

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 16 November 2023

Subject: 2024/25 School Funding Proposals

Report Author: Lucie McAulay / Rosie Harrison

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 2024/25. 94.52% of respondents supported the council's proposal to transfer 0.5% schools block funding to the high needs block from the schools block (approx £3.49m). 77.27% 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. £150k in total). In relation to the school funding formula, option one was preferred by the majority that expressed a preference 61.64%).

Recommendations

4. Schools Forum is asked to consider and vote on a proposal to transfer 0.5% (approx. £3.49m) from the schools block to the high needs block in 2024/25.
 - 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 2024/25 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 2024/25.
- 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 2024/25, 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 2024 to confirm the final school funding allocations for 2024/25.

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 2024/25. 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 2024/25, between 17th October and 8th November 2023. During the consultation period schools were provided with background information and figures to demonstrate the impact of the proposals, a briefing session was held, and any queries received from individual schools were responded to. A copy of the consultation documents issued to schools is attached as an appendix to this report.
- 2.4 It should be noted that the options and figures within the consultation and this report have been calculated based on October 2022 pupil data, which was the basis for the indicative funding published by the ESFA for consultation purposes. The final local authority allocations will be confirmed in December 2023 and will take into account October 2023 pupil data.
- 2.5 The proposals in this report are therefore subject to change prior to the deadline for confirming final funding allocations to the ESFA on 19th January 2024. A Schools Forum meeting has been arranged on 16th January 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, 73 responses were received (compared to 63 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 2024/25 estimated to be £3.49m.
- b) Two options for funding formula for 2024/25, taking into account the proposed transfer out of the schools block of approx. £3.49m.
 - Option 1: A cap on gains of 1.06%. All other factors are in line with the national funding formula, including the minimum funding guarantee of 0.5%.
 - Option 2: A reduced minimum funding guarantee of 0% and an increased cap on gains of 1.09%. All other factors are in line with the national funding formula.
- c) A contribution in 2024/25 by maintained schools to be applied as a per pupil amount of £2.50 estimated to be a total of £150k.

3.1.3 94.52% of respondents supported the transfer from the schools block to the high needs block. 77.27% supported the contribution by maintained schools towards severance costs in 2024/25. In relation to the funding formula, the majority (61.64%) 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% (approx £3.49m) 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 and the briefing session. The full consultation document is attached as an appendix to this report, but in summary the key points were:

- The ESFA expects most movements from schools block will be due to pressures on high needs budgets.
- 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 £0.924m in 2023/24; 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 2023/24, the projection would be an overspend of £4.262m. In 2022/23 the high needs block had an underspend of £6.846m, this would have been £3.719m had the transfer not been done in 2022/23.
- Spending on the high needs block is currently forecast to be £14.4m more than the funding available for 2024/25, increasing to a £31.1m deficit projected by 31st March 2026.

- Although the provisional 2024/25 high needs block allocation for Leeds shows an increase in funding of £6.47m compared to 2023/24, there is still a cap on gains in place. If the cap on gains was not in place the council would gain an additional £2.92m.
- The local authority can transfer up to 0.5% (approximately £3.49m) from the schools block with Schools Forum approval, with the option to transfer more with approval from the DfE.
- The increase in the provisional 2024/25 schools block allocation for Leeds is expected to be approximately £12.97m (1.4%) compared to 2023/24 (before any pupil growth which will be confirmed in December). The transfer of 0.5% out of the schools block in 2024/25 will leave an increase in the schools formula of £9.48m.
- 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.

3.2.2 Since the pandemic, Local Authorities across the UK have seen increases in demand for EHCPs and in the case of Leeds City Council that has reflected a 60% increase in applications for EHCPs, as well as an increase to the complexity of many cases. Despite council investment into the service, the service has struggled to meet this rising demand. An end-to-end review of the Council's approach to EHCPs is being undertaken, the review is engaging with children, families, schools and settings to gather their vital feedback to ensure that our processes are as efficient as possible and maximising the resources we do have. The review process will seek to deliver improvements to the Council's arrangements for the delivery of EHCPs which will ensure that Council processes support the fulfilment of its legal duty and are centred on the needs of children and young people within Leeds who need the most support

Consultation responses

3.2.3 73 responses were received to this proposal. 69 (94.52%) supported the proposal and 4 (5.48%) did not. Some respondents provided comments; in general those in favour of the proposal acknowledged the increasing and significant additional needs pressures across the city. A respondent opposing the proposal made reference to the high needs underspend in 2022/23 and as such deemed the previous years block transfer was unnecessary. Further concerns were raised over the future projections, lack of clarity on future budget assumptions and the respondent felt that schools had not received sufficient opportunity to offer a counter argument to the proposals within the consultation.

3.2.4 Proposal

3.2.5 The majority of respondents supported our original proposal, and therefore the local authority is still proposing to transfer 0.5% (approximately £3.49m) from the schools block to the high needs block.

3.2.6 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.

3.2.7 The proposed transfer from the schools block to the high needs block only relates to proposals for 2024/25. In 2025/26 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.

3.2.8 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 If the council implements the 0.5% transfer from the schools block, we cannot fully move to the national funding formula as not enough funding will remain. However as previously noted due to the increases in the council's provisional schools block allocation there would still be £9.48m additional funding available for schools in 2024/25 compared to 2023/24.

3.3.3 Given the complexity of the possible formula factors there are a significant number of formula options that it would have been possible to model and the council looked at a number of alternative options. Using the principles established in previous years for the formula we have modelled two options for 2024/25 which vary the minimum funding guarantee and cap on gains. These are:

- Option 1: A cap on gains of 1.06%. All other factors are in line with the National Funding Formula (see table below), including the minimum funding guarantee of 0.5%.
- Option 2: A reduced minimum funding guarantee of 0% and an increased cap on gains of 1.09%. All other factors are in line with the National Funding Formula (see table below).

3.3.4 The options are summarised in the table below, with school level information provided in the appendix.

Funding formula factor	2023/24 (for comparison)		2024/25		
	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	0.5% per pupil	0.5% per pupil	0% per pupil
Cap on gains ^{1,2}	No cap	5.39% per pupil	No cap	1.06%	1.09%
Minimum per pupil funding level ^{1,2}	Secondary £5,715 Primary £4,405	Secondary £5,715 Primary £4,405	Secondary £5,995 Primary £4,610	Secondary £5,995 Primary £4,610	Secondary £5,995 Primary £4,610

¹ Excluding premises-based funding

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

3.3.5 Our final funding allocation for 2024/25 will be confirmed by the ESFA in mid to late December 2023. The funding increases built into our current proposal are based on the ESFA's indicative local authority allocations which use October 2022 pupil data. As a result, the affordability of our proposal could change once the final allocation is confirmed, if there is a significant change in pupil demographics.

Consultation responses

3.3.6 73 responses were received on the funding formula:

- 45 (61.64%) preferred option one
- 28 (38.36%) preferred option two

3.3.7 The schools benefiting most from each of the options are as follow:

- Option one is significantly better for 8 schools (3%)
- Option two is marginally best for 192 schools (72%)
- There is no difference between the options for 67 schools (25%)

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

Proposal

3.3.9 The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. This proposal is only for 2024/25, and the council will be required to consult again next year on the 2025/26 funding formula if the National Funding Formula will not be fully implemented at that time.

- 3.3.10 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 (0.5% minimum funding guarantee and 1.06% cap on gains), this did receive the majority of support in the consultation (61.64%).
- 3.3.11 The final funding formula for 2024/25 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 19th January 2024.
- 3.3.12 In addition to providing funding based on the October 2023 census, the ESFA provides an allocation for growth in the formula based on changes between the October 2022 and October 2023 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 2024/25 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 2024.
- 3.3.13 For the first time in 2024 to 2025 the ESFA will also provide an allocation for falling rolls. 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. 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.
- 3.3.14 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 2024 on any proposed falling rolls fund, the proposed amount and criteria for allocation to schools of the 2024/25 falling rolls fund.
- 3.3.15 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 2024/25 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 2023/24 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 2024/25 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 44 responses were received from maintained schools to this proposal; 34 (79.27%) supported the proposal and 10 (22.73%) did not.

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 £150k) 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 2024/25.
- 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 2024/25 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 2024/25.

- 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.