

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.

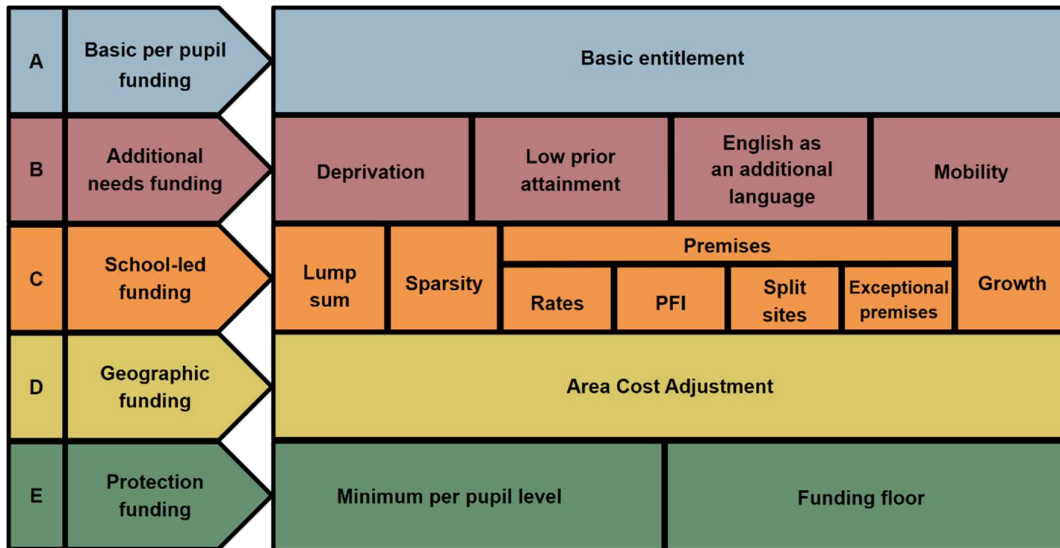
4. Mainstream Schools funding formula

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.