupil for new presumption free schools.
 - The existing criteria be retained for new presumption free schools
 - For the Falling Rolls Fund, the Council is proposing that we do not establish a Falling Rolls Fund for 2024/25 as the funding criteria has not been met.
 - The final proposal for the schools funding formula provides a per-pupil increase of 0.5% through the Minimum Funding Guarantee and a 1.26% cap on gains. The Minimum Funding Guarantee is equivalent to the 0.5% that was the preferred option from the funding consultation, and it follows the MFG within the National Funding Formula. The cap on gains has increased by 0.20% against the

consultation following the final funding allocation and growth fund requirements. The final proposal retains the Minimum Funding Levels of £4,610 for primaries and £5,995 for secondaries that were consulted on.

3. The report also includes the proposed expenditure for 2024/25 against the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies. Approval is sought from Schools Forum on the proposed expenditure from this block.

Recommendations

4. Schools Forum is asked to note the arrangements for the school funding formula for 2024/25.
 - The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.
5. In relation to the Growth Fund for 2024/25, Schools Forum is asked to approve that:
 - a) In relation to the funding criteria:
 - a. The existing criteria be retained for primary schools while for new secondary school growth, funding is allocated in the first year of expansion.
 - b. The existing criteria for additional resources and rental costs within existing schools be retained at £150 per pupil .
 - c. The existing criteria for leadership costs for new presumption free schools to be retained at over a 4-year period.
 - d. The existing criteria for additional resources for new presumption free schools to be retained at £250 per pupil.
 - b) The total Growth Fund of £430k which is fully funded from the Schools Block 2024/25. The Growth Fund would be split between £233k for primary growth and £197k for secondary growth.
 - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.
6. In relation to a Falling Rolls Fund Schools Forum is asked to note that the Council will not be establishing a fund for 2024/25.
7. In relation to the Central School Services Block, Schools Forum is asked to approve the 2024/25 amounts detailed within the report.
 - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.

1 Main issues

1.1 Schools block funding formula

- 1.1.1 At the November 2023 meeting Schools Forum noted the results of the consultation for the 2024/25 schools funding formula which demonstrated a preference for option 1 among schools that voted. 62% were in favour of option 1 compared to 38% for option 2. Option 1 proposed a Minimum Funding Guarantee of 0.5% and a 1.06% cap on gains per pupil. The figures provided in the consultation were provisional at that time and therefore subject to change pending confirmation of the final funding allocation in December 2023.
- 1.1.2 The final schools block funding for 2024/25 has been confirmed by the ESFA as £707m, an increase of £22m compared to 2023/24 when the allocation was £686m. Schools Forum in November agreed to transfer 0.5% to the high needs block and this value has now been confirmed as £3.54m. Subject to the proposed Growth Fund of £0.430m set out in section 1.2 below, £703.03m would remain to be allocated to mainstream schools through the funding formula.
- 1.1.3 The funding formula has been updated to take into account the views of Schools Forum and the final funding allocation from the ESFA. The revised formula provides for the same Minimum Funding Levels of £4,610 for primaries and £5,995 for secondaries, which are the amounts used in the National Funding Formula. It has been possible to retain the Minimum Funding Guarantee at 0.5% which is the level used in the National Funding Formula, and the cap on gains has been set at 1.26%.
- 1.1.4 The revised school level allocations proposed for 2024/25 are attached to this report as appendix 1. These are subject to finalisation, including quality checks by the ESFA and approval by the Director of Children and Families.
- 1.1.5 The approach taken in the local formula replicates the National Funding Formula as closely as possible, including the use of the same unit values. In line with the National Funding Formula, our calculation of the MFG and cap on gains for PFI schools excludes the PFI funding they receive. This will ensure that both PFI and non-PFI schools are treated equally in the funding formula and receive equivalent levels of funding protection.
- 1.1.6 The decision on the final formula will be made by the Director of Children and Families, in line with the council's decision-making framework.
- 1.1.7 The final funding formula proposals will be submitted to the ESFA for them to quality check by the deadline of 22nd January 2024. Once the ESFA has confirmed they are satisfied with the formula and the decision on the formula has been taken by the Director of Children and Families, the council will send out funding statements to maintained mainstream schools by the end of February. The ESFA will issue funding statements to mainstream academies in line with their usual timescales.

1.2 Growth Fund 2024/25

- 1.2.1 Funding for growth is allocated to local authorities by the ESFA as part of the Schools Block of the DSG. This allocation funds pupil number variations within the funding formula for new schools that are still growing, as well as being used to establish a separate Growth Fund, which supports costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The Growth Fund recognises that these pupils are not recorded on the October census, and so will not attract funding through the usual schools funding formula.
- 1.2.2 The funding allocated to local authorities is calculated by the ESFA on the basis of pupil growth between the previous two October censuses, so it will not always match the actual growth in the coming year. For 2024/25, the Leeds total allocation for growth from the ESFA has reduced and is £3,731k for 2024/25, compared to £4,990k in 2023/24.
- 1.2.3 In addition to the decrease in funding, the estimated requirement for 2024/25 has reduced compared to 2023/24. The total 2024/25 allocation is expected to be sufficient to fund both the cost of new and growing schools within the standard funding formula and the anticipated growth fund requirements.
- 1.2.4 The total growth fund fully funded from the Schools Block 2024/25 is £430k this would be split between £233k for primary growth and £197k for secondary growth.

Growth Fund Criteria

- 1.2.5 Schools Forum is asked to approve the criteria for allocating funding from the Growth Fund.
- 1.2.6 We are proposing to retain the existing criteria for Leeds primary schools that have been in place for 2023/24. Primary schools in Leeds would be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid until the permanent change in PAN is accommodated in every year group.
- 1.2.7 We are also proposing to retain the existing criteria for Leeds secondary schools that have been in place for 2023/24. Secondary schools in Leeds will be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid in the first year only that the permanent change in PAN is established. This is as cost pressures in relation to an increase in pupils falls differently in secondary schools and are more likely to be able to manage these costs within economies of scale.
- 1.2.8 For the first time in 2024 to 2025 local authorities will be required to provide growth funding where a school or academy has agreed with the local authority to provide an extra class to meet basic need in the area (either as a bulge class or as an ongoing commitment). Funding, either through the growth fund, or by adjusting pupil numbers in the APT, will need to be provided regardless of whether the additional class is within or outside of the PAN

- 1.2.9 Schools would be eligible for Growth Funding where a temporary bulge has been created to meet basic need. Funding will be allocated for the bulge year only.
- 1.2.10 For existing schools, an allocation of £150 per pupil will be made to fund immediate additional resources, equipment or furniture costs to reflect increased costs.
- 1.2.11 For new presumption free schools, we are proposing to retain the provision of £250 per pupil for additional resources.
- 1.2.12 Additional funding would be available for existing schools that incur additional rental costs or for new schools with pre-opening costs.
- 1.2.13 In line with ESFA requirements to support pre and post start-up costs for academies where they are created to meet basic need, we are proposing to retain the criteria for leadership costs introduced in 2021/22 for any new schools opening through a free school presumption route over a 4-year period on a reduced sliding scale.

| Growth funding available | Basis for allocation | Rate |
|---|--|--|
| Funding for all schools eligible for Growth Funding: | | |
| Pupil funding | <p>Age Weighted Pupil Unit rate for each pupil (pro rata if part year).</p> <p>This is the basic entitlement all pupils receive through the schools funding formula.</p> | <p>The 2024/25 AWPU rates per year are shown below and are the same as used in the funding formula:</p> <ul style="list-style-type: none"> • Primary - £3,562.61 • KS3 - £5,022.85 <p>As noted in the report, the funding formula rates are subject to approval by the Director of Children and Families in line with the council's decision-making framework.</p> |
| Funding for existing schools: | | |
| Immediate additional resources, equipment or furniture | Standard per pupil rate. In the case of a single 'bulge' year group this is only paid in the year of expansion. | £150 per pupil is proposed for 2024/25 |
| Funding available for new presumption free schools: | | |
| Leadership costs for a new presumption free school | Amount allocated will be equivalent to that which would be received from the ESFA in the first 4 years of opening. | <p>The funding proposal for 2024/25 is:</p> <p>Year 1 £125k Year 2 £93.5k Year 3 £62.5k Year 4 £31k</p> |
| Presumption free schools: additional resources | Standard per pupil rate: In the first year of each new cohort | £250 per pupil is proposed for 2024/25. |

| Growth funding available | Basis for allocation | Rate |
|---|---|--|
| Funding available where applicable to schools: | | |
| Additional rental costs | For temporary accommodation needed to meet agreed growth. | Funded at cost through the growth fund until the financial year following the increase in numbers, at which point we would seek to fund the rental costs through the funding formula (assuming the criteria for this are met). |

1.3 Falling Rolls Fund

1.3.1 For the first time in 2024 to 2025 to funding can be allocated to local authorities based on both growth and falling rolls.

1.3.2 Funding is allocated based on the reduction in pupil numbers that middle super output areas (MSOA) within each local authorities experience for each year. For 2024/5 it has been based on the observed differences between the primary and secondary numbers on roll in each local authority between the October 2022 and October 2023 school censuses. The falling rolls allocation for each local authority will be £140,000 per MSOA which sees a 10% or greater reduction in the number of pupils on roll between the 2 census years

1.3.3 Local authorities have discretion over whether to operate a falling rolls fund. Where local authorities operate a fund, they will only be able to provide funding where school capacity data 2022 (SCAP) shows that school places will be required in the subsequent three to five years.

1.3.4 If a Local authority decides to operate a falling rolls fund then the schools forum should agree both the value of the fund and the criteria for allocation, and the local authority should consult Schools Forum before expenditure is incurred.

1.4 For 2024/25 Leeds has not received a falling rolls funding allocation as it does not meet the criteria defined in 1.3.2, as such it will not be operating a falling rolls fund for 2024/25. The will criteria will be reviewed again when considering funding allocations for 2025/26.

1.5 Central School Services Block

1.5.1 The Central School Services Block (CSSB) was introduced by the ESFA in 2018/19 to fund local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together:

- funding for statutory duties
- funding for ongoing central functions, such as admissions, previously top-sliced from the schools block

- residual funding for historic commitments, previously top-sliced from the schools block

1.5.2 In December 2023, the Government issued a notification giving the amount of funding for this block. For 2024/25, this allocation has been set at £5.125m for Leeds. This is an increase of £19k compared to 2023/24. Within this, there has been a reduction of 20% on the historic commitment element in line with previous DfE statements to reduce funding on this element.

1.5.3 Schools Forum approval is required each year to confirm the amounts on each line. Schools Forum previously gave full approval for the 2023/24 proposals. The amounts requested to be approved for 2024/25 are shown below and can be afforded within the allocation of CSSB funding received for these duties.

Statutory Duties

1.5.4 This funding contributes towards the cost to the Council of carrying out central functions on behalf of maintained schools and academies.

1.5.5 Costs can be funded for certain functions relating to statutory and regulatory duties, education welfare and asset management. Examples of functions which could be funded within each category are shown below.

1.5.5.1 *Statutory and regulatory duties*

- Director of children's services and planning for the education service as a whole.
- Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education.
- Formulation and review of local authority schools funding formula.
- Internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools.
- Provision of information to or at the request of the Crown other than relating specifically to maintained schools.

1.5.5.2 *Education welfare*

- Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils.
- School attendance.

1.5.5.3 *Asset management*

- Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions.
- General landlord duties for all buildings owned by the local authority, including those leased to academies

1.5.6 The CSSB funding can provide a contribution towards these functions, however it is not sufficient to cover all of these duties and the remainder of the cost is therefore met from the Council's budget.

The amount of funding requested from CSSB for the Statutory Duties in 2024/25 is £2,160,000 This is a decrease of £32,000 compared to 2023/24, when funding of £2,192,000 was agreed. The cost of providing these duties has increased since 2023/24, so this means that there is an increased cost to the Council's budget for these duties. The Council's costs for the example functions listed above have been calculated as £2.486m. This is a reduced cost compared to last year as these services have been required to make savings. However, after CSSB funding there is still a net cost of at least £326k to the Council.

Centrally employed teachers' pension costs

1.5.7 The separate grant received in 2020/21 for the additional pension costs for teachers employed by local authorities has now been added to the ongoing responsibilities element of CSSB in the same way grants to schools have been added to the schools block.

Historic commitments

1.5.8 Historic commitments are subject to a limitation of no new commitments or increases in expenditure from 2020/21. The amounts requested for 2024/25 are as follows and have stayed the same or reduced since 2019/20.

1.5.9 Prudential borrowing (amount requested £515k). This budget supports borrowing costs in relation to the ongoing debt repayment from the 2004/05 primary capital program and is paid back over 25 years.

1.5.10 Ongoing Central functions

1.5.11 Admissions Service – for 2024/25, it is proposed to increase the funding from this service from £1,469,000 to £1,499,000. The School Admissions Code (September 2021) introduced new responsibilities for the School Admissions Service in terms of statutory timescales and mandatory requirements in relation to in-year admissions. These additional requirements are currently being met within the current staffing and funding commitment, with the service prioritising the mandatory requirements. As such, the increase in Admissions service funding is to cover pay award and inflation and no additional duties.

1.5.12 Servicing of Schools Forum – this budget supports the administration and running of Schools Forum and associated sub-groups. This service has not changed, but as a

result of unavoidable inflationary costs, it is proposed to increase funding from £34,000 to £35,000.

1.5.13 The ESFA has agreed with a number of agencies to purchase a single national licence for all state funded schools in England. A full list of licences included in the single national licence is available on their website. The ESFA will pay the agencies and provide the service to local authorities. For Leeds this is estimated to amount to £700,000 in 2024/25 which is an increase of £20,000 from 2023/24, we have not yet received confirmation of this amount from the ESFA, but any variance to the estimated £700k will be adjusted for within the Statutory duties funding allocation. This arrangement covers maintained schools and academies, and local authorities are allowed to hold the budget centrally rather than include it in school budgets. The licences covered by this charge are:

- Copyright Licencing Agency
- School Printed Music Licence
- Newspaper Licensing Agency
- Education Recording Agency
- Public Video Screening Licence – Filmbank Distribution Ltd.
- Motion Picture Licensing Company
- Phonographic Performance Ltd.
- Performing Rights Society Ltd.
- Mechanical Copyright Protection Society Ltd.
- Christian Copyright Licensing International

This item does not require Schools Forum approval.

1.5.14 Schools Forum is therefore requested to approve the amounts summarised below, totalling £5,125,000 centrally for Statutory duties, centrally employed teachers' pension costs, ongoing central functions, historic commitments, and to note the increase in the charge for the single national licence

| | 2023/24 (for information) £ | 2024/25 (for approval) £ |
|--|--------------------------------------|-----------------------------------|
| Local Authority costs | | |
| Statutory Duties | 2,192,000 | 2,160,000 |
| Centrally employed teacher pension costs | 216,000 | 216,000 |
| Historic Commitments | | |
| Prudential borrowing | 515,000 | 515,000 |
| Ongoing Responsibilities | | |
| Admissions Service | 1,469,000 | 1,499,000 |
| Schools Forum | 34,000 | 35,000 |

| | | |
|--|------------------|------------------|
| ESFA central licences (for information only, no vote required by Schools Forum) | 680,000 | 700,000 |
| | <u>5,106,000</u> | <u>5,125,000</u> |

1.6 High Needs Block

- 1.6.1 Since the report on high needs projected funding and expenditure was presented to Schools Forum in November 2023, a number of outstanding elements in the funding allocated have been confirmed and are generally in line with the estimates made at that time.
- 1.6.2 Work is ongoing to finalise budgets for 2024/25 to produce a budget and a more detailed report on this will be brought to the next Schools Forum meeting.
- 1.6.3 In line with the council's decision-making framework, a high level summary of the proposed HNB budgets will be presented to the Executive Board in January to be approved by Full Council in February.

2 Recommendations

- 2.1 Schools Forum is asked to note the arrangements for the school funding formula for 2024/25.
- The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.
- 2.2 In relation to the Growth Fund for 2024/25, Schools Forum is asked to approve that:
- a) In relation to the funding criteria:
 - i. The existing criteria be retained for primary schools while for new secondary school growth, funding is allocated in the first year of expansion.
 - ii. The existing criteria for additional resources and rental costs within existing schools be retained at £150 per pupil .
 - iii. The existing criteria for leadership costs for new presumption free schools be retained as over a 4-year period.
 - iv. The existing criteria for additional resources for new presumption free schools to be retained at £250 per pupil.
 - b) The total Growth Fund of £430k. The Growth Fund would be split between £233k for primary growth and £197k for secondary growth.

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if we request this.

2.3 In relation to the Central School Services Block, Schools Forum is asked to approve the amounts summarised below for 2024/25 (apart from the ESFA central licence charge, which does not require approval).

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the ESFA is able to adjudicate if we request this.

| | 2023/24 (for information) £ | 2024/25 (for approval) £ |
|--|--------------------------------------|-----------------------------------|
| Local Authority costs | | |
| Statutory Duties | 2,192,000 | 2,160,000 |
| Centrally employed teacher pension costs | 216,000 | 216,000 |
| Historic Commitments | | |
| Prudential borrowing | 515,000 | 515,000 |
| Ongoing Responsibilities | | |
| Admissions Service | 1,469,000 | 1,499,000 |
| Schools Forum | 34,000 | 35,000 |
| ESFA central licences (for information only, no vote required by Schools Forum) | 680,000 | 700,000 |
| | <u>5,106,000</u> | <u>5,125,000</u> |