

LEEDS SCHOOL FORUM

Meeting to be held in on
Monday, 9th December, 2024 at 4.30 pm

MEMBERSHIP

Bradley Taylor, A, Primary Governors - Kirkstall Valley Primary
Kate Burton, E. Academy Reps – Alder Tree Primary
Rebecca White, B. Primary Heads, Sharp Lane Primary
Victoria McWalker, A. Primary Governors, St Margaret's Horsforth C of E
Stratis Koutsoukos, B. Primary Governors, St Nicholas Catholic Primary
Nick Tones, J. Non Schools, Schools JCC
Christopher Thornton, J. Non Schools 16-19 Providers
Simon Prinsep, E. Academy Reps, Abbey Grange CofE
Peter McQuillen Strong, J. Leeds Catholic Diocese
Gavin Hosford, E. Academy Reps - Green Meadows
Rachel Colbourn, E. Academy Reps - Bramhope Primary
Dave Kagai, A. Primary Governors - St Nicholas Primary
Sarah Talbot, E. Academy Reps - East Ardsley Primary
John Garvani (LSF), A. Primary Governors - Broadgate Primary School
John Hutchinson, B. Primary Heads - St Theresa's Catholic Primary
Peter Harris, B. Primary Heads - Farsley Farfield Primary
Julie Harkness, B. Primary Heads - Carr Manor Community school - Primary Phase
Emma Wraight, B. Primary Heads - Fieldhead Carr Primary
David Webster, C. Secondary Governors - Pudsey Grammar
Delia Martin, D. Secondary Heads - Benton Park
David Gurney, E. Academy Reps - Cockburn School
Rob Dixon, E. Academy Rep, Pudsey Waterloo Primary
John Thorne, E. Academy Reps - St Mary's Academy Menston
Joe Barton, E. Academy Reps - Woodkirk Academy
Russell Trigg, F. Governor East SILC
Cllr Dan Cohen (Leeds School Forum), J. Jewish Faith Schools

A G E N D A

Item No	Title	Lead	Time	Purpose
1.	APOLOGIES		16:30	For information
2.	SCHOOL FORUM MEMBERSHIP		16:35	For information
3.	MINUTES OF PREVIOUS MEETING <i>3 - 8</i>		16:40	For decision
4.	MATTERS ARISING		16:45	For information
5.	SCHOOL FUNDING PROPOSAL 25/26 <i>9 - 30</i>		16:50	For decision
6.	ANY OTHER BUSINESS		17:35	For information
7.	REVISED COPY OF THE DSG MTFS 2025/26 UPDATE REPORT <i>31 - 38</i>			For information
8.	FORWARD PLAN <i>39 - 40</i>		17:45	For information

Leeds Schools Forum meeting

Microsoft Teams Meeting
Thursday 3rd October 2024 at 16:30

Membership (Apologies in Italics)	
GOVERNORS	HEADTEACHERS
Primary (6 seats)	Primary (6 seats)
David Kagai St Nicholas <i>John Garvani</i> <i>Broadgate</i> <i>Victoria McWalker</i> St Margaret's <i>Horsforth Stratis Koutsoukos</i> <i>St Nicholas</i> <i>Bradley Taylor</i> Kirkstall <i>Valley</i> Vacant	Peter Harris (Chair) Farsley Farfield <i>Julie Harkness</i> Carr Manor Community School Julian Gorton Shakespeare Primary Rebecca White Sharp Lane Kate Cameron Calverley C/E <i>Jane Astrid Devane</i> Shire Oak C/E
Secondary (1 seat)	Secondary (2 seats)
<i>David Webster</i> Pudsey Grammar	Samantha Jefferson Wetherby High Mark McKelvie Pudsey Grammar
Special (1 seat)	Special (1 seat)
<i>Russell Trigg</i> East SILC, <i>John Jamieson</i>	Louise Quinn East SILC
Non School	Academies – Mainstream (11 seats)
<i>Christina Smith</i> PVI Providers Vacancy Nick Tones Schools JCC Christopher Thornton 16-19 Providers <i>Dan Cohen</i> Jewish Faith Schools <i>Peter McQuillen-Strong</i> Catholic Diocese	<i>David Gurney</i> Cockburn School Kyle Walker in place of <i>Katherine Somers</i> Dixons John Thorne St Mary's Academy Menston Joe Barton Woodkirk Academy <i>Rob Dixon</i> Cockburn School Jason Patterson Dixons Trinity Chapeltown Sarah Talbot East Ardsley Kate Burton Alder Tree Primary Simon Princep Abbey Grange CofE Ailsa Hoyland Bruntcliffe Academy Vacant
Officers	
Phil Evans, Chief Officer resources Transformation and Partnerships	Academy – Special School (1 seat)
<i>Louise Hornsey, Head of Service, Finance</i>	Vacant
<i>Chris Sutton, Admissions and Family Information Lead</i>	
Lucie McAulay, Head of Service, Finance	Academy – Alternative Provision (1 seat)
Shirley Maidens, Finance	Vacancy
<i>Dan Barton Deputy Director, Learning</i>	Academy – Special Provision (1 seat)
	Mary Ruggles

	Title	Actions
1	Welcome and Apologies	
	Chair welcomed all and acknowledged apologies	
2	Schools Forum Membership	
2.1	Vacancies remain for: 1X Primary Governor 2 x Academy Mainstream 1 X Academy Alternative 1X Academy Special 1X Non School	
3	Minutes of Previous meeting	
3.1	Agreed as accurate.	
4	Matters Arising	
4.1	During the meeting, Peter initiated a review of the minutes from the last meeting and addressed matters arising. Key points included:	
4.2	<ul style="list-style-type: none"> • A review of the minutes from the last meeting, focusing on specific items such as insurance changes, refunds of DEDELEGATED reserves, and the excess surplus balance. • An update on the refunds of the DEDELEGATED reserves was provided, indicating that refunds had been processed and should reflect in the schools' accounts. • A brief overview of the financial balances for schools, showing a comparison of current balances with those from previous years. • The process for dealing with excess surplus balances was discussed, including the involvement of a panel and the outcome of their review. • There was a call for nominations for the chair position, with Peter expressing willingness to continue if no one else volunteered. 	
4.3	ACTION Peter will remain as Chair.	Peter
5	DSG Monitoring Report 24/25 Month 5	
5.1	Lucie presented the DSG monitoring report, highlighting a projected in-year overspend of £15.142 million, which is about 2.7% of the total DSG funding. The report detailed the financial status across different blocks:	
5.2	<ul style="list-style-type: none"> • Schools Block: A small surplus of 6K and an underspend of £273,000 in dedelegated budgets due to savings in the contingency fund and technical adjustments from academy conversions. • Early Years Block: A projected small surplus of £113,000 due to a final funding adjustment, with optimism that most of the early years budget will align with projections despite the introduction of additional funding for two-year-olds. • High Needs Block: A significant overspend of £15.273 million, even after a £3.5 million transfer from the school's block. Major pressures include £6.8 million overspend on out-of-area and residential placements, £2.9 million overspend 	

<p>5.3</p>	<p>on SEN top-ups to mainstream institutions, and a £359,000 combined overspend in services provided by children's and families. Additionally, a £3.4 million savings target included in the budget has not been met.</p> <p>Following the presentation of the DSG Monitoring Report for 24/25, specifically regarding the high needs block, several key points and questions were raised:</p> <ul style="list-style-type: none"> • Concerns and Clarifications: A member inquired about the reasons behind the significant overspend in out-of-area placements, questioning if it was due to a lack of sufficient places in Leeds compared to other authorities. Gary Saul responded, highlighting a shortage of about 600 special school places in Leeds and the financial pressures from out-of-area placements. He also mentioned that Leeds has a significant number of special school places taken up by pupils from surrounding authorities. • Benchmarking and Financial Implications: Member asked about benchmarking against other core cities and the implications of the deficit on the city's financial management. Shirley Maidens clarified that the high needs block deficit sits outside of the Council's finances, and there is no direct correlation in the DSG among core cities. However, she mentioned that Leeds traditionally has been a low spending authority, which might contribute to receiving less funding now. • Mitigation and Future Planning: Phil Evans mentioned that a paper detailing the issues surrounding the deficit position and potential mitigation strategies would be presented at the next meeting. He also noted the statutory override that prevents the local authority from having to fund the DSG deficit until the end of the 25/26 financial year. • Tribunals and Parental Preference: Gary Saul discussed the role of parental preference in the placement of children in out-of-area schools, mentioning ongoing tribunals about section I placements. He explained the financial implications and the challenges in finding local provision for the most complex children. 	
<p>5.4</p>	<p>ACTION Peter Harris suggested that a detailed report on the out-of-area and residential placements, including the number of children, their needs, and why they are not being met locally, should be brought to a future school's forum.</p>	<p>Gary</p>
<p>5.5</p>	<p>Lucie's presentation on Section 5 of the DSG Monitoring Report focused on the projected reserves and the requirement for a DSG deficit action plan. Here are the key points:</p> <ul style="list-style-type: none"> • Projected Reserves: The report projects a general fund deficit reserve of £13.37 million, offset by a dedelegated underspend of £564,000, leading to a total DSG deficit of £12.813 million by the end of the year. • DSG Deficit Action Plan: Due to the projected deficit, there's a requirement to submit a DSG deficit action plan to the DfE. This plan should identify mitigations and consider the management of the future DSG deficit. It will be presented to a future schools forum meeting once completed. 	

5.5	<p>Additionally, Lucie mentioned the Core Schools Budget Grant, a government grant to cover the 5.5% teacher’s pay award from September to March, which will be passported out to schools once received. A member added that the grant covers everything above the assumed headroom in budgets, which is 1.6%, and noted that for some, the grant more than exceeds the additional cost of the pay award. A member also recalled that the assumed increase schools were advised to budget for was more than the government's assumption, suggesting schools would benefit from this grant.</p>	
6	<p>DSG Medium Term Financial Strategy 25/26</p>	
6.1	<p>Lucie's presentation on the DSG Medium Term Financial Strategy for 25/26 highlighted several critical points:</p>	
6.2	<ul style="list-style-type: none"> • Projected Deficits: The strategy projects significant overspends within the DSG, escalating from £38.3 million to £105.1 million annually over the next three years, primarily within the high needs block. The cumulative deficit could reach £200 million by 27/28 if no mitigative actions are taken. • Funding Assumptions: The projections are based on an estimated DSG funding of £1.78 billion over three years, with the caveat that actual funding allocations for 25/26 have not yet been received from the DfE. The gains limit factor, which has historically reduced Leeds funding, is a significant concern, with its future status uncertain. • High Needs Block Pressures: The high needs block is expected to see overspends ranging from £38.2 million to £105 million, driven by increased demand and complexity in SEN provision. This includes substantial overspends on SEN top-ups and out-of-area placements. • DSG Deficit Action Plan: Due to the projected deficits, there's a requirement to submit a DSG deficit action plan to the DfE, aiming to identify mitigations and manage future deficits. This plan will be presented to a future schools forum meeting. • Statutory Override and Risks: The statutory override, which prevents the DSG deficit from impacting the council's general fund, is extended until the end of 25/26. However, the future of this override and its implications for Leeds finances remain a significant risk. 	
6.3	<p>The follow-up conversations and questions regarding the DSG Medium Term Financial Strategy for 25/26 focused on several key areas:</p> <ul style="list-style-type: none"> • Concerns about the Projected Deficit: Participants expressed alarm at the projected cumulative deficit of £200 million by 27/28, highlighting the extraordinary scale of the issue and the urgency of addressing it. • Discussion on the Gains Limit Factor: There was a discussion about the impact of the gains limit factor on Leeds funding, with questions about how it has affected Leeds position relative to the national average over the years and whether there has been any progress in closing the gap. 	
6.4	<p>ACTION Shirley and Lucie go back and look at the previous year’s figures</p>	<p>Shirley & Lucie</p>
6.5	<ul style="list-style-type: none"> • Queries about Specific Budget Lines: Questions were raised about specific budget lines in the strategy, such as the significant increase in the individual 	

6.6	<p>school's budget in 27/28 and the rationale behind it. It was clarified that there might have been a transposition error in the figures presented.</p> <p>ACTION – Shirley will adjust the figures</p>	Shirley
6.7	<ul style="list-style-type: none"> • Invest to Save Budget: There were queries about the purpose and impact of the Invest to Save budget, with a request for clarification on how it benefits schools. It was explained that the budget was initially allocated for a specific post related to coordinating early help, but the post is currently vacant, and future plans for the budget are under review. • Government Intervention and Safety Valve: The need for government intervention to address the funding crisis was highlighted, with references to the safety valve and delivering better value schemes as potential avenues for support. However, it was noted that Leeds might not yet be eligible for these schemes based on the current deficit projections. • Question was asked around table one schools block and why is there such a projection increase in the individual schools budget in 27/28 	
6.8	<p>ACTION Lucie will check the figures around census and update the report</p>	Lucie
7	Any Other Business	
7.1	Lucie advised the Forum that the next meeting's date may need to be reconsidered as the school funding consultation paper, which includes decisions on fund transfers, is due. However, funding information won't be available until October 30th, potentially requiring revised timelines.	
8	Forward Plan	
9	The forward plan is part of the papers.	
10	Meeting Dates for 2023-24 and Forward Plan	
	The dates for upcoming Forums are part of the papers. All invites have been sent.	
	Close	

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Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 9th December 2024

Subject: 2025/26 School Funding Proposals

Report Author: Lucie McAulay / Alex Russell

Contact telephone number: 0113 3788766

Summary of main issues

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years, and central schools services. The Education and Skills Funding Agency (ESFA) continues to use the national funding formula (NFF) to calculate the blocks within the DSG that are allocated to local authorities. Local authorities currently have some flexibility in how this funding is allocated to schools and to transfer funding between blocks, within the constraints set out by the ESFA.
2. Local authorities are required to consult with schools on proposals for funding arrangements and report back to their Schools Forum. Schools Forums are then responsible for either making decisions or providing views on the various proposals, in line with the powers set out by the DfE.
3. This report presents the outcome of a recent consultation with mainstream schools on funding arrangements for 2025/26. 70% of respondents supported the council's proposal to transfer 0.5% schools block funding to the high needs block from the schools block. 66% of maintained schools responding to the consultation also supported a contribution by maintained schools towards severance costs (to be applied at a rate of £2.50 per pupil, approx. £140k in total). In relation to the school funding formula, option one was preferred by the majority that expressed a preference 83%.

Recommendations

4. Schools Forum is asked to consider and vote on a proposal to transfer 0.5% from the schools block to the high needs block in 2025/26.
 - All Schools Forum members may vote on this proposal.

- It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
5. Maintained school members of Schools Forum are asked to consider and vote on a proposal for a contribution in 2025/26 by maintained schools towards the severance costs of maintained school staff, to be applied as a per-pupil amount of £2.50.
- Voting on this proposal is limited to maintained primary and secondary school members.
 - It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
6. Schools Forum is asked to consider and provide their views on the schools funding formula for 2025/26.
- The local authority is required to consult with Schools Forum on the funding formula, however the local authority retains the final decision on the formula to be used.

1 Purpose of this report

- 1.1 This report updates Schools Forum on the outcome of the consultation with maintained schools and academies on school funding arrangements for 2025/26, and requests decisions and views on a number of matters from Schools Forum members. This is in those members' capacity as representatives of the group that has elected them, whilst taking a strategic view across the whole education estate.
- 1.2 A further report will be brought to Schools Forum in January 2025 to confirm the final school funding allocations for 2025/26.

2 Background information

- 2.1 The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. The ESFA uses the national funding formula (NFF) to calculate the blocks within the DSG that are allocated to local authorities. Local authorities continue to have some flexibility in how this funding is allocated to schools, within the constraints set out by the ESFA.
- 2.2 The ESFA has not confirmed the date that the NFF will be fully implemented so it is possible there could be further transitional years beyond 2025/26. However, the government has reaffirmed their intention to move as soon as possible to a hard NFF where school budgets are set on the basis of a single national formula and local authorities are no longer involved in this decision.
- 2.3 The council recently held a consultation on school funding arrangements for 2025/26, between 21st November and 4th December 2024. At this time, the ESFA had not yet published school funding allocations or funding regulations for the 2025/26 financial year. Therefore it was not possible to provide the indicative funding implications at individual school level as has been provided in previous years. In this respect, in order to ensure that 2025/26 school budgets can be published within the required timescales, the school funding consultation was principle based.
- 2.4 A copy of the consultation documents issued to schools is attached as an appendix to this report.
- 2.5 The proposals in this report are subject to change pending the final funding allocations prior to the deadline for confirming final funding allocations to the ESFA on 22nd January 2025. A Schools Forum meeting has been arranged on 16th January 2025 ahead of this deadline, where the full final proposals will be confirmed.

3 Main issues

3.1 Summary of consultation

- 3.1.1 Of the 267 schools consulted with, 92 responses were received (compared to 73 the previous year). Comments and key themes from the responses have been summarised in the relevant sections below. The question regarding severance was applicable to maintained schools only.

3.1.2 The council consulted on the following proposals:

- a) A 0.5% transfer between from the schools block to the high needs block in 2025/26.
- b) Two options for funding formula for 2025/26:
 - Option 1: A minimum funding guarantee of 0.00% with all other factors remaining in line with the national funding formula.
 - Option 2: A reduced minimum funding guarantee of -0.5% with all other factors remaining in line with the national funding formula.
- c) A contribution in 2025/26 by maintained schools to be applied as a per pupil amount of £2.50 estimated to be a total of £140k.

3.1.3 70% of respondents supported the transfer from the schools block to the high needs block. 66% supported the contribution by maintained schools towards severance costs in 2025/26. In relation to the funding formula, the majority (83%) voted for option one.

3.1.4 Further detail on each of the proposals and consultation responses are provided below.

3.2 Transfer from the schools block to the high needs block

Background

3.2.1 The council consulted on a 0.5% transfer from the schools block to the high needs block. Detailed information was provided to schools on the background to our proposals as part of the consultation document. The full consultation document is attached as an appendix to this report, but in summary the key points were:

3.2.2 The ESFA expects most movements from schools block will be due to pressures on high needs budgets.

3.2.3 The high needs block in Leeds, in common with many around the country, is under considerable pressure due to increasing high needs demand and complexity of children's needs.

- The most recent projection for the high needs block is an overspend of £15.27m in 2024/25; this represents 0.18% of the total high needs budget. It's important to note that if the transfer from the schools block had not been done in 2024/25, the projection would be an overspend of £19.53m. In 2023/24 the high needs block had an overspend of £3.922m, this would have been £7.260m had the transfer not been done in 2023/24.
- Spending on the high needs block is currently forecast to be £38.2m more than the funding available for 2025/26, increasing to a £64.3m deficit projected by 31st March 2027.
- In previous years Leeds has been subject to a gains limit factor, if the gains limit factor had not been in place, Leeds would also have been allocated an additional £27.48m of high needs block funding between 2018/19 and 2024/25

- Although the provisional 2025/26 high needs block allocation for Leeds shows an increase in funding of £12.50m compared to 2024/25, there is still a gains limit factor in place. If the cap on gains was not in place the council would gain an additional £3.03m
- The local authority can transfer up to 0.5% (£3.54m in 2024/25) from the schools block with Schools Forum approval, with the option to transfer more with approval from the DfE.
- The transfer to the high needs block will not be used to fund other council services and will only be used to fund high needs costs.

- 3.2.4 The Leeds SEN2 return to the DfE reported a 60%+ increase in the number of requests for EHC Assessments in the calendar year 2022, and increased demand continued throughout 2023 with a further 17% increase in the number of requests received. This is due to both the longer-term trend of growing need in the community, as well as a significant number of referrals which were thought to have been delayed until schools returned after the pandemic and identified unmet need. The number of EHC Plans in total continues to increase, by over 15% in the last two years. This is a consistent long-term trend since 2013, mirrored by national comparators.
- 3.2.5 At the present time we are working to develop more specialist resourced bases in mainstream schools for specific areas of identified need. This is alongside the creation of a new generic special school, continued conversations about expansions of our existing special schools, and an ongoing bid with the DfE to develop a 200 place SEMH special free school.
- 3.2.6 It must also be noted that even though we have a planned programme of developing additional provision across the city there will still remain the need to commission out of authority places for those learners with highly complex and individual needs that require a bespoke package. Focused work has been undertaken to reduce dependence on expensive out of authority independent school places, so that such resources can be reinvested locally.

Consultation responses

- 3.2.7 92 responses were received to this proposal. 64 (70%) supported the proposal and 28 (30%) did not.
- 3.2.7.1 Some respondents provided comments, some of which have been included below.

Those in favour of supporting the transfer;

- “Whilst we support this in principle, all school settings need assurance that the high needs monies are being used in the most efficient and effective way. This should also seek to ensure that funding increases for special schools are consistent with mainstream schools thus ensuring all children are treated equitably.”
- “This is vital to continue to support mainstream schools face the rise in numbers and demands faced for SEND pupils.”

Those not in favour of supporting the transfer;

- “This reduces funding for all schools. It is important that if needs are increasing, and needing to be funded across the authority, this money is taken from other services not from schools funding.”
- “The HNB is massively overspending and this does little to address it. Transfers have masked the effect of Leeds' underfunding.”

3.2.8 Proposal

- 3.2.9 The majority of respondents supported our original proposal, and therefore the local authority is still proposing to transfer 0.5% from the schools block to the high needs block.
- 3.2.10 The movement of up to 0.5% from the schools block is a Schools Forum decision. In the event that Schools Forum does not agree with our proposals, the DfE can adjudicate if the local authority wanted to request this.
- 3.2.11 The proposed transfer from the schools block to the high needs block only relates to proposals for 2025/26. In 2026/27 it is possible that a further request could also be made to transfer funds from the schools block to the high needs block, providing this is still allowed by the DfE. This would depend on the savings that can be made through other means or if additional funding was forthcoming. If a further transfer was required, it would form part of a separate consultation during the next financial year.
- 3.2.12 The council is required by the DfE to present a range of evidence to support our proposal to transfer funding from the schools block to the high needs block.

3.3 **Schools funding formula**

Background to the proposal

- 3.3.1 The council is required to apply a funding formula in order to allocate schools block funding to schools. The ESFA sets a range of factors we are able to use in the formula. Within each of these factors there are also certain restrictions that can apply, for example the weightings that can be used for each factor, minimum funding levels and a cap on gains.
- 3.3.2 As the ESFA have not yet published indicative funding allocations we have been unable to model the impact of a proposed funding formula. However using the principles established in previous years for the formula, we are consulting on the minimum and maximum funding guarantee options provided for within the latest policy update. These are:
- Option 1: A minimum funding guarantee of 0.00% with all other factors remaining in line with the national funding formula.
 - Option 2: A reduced minimum funding guarantee of -0.5% with all other factors remaining in line with the national funding formula.
- 3.3.3 The options are summarised in the table below:

Funding formula factor	2024/25 (for comparison)		2025/26		
	National Funding Formula	Leeds Funding Formula	National Funding Formula	Leeds Option 1	Leeds Option 2
Minimum funding guarantee ¹	0.5% per pupil	0.5% per pupil	0.0% per pupil	0.0% per pupil	-0.5% per pupil
Cap on gains ^{1, 2}	No cap	1.26% per pupil	No cap	tbc	tbc
Minimum per pupil funding level ^{1, 2}	Secondary £5,995 Primary £4,610	Secondary £5,995 Primary £4,610	Secondary £6,465 Primary £4,955	Secondary £6,465 Primary £4,995	Secondary £6,465 Primary £4,995

3.3.4 The final funding allocation for 2025/26 will be confirmed by the ESFA in late December 2024 and will be based on October 2024 pupil data.

Consultation responses

3.3.5 92 responses were received on the funding formula:

- 76 (83%) preferred option one
- 16 (17%) preferred option two

3.3.6 Comments from schools generally supported option one on the basis that this option is as close to the NFF as possible.

Proposal

3.3.7 The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. This proposal is only for 2025/26, and the Council will be required to consult again next year on the 2026/27 funding formula if the National Funding Formula will not be fully implemented at that time.

3.3.8 Schools Forum has previously expressed a preference to move as close as possible to the National Funding Formula, which is best represented by the first option (0.0% minimum funding guarantee), this did receive the majority of support in the consultation (83%).

3.3.9 The final funding formula for 2025/26 will be approved in line with the council's decision-making framework and we will submit details of the funding allocations for schools to the ESFA by their deadline of 22nd January 2025.

3.3.10 In addition to providing funding based on the October 2024 census, the ESFA provides an allocation for growth in the formula based on changes between the

October 2023 and October 2024 census. This growth allocation is used to create a Growth Fund which provides support for costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The allocation is also used to fund estimated pupil numbers in the formula for new schools that have opened in the last seven years and are still adding year groups. The council's growth allocation for 2025/26 will not be confirmed until December. This is an area of risk as if the amount of growth funding allocated to Leeds is insufficient compared to projected demand then this may reduce funding available to be delivered to schools through the formula. If this was the case, then we will report details to Schools Forum at the meeting on 16th January 2025.

- 3.3.11 For the first time in 2024 to 2025 the ESFA provided an allocation for falling rolls. Falling rolls funding is distributed on the basis of the reduction in pupil numbers that local authorities experience for each year. It will be based on the observed differences between the primary and secondary numbers on roll in each local authority between the October 2023 and October 2024 school censuses. Local authorities will continue to 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.
- 3.3.12 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. Details will be brought to the Schools Forum meeting in 16th January 2025 on any proposed falling rolls fund, the proposed amount and criteria for allocation to schools of the 2025/26 falling rolls fund.
- 3.3.13 In relation to PFI schools, the DfE provides additional PFI funding in the council's allocation to recognise the additional costs associated with these contracts, which the council then distributes to PFI schools through the funding formula. For 2025/26 we will again be requesting permission from the DfE to exclude any PFI funding delivered through the formula from the calculation of the minimum funding guarantee. This will ensure that the per-pupil funding for PFI schools is calculated on the same basis as non-PFI schools and that they receive the correct amount of PFI funding to support their contributions to contract costs.

3.4 Contribution towards severance costs for maintained schools

Background to the proposal

- 3.4.1 The council consulted on a proposal for maintained schools to contribute £2.50 per maintained school pupil which is an estimated total of £140k towards the severance costs of maintained school staff, which are charged to the council.
- 3.4.2 This is in line with 2024/25 when Schools Forum agreed that maintained schools would contribute £2.50 per maintained school pupil to severance costs, following support for this proposal by the majority of maintained schools that responded to the consultation.

- 3.4.3 Current legislation states that premature retirement costs are chargeable to the school's delegated budget while redundancy costs are charged to the local authority's budget.
- 3.4.4 For 2025/26 we are proposing that maintained schools contribute towards severance costs as they are driven by school decisions, although we appreciate that this may be as a result of financial pressures. However, this approach is equitable with the treatment of academies, who no longer receive funding for severance costs and are responsible for meeting this cost themselves.

Consultation responses

- 3.4.5 50 responses were received from maintained schools to this proposal; 33 (66%) supported the proposal and 17 (34%) did not.
- 3.4.5.1 Some respondents provided comments, some of which have been included below.

Those in favour;

- "It is helpful to know there is support for this if needed."
- "I believe this is a necessary mechanism for schools at this time as these costs which are often unplanned can often be challenging for schools to cover in lump sums."

Those against;

- "School staff are employed by the Local Authority, costs should be covered by the LA and not funded through student budgets."

Proposal

- 3.4.6 As the majority of maintained schools responding to the consultation supported our proposal, the council is requesting that maintained schools contribute £2.50 per pupil (approx £140k) towards severance costs for maintained schools.
- 3.4.7 Maintained school members of Schools Forum are able to decide on whether to accept this proposal. In the event that Schools Forum does not agree with our proposal, the DfE are able to adjudicate if the council wanted to request this.

4 Recommendations

- 4.1 Schools Forum is asked to consider and vote on a proposal to transfer 0.5% from the schools block to the high needs block in 2025/26.
- All Schools Forum members may vote on this proposal.
 - It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
- 4.2 Maintained school members of Schools Forum are asked to consider and vote on a proposal for a contribution in 2025/26 by maintained schools towards the severance costs of maintained school staff, to be applied as a per-pupil amount of £2.50.

- Voting on this proposal is limited to maintained primary and secondary school members.
- It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.

4.3 Schools Forum is asked to consider and provide their views on the schools funding formula for 2025/26.

- The local authority is required to consult with Schools Forum on the funding formula, however the local authority retains the final decision on the formula to be used.

Appendix A - Additional Information – High Needs Block Transfer 2025/26

This document is intended to provide further background information for context with regards to the request to transfer funding from the Schools Block into the High Needs Block in 2025/26.

The key issues to note are:

- **Funding:** The latest advice to local authorities indicates that for 2025/26, the funding increase will be between 7% and 10%. Previous advice has been to assume a 3% year on year increase in high needs funding from 2026/27 onwards. This would result in an in-year funding shortfall of between £38.2m and £105.0m between 2025/26 and 2027/28.
- **Cap on funding:** The formula to allocate high needs funding will continue to have an element relating to the gains limit factor (cap). Since 2018/19 Leeds has lost £27.48m of high needs funding due to the cap. It is not yet known if there will be a gains limit factor applied to Leeds in 2025/26 as the high needs block funding allocations have not yet been issued.
- **Demand and Complexity:** In line with the national picture, Leeds continues to experience an increase in high needs demand and complexity with this trend expected to continue. The projected increases in level of need, and associated costs, significantly exceed the increase in funding forecast beyond 2025/26.

National SEND review and Change Programme

In September 2023 the DfE commenced a Change Programme, working with partner local authorities to trial the reforms as proposed in the national [SEND and Alternative Provision Improvement Plan](#). Leeds is part of the Yorkshire and Humber Change Programme Partnership and will therefore be working together with the DfE and local authorities in Wakefield, Bradford and Calderdale, to pilot ideas and shape future recommendations.

Part of the proposed reforms includes the establishing of National Standards, a series of benchmarks and expectations of what can be expected to be provided for children and young people with various levels of SEND. The proposals suggest that national funding bands and tariffs, consistent across every authority, will sit alongside the National Standards agenda. Consequently the outcomes of the Change Programme, and the resultant proposals and recommendations, will have important implications for how support for pupils with SEND is delivered, and how this will be funded, when and by whom. We do not yet know what impact these proposals will have on the projections for the high needs block.

Funding increases

Local authority allocations are currently released on an annual basis and it is not yet known what the funding level will be for 2025/26 as the high needs block allocations have not yet been issued.

A summary policy note was issued on 5th November which stated that the high needs NFF includes a funding floor that provides a minimum increase of 7% per head of a local authority's 2 to 18 population. Gains under the formula will be limited to 10% per head. It is estimated that this could result in increased income of between £9.1m - £13m compared to the 2024/25 allocation. However, as the pressure for 2025/26 is estimated to be £38m, there is still a shortfall compared to the funding available.

As we do not have confirmed allocations for 2025/26, the figures presented in the table below assume a 3% increase in high needs funding each year, as reported to Schools Forum in October 2024. There is however a risk that the national increase could be lower. It is also possible that the high needs funding increase could be higher than estimated. To provide some context for the potential impact of funding increases, for every 1% increase in the high needs allocation there would be approximately £1.3m of additional funding received.

Medium Term High Needs Projection	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
DSG Income	(124.3)	(124.4)	(128.2)	(131.3)
Funding from reserves	(3.5)	0.0	0.0	0.0
Funding passported to institutions	134.1	153.9	183.5	227.0
Commissioned Services	2.8	2.6	2.7	2.8
Directly managed by Children & Families	6.2	6.1	6.3	6.5
Projected funding shortfall	15.3	38.2	64.3	105.0

Gains limit factor (cap on gains)

Although funding has increased since the national funding formula was introduced, some DSG funding increases have been subject to a funding floor and gains limit factor to ensure a minimum level of increase for every local authority and to reduce the impact of year-on-year changes to funding levels. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block.

Although Leeds has been receiving the maximum increases allowed under the gains limit factor (cap), it is less than the national funding formula entitlement. If this had not been in place, Leeds would have been allocated an additional £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). The gains limit factor remains a feature of the NFF, though as funding allocations for 2025/26 have not yet been issued, it is not yet known if this will be applicable to Leeds.

High needs demand and complexity

In line with the national picture, Leeds has experienced an increase in high needs demand and complexity in recent years, with this trend expected to continue. However as noted above there is currently still a cap on funding increases and to date any additional funding received by Leeds has been exceeded by increased costs.

The Leeds SEN2 return to the DfE reported a 60%+ increase in the number of requests for EHC Assessments in the calendar year 2022, and increased demand continued throughout 2023 with a further 17% increase in the number of requests received. This is due to both the longer-term trend of growing need in the community, as well as a significant number of referrals which were thought to have been delayed until schools returned after the pandemic and identified unmet need. The number of EHC Plans in total continues to increase, by over 15% in the last two years. This is a consistent long-term trend since 2013, mirrored by national comparators.

At the present time we are working to develop more specialist resourced bases in mainstream schools for specific areas of identified need. This is alongside the creation of a new generic special school, continued conversations about expansions of our existing special schools, and an ongoing bid with the DfE to develop a 200 place SEMH special free school.

It must also be noted that even though we have a planned programme of developing additional provision across the city there will still remain the need to commission out of authority places for those learners with highly complex and individual needs that require a bespoke package. Focused work has been undertaken to reduce dependence on expensive out of authority independent school places, so that such resources can be reinvested locally.

The largest increase in expenditure in these projections is in funding to mainstream schools. Once adjusted for increases in FFI unit rate, top up funding increased by 25.84% between 2022/23 and 2023/24 and a further 35.37% between 2023/24 and 2024/25. On top of this, additional block funding increased by 88.46% and 97.84% over the same period. Assuming this trend continues, the funding paid to mainstream schools is projected to increase from £31.8m in 2023/24 to £62.3m in 2025/26.

Funding paid to high needs settings

The FFI unit rate for 2024/25 remained at £696 for mainstream, early years and post 16 settings. At this stage the unit rate is not expected to increase further in 2025/26 for these settings.

For special schools, summary policy notes states that the minimum funding guarantee (MFG) for special schools will be 0%. In addition, there will be a core schools budget grant for special schools and AP settings in 2025/26. Nationally, the value of this grant has been set at £480m, though no information has been received on how much of this will be allocated to Leeds settings. This is different to mainstream schools where 2024/25 grants have been rolled into the base funding for 2025/26.

The vast majority of the high needs block is passported to institutions. A review in 2017/18 showed that £49.3m or 86.87% of the block was passported. However, the current projections for 2024/25 shows £134.1m or 93.7% is expected to be passported.

One of the largest increases in recent years relates to funding paid to mainstream settings. The current projections for 2024/25 show a 35.37% increase in top ups and a 97.84% increase in additional £6k blocks paid to mainstream settings compared to actual costs in 2023/24. In total, funding paid to mainstream settings is projected to be £12.3m higher in 2024/25 than in 2023/24.

If a transfer to the high needs block is not agreed, we will need to look at other options to ensure the high needs block remains in balance, which may include reviewing eligibility criteria and notional block calculations. This would likely result in a reduction in the amount of funding available to schools and academies.

Funding transfers between DSG blocks

Since 2017/18 a total of £22.69m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£21.04m from the schools block and £1.65m from the central school services block). For 2024/25, a transfer of £3.54m was agreed. The high needs block is currently projected to be overspent by £15.27m, if the transfer had not been agreed, the block would be projecting an even greater overspend of £18.81m.

Beyond 2025/26 it is not known whether funding can continue to be moved between DSG blocks in this way, as the DfE has indicated the ability for local authorities to do this in future will become more limited.

If funding transfers are still allowed in future, any transfers from the schools block to the high needs block would require annual consultation with schools and approval by the Leeds Schools Forum.

School funding arrangements 2025/26

CONSULTATION

1. Summary of key points

1.1. This consultation is on school funding arrangements for 2025/26.

1.2. At this time, the ESFA have not yet published school funding allocations or funding regulations for the 2025/26 financial year. Therefore it is not possible to provide the indicative funding implications at individual school level as has been provided in previous years. In this respect, in order to ensure that 2025/26 school budgets can be published within the required timescales, we are undertaking a principles-based school funding consultation.

The consultation covers:

- a) Transfer of up to 0.5% of funding from the schools block to the high needs block of the Dedicated Schools Grant (DSG), in order to provide funding to schools in relation to high needs pupils.
- b) The formula for allocating schools block funding to mainstream schools.

For maintained mainstream schools only the following is included in the consultation:

- c) A contribution towards the severance costs of maintained school staff.

1.3. The consultation is open until the end of Wednesday 4th December 2024. Unfortunately, we are unable to offer a longer period for comment due to the need to meet ESFA deadlines.

1.4. If you have any queries during the consultation period, please email training.schools@leeds.gov.uk, or contact us by telephone on 0113 3788245.

1.5. Responses to the consultation should be made online via this link:

<https://surveys.leeds.gov.uk/s/7HYIEG/>

1.6. We will report to Schools Forum on 9th December 2024 on the outcome of the consultation.

2. Background

2.1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years, and central schools services. The Education and Skills Funding Agency (ESFA) continues to use the national funding formula (NFF) to calculate the blocks within the DSG that are allocated to local authorities. Local authorities currently have some flexibility in how

this funding is allocated to schools and to transfer funding between blocks, within the constraints set out by the ESFA.

- 2.2 In previous years the ESFA has published indicative DSG funding settlements for all local authorities whilst also publishing formula funding operational guidance, including any changes in arrangements. However due to the general election, the DSG settlements and detailed operational guidance for the 2025/26 financial year have not yet been published. In a policy update released on 6th November, the ESFA has briefly outlined National Funding Formula arrangements for 2025/26 for schools and high needs.
- 2.2. The ESFA has announced an additional £1.3 billion of funding to schools, this increase includes the consolidation of the full year impact of the Core Schools Budget announced in July 2024 as well as the teachers pay and pension grants. These grants will now be assumed within the base funding formula and will not be paid as separate grants.
- 2.3. It has also been announced that that additional funding will be allocated to schools to support the cost of the NI increase and that this likely will come in the form of an additional separate grant in 2025/26 to mainstream and special schools. At this time we do not have any further information on this.
- 2.4. With regards to high needs funding the government has announced that an additional £1bn will be allocated to support SEND and Alternative Provision. This includes the continuation of the Core Schools Budget Grant (CSBG) on a full year basis for special schools and AP Academies / PRUs. The remainder of the £1bn will be allocated to local authorities via the High Needs Block.
- 2.5. The ESFA have stated that indicative DSG allocations will be issued at the end of November at the earliest with final DSG allocations to be published in December 2024. These allocations will reflect pupil data from October 2024.
- 2.6. We will report to Schools Forum on 9th December 2024 with the outcome of this consultation and draft proposals for funding arrangements in 2025/26. The final proposals for the funding arrangements will be taken to Schools Forum in January 2025, following the receipt of updated funding information from the ESFA in December 2024. Mainstream maintained schools will be advised of their final funding allocation by the council by the end of February 2025. Mainstream academies will be notified of their funding allocations directly by the ESFA.

3. Consultation

Transfers to the high needs block

- 3.1. We are consulting on a 0.5% transfer from the schools block to the high needs block.

Background

- 3.2. The schools block is mainly ring-fenced, but local authorities are able to transfer up to 0.5% of it with the agreement of their Schools Forum, and after consultation with schools. There is also the ability to submit a request to the ESFA to transfer more than 0.5%. The final value of the 0.5% is dependent on the final grant allocation which will not be received until December 2024. For Leeds, in 2024/25 the 0.5% transfer equated to £3.54m.

- 3.3. The ESFA expects that most proposals by local authorities to move funding from their schools block will arise as a result of pressures on their high needs budgets. The high needs block in Leeds, in common with many around the country, is under considerable pressure due to increasing demographic growth and complexity of children's needs.
- 3.4. The most recent projection for the high needs block is an overspend of £15.27m in 2024/25.
- 3.5. The medium-term forecasting indicates continued pressure on the high needs block going forward, reflecting increasing demand. Spending on the high needs block is currently forecast to be £38.2m more than the funding available for 2025/26, increasing to a £64.3m deficit in 2026/27. More detail and context regarding the current and future demands on the high needs block, and therefore the need for the transfer, is contained in Appendix A.
- 3.6. In previous years Leeds has been subject to a gains limit factor, if the cap on gains had not been in place, Leeds would also have been allocated an additional £27.48m of high needs block funding between 2018/19 and 2024/25. Although the ESFA have indicated that there will continue to be a gains limit factor in 2025/26 it is not yet known if this will be applicable to Leeds.

Proposal

- 3.7. As set out above we are proposing a transfer to the high needs block of 0.5% from the schools block. The ESFA allows us to transfer up to 0.5% from the schools block with the agreement of Schools Forum.
- 3.8. Although a transfer from the schools block allocation for Leeds will effectively reduce the schools block allocations, any funding transferred to the high needs block is effectively then redistributed to schools through the funding mechanisms associated with that block.
- 3.9. The impact on individual schools in the funding formula of the proposed 0.5% transfer will vary, depending on the formula adopted. However in the absence of any indicative funding allocations we are unable to estimate the impact of the transfer on each school as provided in previous years. Further details of the formula options under consultation are provided in section 4 below.
- 3.10. Following the consultation, we will take our proposal to Schools Forum on 9th December 2024 on any transfer from the schools block to the high needs block. Schools Forum will decide on whether to accept the council's proposal on the transfer from the schools block. In the event that Schools Forum does not agree, the DfE will adjudicate.
- 3.11. In future years a further request could also be made to transfer funds from the schools block to the high needs block. This would depend on the projections for the high needs block budget at the time. If a further transfer was required, it would form part of a separate consultation during the next financial year.

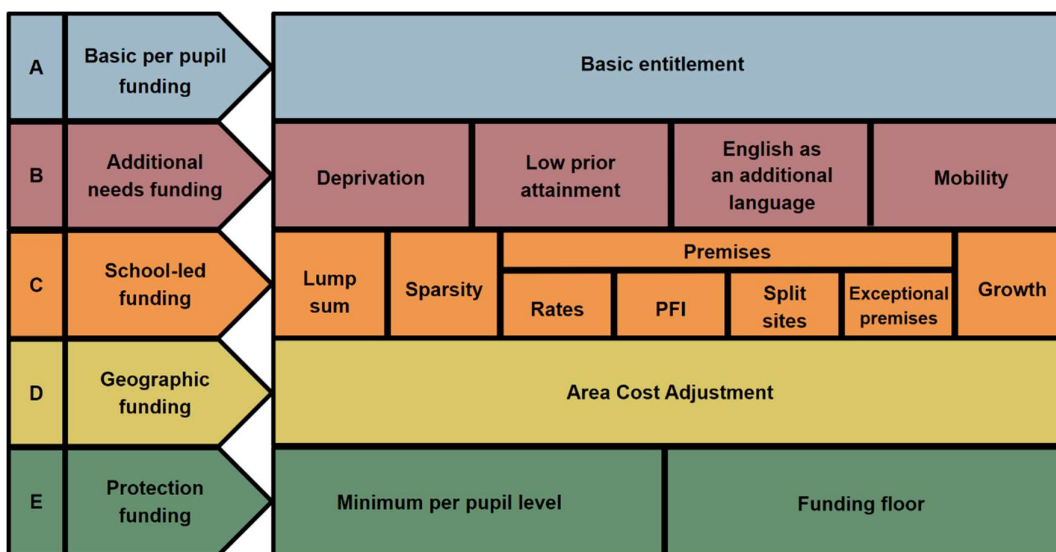
4. Mainstream Schools funding formula

Background

- 4.1. The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. The local authority retains the final decision on the formula to be used which will apply to all mainstream maintained schools and academies.
- 4.2. The council is proposing to continue to move as close as possible to the national funding formula for 2025/26 as has been the approach taken since 2018/19, which has previously

been supported by the majority of schools that responded to the consultation and also Schools Forum.

- 4.3. The national funding formula for schools will continue to comprise of various factors that provide basic per-pupil funding, additional needs funding (such as deprivation funding) and school-led funding (such as a lump sum payment). A summary is provided below.



- 4.4. A number of changes have been announced which provide increases in funding for local authorities in 2025/26. It should be noted that these form the basis on which the council is allocated the schools block funding for all Leeds mainstream schools and academies, however the council has the ability to set a different funding formula in response to local need.

- 4.5. If funding is transferred from the schools block to the high needs block, it will not be possible to fully move to the national funding formula as not enough funding will remain.

Provisional Formula factor increases

- a) The basic per pupil funding factor, FSM6 and the lump sum factors have been increased to reflect the rolling in of the Core Schools Budget grant as well as the teachers pay and pension grants into the NFF baseline.
- b) In addition, the core factors in the NFF – the basic per pupil funding factor, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity, and the school - will increase marginally.
- c) After taking account of the funding that schools received through the Core Schools Budget Grant, and the Teachers Pay and Pension Grant the latest policy update states that funding is effectively “cash flat” at 0% for the Schools block.

- d) Schools funding formula: The council can continue to decide to allocate these increases out differently to schools if needed, subject to any ESFA restrictions or requirements for minimum funding increases.

Minimum funding guarantee

- a) Schools funding formula: As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools between -0.5% and +0.0%. In 2024/25 Leeds set a minimum funding guarantee of +0.5%.

Cap on gains

- a) Funding allocated to the council: The schools NFF will not include a gains cap under the 2025/26 formula.
- b) Funding allocated to schools: There is still local discretion to set a cap in the formula if needed. The cap on gains for Leeds schools was set by the council at 1.26% in 2024/25 to account for funding transferred from the Schools Block to the High Needs Block. To allow for the transfer to the High Needs Block a cap on gains would be necessary again in 2025/26. Any capping must not take schools below the minimum funding levels.

Minimum Funding Level increases

- a) Funding allocated to the council: Increases have been announced in the minimum funding levels for 2025/26 to £6,465 per pupil for secondary schools and £4,955 per pupil for primary schools. Schools that benefit from the minimum funding level are those that receive less targeted funding through the other formula factors. This generally means that schools that have lower funding provided through the additional need factors are more likely to be below the minimum funding level and therefore receive an uplift to this amount.
- b) Funding allocated to schools: The government expects that the minimum funding levels will be provided to schools in 2025/26 and this a mandatory requirement.

Funding formula options

- 4.6. Although local authorities have some discretion to adjust the funding formula there are also many restrictions on what can be adjusted which limits the council's options for adjusting the formula.
- 4.7. Using the principles established in previous years for the formula, we are consulting on the minimum and maximum funding guarantee options provided for within the latest policy update.

Option 1: A minimum funding guarantee of 0%, all other factors are in line with the national funding formula. A cap on gains will be applicable subject to a proposed transfer from the schools block to the high needs block. In the absence of indicative funding allocations we are unable to model the impact of the cap on gains.

Option 2: A reduced minimum funding guarantee of -0.5%. All other factors are in line with the national funding formula (see table below).

Funding formula factor	2024/25 (for comparison)		2025/26		
	National Funding Formula	Leeds Funding Formula	National Funding Formula	Leeds Option 1	Leeds Option 2
Minimum funding guarantee ¹	0.5% per pupil	0.5% per pupil	0.0% per pupil	0.0% per pupil	-0.5% per pupil
Cap on gains ^{1,2}	No cap	1.26% per pupil	No cap	tbc	tbc
Minimum per pupil funding level ^{1,2}	Secondary £5,995	Secondary £5,995	Secondary £6,465	Secondary £6,465	Secondary £6,465
	Primary £4,610	Primary £4,610	Primary £4,955	Primary £4,995	Primary £4,995

¹ Excluding premises-based funding

² The minimum per pupil funding level cannot be subject to the cap on gains

4.8. The ESFA's final funding allocations in December 2024 may result in changes to the final school formula. The final funding allocation will also include growth fund provisions and if the amount allocated for growth is insufficient this will affect the affordability of the options proposed in this consultation.

5. Contribution towards severance costs - maintained mainstream schools only

5.1. We are also consulting on a proposal for maintained schools to make contribution of £2.50 per maintained school pupil, based on forecast pupil numbers towards the severance costs of maintained school staff, which are charged to the council. This would equate to an estimated total of £140k.

5.2. This is in line with 2024/25 when Schools Forum agreed that maintained schools would contribute £2.50 per maintained school pupil based on forecast numbers at the time.

5.3. The £2.50 per pupil contribution is being proposed for 2025/26 as the council continues to face a significant budget pressure from the reduction in the Education Services Grant (ESG) over a number of years. ESG has been used to fund a wide range of services for schools such as school improvement, asset management, education welfare services and other statutory and regulatory services as well as the severance costs of maintained school staff. As the grant has been reduced the council has sought to protect these services.

- 5.4. For 2025/26 we are proposing that maintained schools contribute towards severance costs as they are driven by school decisions, although we appreciate that this may be as a result of financial pressures. However, this approach is equitable with the treatment of academies, who no longer receive funding for severance costs and are responsible for meeting this cost themselves.
- 5.5. Following the consultation, we will take a proposal to Schools Forum on 9TH December 2024 in relation to a contribution from maintained schools for severance costs for maintained school staff. Maintained school members of Schools Forum will decide on whether to accept this proposal. In the event that the local authority proposes a contribution, but Schools Forum does not agree, the DfE is able to adjudicate if the local authority still wishes to seek a contribution.

6. Consultation responses

- 6.1. Responses to the consultation should be made via the online survey <https://surveys.leeds.gov.uk/s/7HYIEG/> by the end of Wednesday 4th December 2024. We will report to Schools Forum on 9th December with the outcome of the consultation.
- 6.2. The final proposals for the funding formula will be taken to Schools Forum in January 2025, following receipt of updated funding information from the ESFA in December 2024. Mainstream maintained schools can expect to be advised of their final funding allocation by the council end of February 2025. Mainstream academies will be notified of their funding allocations directly by the ESFA.

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Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 4th October 2024

Subject: Dedicated Schools Grant – Medium Term Financial Strategy 2025/26 – 2027/28

Report Author: Lucie McAulay

Contact telephone number: 0113 3788766

Summary of main issues

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services.
2. Over the three year period 2025/26 – 2027/28 the DSG is projected to overspend from £38.3m to £105.1m per year if no action is taken. The majority of the overspend is on the high needs block and the council is currently reviewing the options available for managing this as required by the Department for Education.
3. The projected overspend in 2025/26 means that the council would consult on a further block transfer from the schools block to the high needs block for 2025/26 if this is permitted within the school funding regulations 2025/26.

Recommendations

4. Schools Forum is asked to note the medium term projections for the Dedicated Schools Grant and the work ongoing to identify and implement actions in order to achieve a balanced financial position.

1 Main issues

1.1 Background

- 1.1.1 The Dedicated Schools Grant (DSG) is allocated by the Education and Skills Funding Agency (ESFA) and is the main source of income for local authorities' schools' budgets. It consists of four funding blocks: schools, high needs (special educational needs), early years and central school services (provided by the Council). The Council is forecast to receive DSG Funding of £1,784m over the next 3 years and further details are provided in Table 1.
- 1.1.2 Along with many other local authorities, Leeds is currently not receiving the full allocation of DSG due under the national funding formula, as there is a gains limit factor on some of the funding increases and this has contributed to created pressures on the DSG account. If the gains limit factor had not been in place, Leeds would have been allocated an additional £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). Provisional funding allocations for 2025/26 have not yet been released by the ESFA and so it is not yet known if a further funding gains limit factor will apply to the high needs block in 2025/26. Leeds was one of the 32 local authorities out of 151 that continued to have their funding capped in 2024/25.
- 1.1.3 In accordance with the Education Act, some of the DSG can be retained by the Council to provide services for schools, though the majority is passed directly on to schools and other educational settings. There is some flexibility within the regulations in how funding is allocated out to schools and it is also currently possible to move a small proportion of funding between the different blocks of the DSG to offset overspends, although this is subject to strict regulations and requires annual consultation with schools and Schools Forum approval.

1.2 Projections

- 1.2.1 As shown in Table 1 below, the schools block and early years block budgets are expected to balance over the next three years, based on previous trends and forecast data. Table 1 shows the projected DSG deficit for each year. Table 2 shows the projected cumulative DSG deficit at the end of each year. Due to a high level of uncertainty with regards to future national changes in how support for pupils with SEND is delivered and funded the DSG medium term strategy covers the next three financial years. These projections will be subject to further review when certainty over the planning horizon improves.
- 1.2.2 In line with national trends, the key pressure anticipated in the MTFS for DSG relates to the high needs block, which provides funding in relation to pupils with special educational needs. Table 3 shows the projected High Needs position over the next three years. The assumptions and risks associated with the projections for this funding block and plans to address the overspend are set out in further detail in the sections that follow. There is also a small pressure on the central school services block largely due to the phased reduction in DSG for any historical council expenditure no longer deemed eligible for funding.

- 1.2.3 As a result of the projected overspend shown below, the council intends to consult on a further block transfer for 2025/26 if permitted within the funding regulations 2025/26.

Table 1 – Dedicated Schools Grant projected income and expenditure

	2025/26	2026/27	2027/28
	£m	£m	£m
Schools Block			
DSG Income	(349.0)	(358.6)	(367.1)
Individual Schools Budgets	341.5	350.9	359.2
De-delegated budgets	6.0	6.2	6.4
Growth Fund	1.5	1.5	1.5
	(0.0)	(0.0)	0.0
Central School Services Block			
DSG Income	(5.2)	(5.3)	(5.4)
CSSB Expenditure	5.3	5.4	5.5
	0.1	0.1	0.1
Early Years Block			
DSG Income	(100.2)	(104.9)	(104.1)
3 and 4 year old entitlement	50.5	49.0	47.6
2 year old entitlement	27.7	31.2	31.7
Under 2 years old	16.2	19.0	19.2
Other early years provision	5.8	5.7	5.6
	0.0	0.0	0.0
High Needs Block			
DSG Income	(124.4)	(128.2)	(131.3)
Funding passported to institutions	153.9	183.5	227.0
Commissioned services	2.6	2.7	2.8
Directly Managed by Children & Families	6.1	6.3	6.5
	38.2	64.3	105.0
Total DSG Income	(578.9)	(597.0)	(607.9)
Total Expenditure	617.1	661.4	713.0
Total Dedicated Schools Grant Projected Overspend	38.3	64.4	105.1

Table 2 – Dedicated Schools Grant projected cumulative deficit

	2025/26 £m	2026/27 £m	2027/28 £m
DSG deficit balance brought forward	4.2	42.5	106.9
In year deficit (from table above)	38.3	64.4	105.1
Total deficit on General DSG before further actions	42.5	106.9	212.0
Potential additional funding, if Schools Forum continued to agree a transfer of up to 0.5% of schools block funding to the high needs block	(3.6)	(3.7)	(3.8)
Potential revised cumulative deficit	38.9	99.6	200.9

Table 3 – High Needs Budget projected income and expenditure

	2025/26 £m	2026/27 £m	2027/28 £m
DSG Income Due			
- Full allocation	(140.5)	(144.6)	(147.7)
- Deductions for academy recoupment	16.1	16.4	16.4
- Transfer from Schools Block	0.0	0.0	0.0
Net grant due to LCC	(124.4)	(128.2)	(131.3)
Funding Passported to Institutions			
- SILC and Resource Provision Places	16.2	16.2	16.2
- Out of Area and residential placements	17.8	18.9	19.8
- Alternative Provision (including AIP's)	5.3	5.3	5.3
- SEN Top-ups to Institutions	98.6	115.9	139.1
- Mainstream additional places (£6k blocks)	15.9	27.2	46.5
- Education provision for mental health beds	0.1	0.1	0.1
Commissioned Services			
- Hospital & Home Tuition	2.5	2.6	2.7
- PD & Medical Service	0.1	0.1	0.1
Children's Services			
- SEN Support Service	4.5	4.5	4.6
- Children missing out on education	0.5	0.6	0.6
- Management of high needs services	0.2	0.3	0.3
- SEN adaptations	0.2	0.2	0.3
- Invest to Save budget	0.1	0.1	0.1
Other items			
- Prudential borrowing for SEMH provision	0.6	0.6	0.6
Total Expenditure	162.6	192.6	236.3
Total (under) / over spend	38.2	64.3	105.0

1.3 Assumptions and risks

SEND Green Paper

- 1.3.1 The previous Government released a SEND Green Paper for consultation in 2022, which could have significant implications for how support for pupils with SEND is delivered and funded. Drawing on the feedback of this consultation the previous Government also published the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan. The Improvement Plan sets out how the Department for Education intends to proceed with the proposed changes in the green paper which could have an impact on the projections for the high needs block, but this is too early to quantify. There is, at the time of writing, no definitive policy position from the new Government on any reform to the existing arrangements.

Funding increases

- 1.3.2 Indicative Local authority allocations 2025/26 have not yet been published and thus it is not yet known what increases may be available in future years.
- 1.3.3 If funding increases were not as high as expected for the schools and early years blocks this would be matched by a reduction in funding allocated out to settings.
- 1.3.4 In relation to the central school services block funding, these projections are based on the current funding mechanism. However the Department for Education (DfE) has advised there will be a future consultation on the services this block funds and some services may become traded arrangements with schools and therefore DSG funding may reduce.
- 1.3.5 In relation to high needs, in the past Leeds was significantly underfunded and in 2017/18 the high needs block funding for Leeds was 25% lower per pupil than the national average. Since 2018/19 the Government has implemented a national funding formula to address historical funding differences. In 2024/25 the increase (after the gains limit factor was applied) was 5%. Beyond this the DfE has advised local authorities should assume a 3% increase. As indicative allocations have not yet been received for 2025/26, the percentage increase for that year cannot be confirmed.
- 1.3.6 To provide some context for the potential impact of funding changes, every 1% change in the high needs allocation is equivalent to approximately £1.3m of funding.

Gains Limit Factor

- 1.3.7 Although funding has increased since the national funding formula was introduced, some DSG funding increases are subject to a funding floor and gains limit factor to ensure a minimum level of increase for every local authority and to reduce the impact of year-on-year changes to funding levels. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block.
- 1.3.8 Although Leeds has been receiving the maximum increases allowed under the gains limit factor, it is less than the national funding formula entitlement. If this had not been in

place, Leeds would have been allocated an additional £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). It is not yet known if a further funding cap will apply in 2025/26. Leeds was one of the 32 local authorities out of 151 that continued to have their funding capped in 2024/25.

High needs demand and complexity

- 1.3.9 In line with the national picture, Leeds has experienced an increase in high needs demand and complexity in recent years, with this trend expected to continue. However as noted above there has been a cap on funding increases and to date any additional funding received by Leeds has been exceeded by increased costs.
- 1.3.10 The projections in Tables 1 and 2 are based on the current data for forecast population changes in special educational needs in Leeds, combined with trend analysis over the past three years. The projected increases in demand exceed the 3% increase in funding forecast beyond 2025/26. However, there are risks that increases in demand and complexity could be higher than projected. The Council has undertaken a review of its EHCP processes which reflects the increased challenges in demand and complexity and is bringing forward improvements into processes and arrangements to support parents, carers and children.

Funding paid to high needs settings

- 1.3.11 For 2024/25 the ESFA allowed local authorities to set a minimum funding guarantee increase to high needs settings of between 0% and 0.5%. For 2025/26, as we have not yet received the high needs operational guide, we have assumed each local authority is required to set a minimum funding guarantee of 0.0%.
- 1.3.12 Places will need to be created to meet future high needs demand, and the rates payable will vary according to the type of need and setting. As some future provision is still to be developed, the projections assume that funding rates for the increased demand will be in the middle cost band for existing settings. The modelling will be updated as work continues to develop capacity for future demand.

Inflationary pressures

- 1.3.13 Current inflationary pressures will have an impact on schools and other settings, as well as on the cost of council services funded by DSG, which may in turn place more pressure on DSG.

1.3.14 Funding transfers between DSG blocks

- 1.3.15 Since 2017/18 a total of £22.69m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£21.04m from the schools block and £1.65m from the central school services block).
- 1.3.16 For 2025/26 and beyond it is not known whether funding can continue to be moved between DSG blocks in this way, as the DfE has indicated the ability for local authorities to do this in future will become more limited.

- 1.3.17 If funding transfers are still allowed in future, any transfers from the schools block to the high needs block would require annual consultation with schools and approval by the Leeds Schools Forum.
- 1.3.18 Table 2 shows the estimated funding available if a transfer of 0.5% of schools block funding to the high needs block continued. The 0.5% transfer is in line with the current limit that Schools Forums can agree without further approval from the Secretary of State.

2 DSG savings plan

- 2.1.1 With effect from the end of 2019/20, new provisions were added to the School and Early Years Finance Regulations which required local authorities to carry forward any DSG overspends or deficit balances to the following year. Such deficits were ringfenced to be dealt with from future DSG income, rather than being funded by the Council, unless otherwise authorised by the Secretary of State. This provision for ringfencing DSG deficits was originally due to be withdrawn at the end of 2022/23. However it has now been extended to the end of the 2025/26 financial year. If the provision is not extended further the council would require sufficient funding available in other reserves to offset any DSG deficit. This would present a serious financial risk to the Council given the limited resources generally available.
- 2.1.2 Under the current regulations any local authority with a current overall deficit on its DSG account, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in managing that situation. This includes providing information on plans for managing the DSG account and meeting with officials from the DfE as and when requested. The Secretary of State may also impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they believe that they are not taking sufficient action to address the situation. A DSG Management plan is currently being prepared to demonstrate robust plans to mitigate the projected pressures and ensure the long term financial sustainability of the DSG.

3 Recommendations

- 3.1 Schools Forum is asked to note the medium term projections for the Dedicated Schools Grant and the work ongoing to identify and implement actions in order to achieve a balanced financial position.

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Schools Forum forward plan 2024/25

Schools Forum date	Driver for date	Agenda items	Purpose	Responsible officer	Comments
Thursday 20/06/2024	No external requirements	School balances 2023/24 outturn	Information	Lucie McAulay/Rosie Harrison	
		DSG 2023/24 outturn	Information	Lucie McAulay/Shirley Maidens	
Thursday 03/10/2024	Get views from SF before consultation	DSG budget monitoring 2024/25	Information	Lucie McAulay/Shirley Maidens	
		School funding update 2025/26, including consultation plans	Information	Lucie McAulay	
		DSG Medium Term Financial Strategy 2025/26 - 2029/30	Information	Lucie McAulay	
Thursday 14/11/2024	Assume consultation the week before and after half term then need time to clear reports before SF. Disapplication deadline usually 20th November, SF	School funding formula arrangements 2025/26, including any transfers of funding between the DSG blocks	Decision and consultation	tbc - Rosie Harrison	
Thursday 16/01/2025	APT deadline usually XX Jan, SF needs to be before this. Final funding figures received from ESFA at end of Dec. Need as much time as possible at start of Jan to do modelling before SF meeting.	Final school funding arrangements 2025/26	Information	Lucie McAulay	
		De-delegation 2025/26 decision	Decision	tbc - Rosie Harrison	
Thursday 27/02/2025	Approval of EY funding by SF before end of Feb. Can't hold SF meeting during half term.	Free Early Education Entitlement rates and centrally retained funding 2025/26	Decision and consultation	Chris Sutton	
		High Needs Budget 2025/26	Information	Lucie McAulay / Shirely Maidens	
		DSG budget monitoring 2024/25	Information	Lucie McAulay/Shirley Maidens	

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