

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

**Report to the Leeds Schools Forum**

**Date: 9<sup>th</sup> 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 21<sup>st</sup> November and 4<sup>th</sup> 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 <sup>1</sup>	0.5% per pupil	0.5% per pupil	0.0% per pupil	0.0% per pupil	-0.5% per pupil
Cap on gains <sup>1, 2</sup>	No cap	1.26% per pupil	No cap	tbc	tbc
Minimum per pupil funding level <sup>1, 2</sup>	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 16<sup>th</sup> 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 16<sup>th</sup> 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.