

**Report of the Director of Children and Families**

**Report to the Leeds Schools Forum**

**Date: 5th October 2023**

**Subject: School funding update 2024/25**

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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 schools services. The Education and Skills Funding Agency (ESFA) uses the national funding formula 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, within the constraints set out by the ESFA.
2. The ESFA has published some of the indicative DSG funding allocations for 2024/25. These show an increase for Leeds of £18.9m for the Schools Block and £6.5m for the High Needs Block. The final allocations for 2024/25 will be confirmed later in the year using the latest pupil data. There has also been a decrease of £16k to the Central Schools Services Block. Funding for the Early Years Block has not yet been confirmed.
3. In July 2023 the government announced an additional £525m to support to schools with the September 2023 teachers pay award, with a further £900m in 2024/25.
4. 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.
5. Financial modelling will be carried out for 2024/25 to establish options for consultation with schools. The consultation with schools on the 2024/25 funding arrangements will provisionally commence on the 9th October 2023 and end on the 1<sup>st</sup> November 2023. A briefing session will be provided for schools as part of the Head Teachers briefing on the 17<sup>th</sup> October during this period.

**Recommendations**

6. Schools Forum is asked to note the latest position on the 2024/25 school funding arrangements and the work planned to develop and consult on the allocation of this funding.

## Background information

- 1.1 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 currently have some flexibility in how this funding is allocated to schools, within the constraints set out by the ESFA.
- 1.2 The ESFA has published illustrative local authority level allocations for 2024/25 for schools, central school services, and high needs blocks, based on October 2022 pupil data. Details are provided in the relevant sections below and these figures will be used for consultation with schools in October 2023. The final local authority allocations will be confirmed in December 2023 and will take into account October 2023 pupil data.
- 1.3 For 2024/25 the basic structure of the schools NFF is not changing however the ESFA is changing some existing features of the formula, key details of which are included within the relevant sections of the report below.

## Main issues

### 1.4 Dedicated Schools Grant balance

- 1.4.1 The ESFA require that any authority with a DSG deficit of any size, or that is likely to fall into a DSG deficit in the near future should have a plan for managing its DSG account going forward and must keep its schools forum regularly updated about its plan including high needs pressures and potential savings. It must also respond to enquiries from the DFE about the plan.
- 1.4.2 Following last year's consultation on implementing the direct national funding formula (NFF), the DFE has confirmed that it will continue to move forward with its plans to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula. As set out in the consultation response, they are taking a gradual approach to transition. In 2024 to 2025, each local authority will continue to set a local schools funding formula, in consultation with local schools.

### 1.5 Schools Block

#### Funding allocation

- 1.5.1 In 2024/25, the national funding formula will continue to set notional allocations for each school, which will be aggregated and used to calculate the total Schools Block funding received by each local authority.
- 1.5.2 In December 2022, the mainstream schools additional grant (MSAG) was announced for 2023/24 which totalled £22m. This has been added to the base allocation for 2024/25 to give a total of £703,580k (excluding the growth allocation).
- 1.5.3 The Schools Block indicative allocation (excluding growth) for Leeds in 2024/25 is £703,580k which is an increase of £18,819k (2.7%) compared to 2023/24 (based on October 2022 pupil data). The final Schools Block allocation for 2024/25 will be

received in December 2023 and will reflect the October 2023 pupil numbers in mainstream schools and academies.

1.5.4 Key changes to the Schools NFF for 2024-25 include:

- The introduction of a new formulaic approach to allocating split sites funding in the NFF in 2024 to 2025, replacing the previous locally determined split sites factor
- The 2023/24 mainstream schools additional grant (MSAG) has been rolled into the NFF
- For the first time, a methodology for calculating and allocating funding for falling rolls has been introduced.
- Local authorities are required to move their local formula factor values at least a further 10% closer to the NFF (building on the movement towards the NFF made in 2023 to 2024), except where local formulae are already mirroring the NFF.

Teachers Pay Additional Grant (TPAG)

1.5.5 In July 2023 the government announced an additional £525m to support to schools with the September 2023 teachers pay award which equates to a total of £6.6m for Leeds, with a further £900m announced for 2024/25. Local authority allocations for 2024/25 are still to be announced.

1.5.6 Indicative school TPAG allocations have been published for 2023/24 and payments will be made in the Autumn term. In 2023 to 2024 funding through TPAG will cover the period from September 2023 to March 2024. TPAG will continue for the whole of the financial year 2024to 2025.

1.5.7 This additional funding will continue to be paid as a separate grant for mainstream schools in 2024 to 2025. It will be incorporated into core budget allocations for 2025 to 2026 as part of the schools national funding formula.

School Business Rates

1.5.8 It was intended from 2022 to 2023 onwards, NNDR would be paid by the ESFA directly to billing authorities on behalf of all maintained schools and academies. However, primary legislation was not changed to allow this and due to a technical complication, this did not take place in 2023/24. At this stage for 2024/25 it is likely the Local Authority will opt to move to the new system, but further work is needed to establish that this this the correct course of action prior to the submission of the funding formula in January 2024.

Transfers out of the schools block

1.5.9 Local authorities will continue to be able to transfer up to 0.5% of their Schools Block to other blocks of the DSG, with Schools Forum approval. Based on the indicative 2024/25 funding this would be approximately £3.5m for Leeds.

- 1.5.10 If the council wishes to transfer more than 0.5%, or transfer any amount without Schools Forum approval, a request would need to be made to the DFE to disapply the regulations in this area.
- 1.5.11 As High Needs Block funding in future years may not be sufficient to cover costs in this area, we will be consulting with schools in October 2023 on an option to transfer funding in 2024/25 from the Schools Block to the High Needs Block. The amount to be consulted on will be decided following further consideration of the pressures on the High Needs Block.

#### Schools block funding formula

- 1.5.12 The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between 0.0% and plus 0.5% per pupil. The MFG we seek to set will be determined by the modelling of the formula options, so that all schools will see an increase in per pupil funding.
- 1.5.13 The indicative allocations for Leeds have increased in 2024/25 due to changes to the key areas of the national funding formula as detailed below.
- The minimum per pupil funding levels will increase to £6,050 for secondary schools (compared to £5,715 in 2023/24) and £4,655 for primary schools (compared to £4,405 in 2023/24).
  - The MSAG funding announced for 2023/24 has been added to the schools block baseline.
- 1.5.14 As in previous years, we will be consulting with schools on the local funding formula to be used for 2024/25. We will be proposing to continue to move as close as possible to the national funding formula, as this was the approach taken for 2023/24. As we may propose to transfer some funding out of the Schools Block it will not be possible to move fully to the national funding formula and we are currently modelling options for adjusting the national funding formula to take account of this. Details of the proposed formula allocations will be provided to schools during the consultation in October 2023.

#### Formula factor increases

- 1.5.15 The majority of funding provided through the formula factors is related to pupil numbers and characteristics, plus some additional premises-based funding. The premises funding consists mainly of a flat rate lump sum for all schools plus additional funding for PFI schools to recognize increased costs. Pupil-led funding comprises basic entitlement rates for all pupils, plus targeted funding across areas such as deprivation (measured based on Free School Meal entitlement and a deprivation index), prior attainment and English as an additional language.
- 1.5.16 Factors in the NFF allocations to local authorities will be increased by 2.4% apart from the free school meals factor which will be increased by 1.6% compared to the 2023/24 values.

### Minimum funding increases

- 1.5.17 A minimum increase of 0.5% will be guaranteed per pupil in local authority allocations compared to the 2023/24 NFF. As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools of between 0.0% and +0.5% per pupil.

### Growth fund

- 1.5.18 Growth funding will be allocated to local authorities as part of the Schools Block, based on growth in pupil numbers between the October 2022 and October 2023 censuses. Growth funding allocations for 2024/25 will not be confirmed by the ESFA until December 2023.
- 1.5.19 As in previous years, Schools Forum are responsible for agreeing the amount of growth funding to be top-sliced from the Schools Block (which does not have to be the same as the amount of growth funding allocated by the ESFA). Details will be brought to a future Schools Forum of the proposed amount and criteria for allocation to schools of the 2024/25 growth fund.

### Falling Rolls Fund

- 1.5.20 For the first time in 2024 to 2025 funding will be allocated based on both growth and falling rolls.
- 1.5.21 Falling rolls funding will be 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 2022 and October 2023 school censuses.
- 1.5.22 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.
- 1.5.23 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 a future Schools Forum on any proposed falling rolls fund, the proposed amount and criteria for allocation to schools of the 2024/25 falling rolls fund.

## 1.6 **High Needs Block**

- 1.6.1 The High Needs Block (HNB) indicative allocation for 2024/2025 is £133,934k. This is an increase of £6,474k compared to 2023/24 after taking into account the supplementary high needs funding received in 2023/24.
- 1.6.2 The high needs national funding formula ensures that every local authority receives an increase of at least 3% per head of population, with some authorities receiving up to 5% more this year. For Leeds the increase is the maximum 5% due to the gains limit

factor. 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 £34.06m of funding between 2018/19 and 2023/24 across the schools block (£9.5m) and high needs block (£24.56m). A further funding cap of £2.92m will apply in 2024/25 to the high needs block, based on the provisional funding allocations.

1.6.3 The high needs funding guidance has recently been published and for 2024 to 2025, local authorities can set the MFG within a 0% to 0.5% range.

## 1.7 **Central School Services Block**

1.7.1 The indicative allocation for the Central School Services Block (CSSB) in 2024/25 is £5,090k which is a decrease of £16k compared to 2023/24. Funding for this block is split between historic commitments and ongoing services.

1.7.2 Local authorities will continue to be protected so that the maximum per-pupil year on-year reduction in funding for ongoing responsibilities is -2.5%, while the year-on-year gains cap will be set at the highest affordable rate of 5.51%. This element of the CSSB is calculated using a simple per pupil formula which remains unchanged. The funding for ongoing responsibilities element of the CSSB has increased by 2.8% to £4,532k (£123k).

1.7.3 In line with reforms to move to a fairer funding system and avoid maintaining significant differences in funding between local authorities which reflect historic decision, the historic element of the CCSB funding began to be reduced from 2020/21. In 2024/25 the historic commitments funding will continue to reduce by 20% (£139k) of 2023/24 allocations.

1.7.4 The ESFA will provide further details in due course as to how they will continue to reduce this funding in future years however in 2024/25 they are not changing the requirement in regulations that authorities spend no more on these commitments than they did in the previous year.

## 1.8 **Early Years Block**

1.8.1 As in previous years, the Early Years Block allocation is based on pupil numbers in the January census and therefore allocations for 2024/25 have not yet been released.

## 1.9 **De-delegation of services**

1.9.1 Schools Forum can agree that some funding for maintained primary and secondary schools is retained centrally each year, so that the council can provide certain services to schools that they would otherwise have to pay directly from their budget (such as reimbursing schools for the cost of staff on maternity leave). This arrangement is known as de-delegation and we will be consulting with maintained mainstream schools later in the autumn on the proposals for their de-delegated contributions in 2024/25.

## 1.10 **Consultation with schools**

- 1.10.1 The 2024/25 consultation with schools will provisionally run from 9th October to 1<sup>st</sup> November 2023 and will cover:
- The local schools funding formula
  - Any proposals to transfer funding between the blocks of the Dedicated Schools Grant
  - Maintained school contributions to severance costs
- 1.10.2 At the start of the consultation period, we will send out detailed information including indicative school level figures, in addition to providing specific briefing sessions for schools.
- 1.10.3 We will report the outcome of the consultation to Schools Forum on 16<sup>th</sup> November 2023. A further update will also be provided at the meeting on 16<sup>th</sup> January 2024 once the final funding allocations have been confirmed by the ESFA.

## **Recommendations**

- 1.11 Schools Forum is asked to note the latest position on the 2024/25 school funding arrangements and the ongoing work to develop and consult on the allocation of this funding.