

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

**Report to the Leeds Schools Forum**

**Date: 16th January 2025**

**Subject: 2025/26 School Funding Arrangements**

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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 school services. Regulations set by the Education and Skills Funding Agency (ESFA) require that we consult with Schools Forum, and in some cases ask Schools Forum to make decisions, on proposals relating to the use of the DSG. This report provides an update on the 2025/26 arrangements relating to the schools, high needs and central school services blocks. An update on the early years block will be provided at the February 2025 meeting.
2. In relation to the Schools Block, the report covers the Growth Fund, Falling Rolls Fund and the schools funding formula:
  - For the Growth Fund, the Council is proposing that
    - The existing criteria be retained for primary schools and secondary expansion.
    - The existing criteria for additional resources be retained at £150 per pupil for existing schools and £250 per pupil for new presumption free schools.
    - The existing criteria be retained for new presumption free schools
  - In relation to a Falling Rolls Fund, the Council is proposing that we do not establish a Falling Rolls Fund for 2025/26.
  - The final proposal for the schools funding formula provides a per-pupil increase of 0.0% through the Minimum Funding Guarantee and a 2.53% cap on gains. The Minimum Funding Guarantee is equivalent to the 0.0% that was the preferred option from the funding consultation, and it follows the MFG within the National Funding Formula. The final proposal retains the Minimum Funding

Levels of £4,955 for primaries and £6,465 for secondaries that were consulted on.

3. The report also includes the proposed expenditure for 2025/26 against the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies. Approval is sought from Schools Forum on the proposed expenditure from this block.

## **Recommendations**

4. Schools Forum is asked to note the arrangements for the school funding formula for 2025/26.
  - The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.
5. In relation to the Growth Fund for 2025/26, Schools Forum is asked to approve that:
  - a) In relation to the funding criteria:
    - a. The existing criteria be retained for both primary schools and secondary schools.
    - b. The existing criteria for additional resources and rental costs within existing schools be retained at £150 per pupil.
    - c. The existing criteria for leadership costs for new presumption free schools to be retained at over a 4-year period.
    - d. The existing criteria for additional resources for new presumption free schools to be retained at £250 per pupil.
  - b) The total Growth Fund should be £870k which is fully funded from the Schools Block 2025/26. The Growth Fund would be split between £107k for primary growth and £763k for secondary growth.
    - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.
6. In relation to a Falling Rolls Fund Schools Forum is asked to note that the Council will not be establishing a fund for 2025/26.
7. In relation to the Central School Services Block, Schools Forum is asked to approve the 2025/26 amounts detailed within the report.
  - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.

## **1 Main issues**

## **1.1 Schools block funding formula**

- 1.1.1 At the December 2024 meeting Schools Forum noted the results of the consultation for the 2025/26 schools funding formula which demonstrated a preference for option 1 among schools that voted. 83% were in favour of option 1 compared to 27% for option 2. Option 1 proposed a Minimum Funding Guarantee of 0.0% at the time of the consultation we were unable to estimate the cap on gains per pupil. In the absence of indicative funding allocations the consultation was based on principal only and no figures were able to be provided at the time, therefore the assumptions were subject to change pending confirmation of the final funding allocation in December 2024.
- 1.1.2 The final schools block funding for 2025/26 has been confirmed by the ESFA as £765m, an increase of £9m compared to 2024/25 when the allocation was £754m. Schools Forum in December agreed to transfer 0.5% to the high needs block and this value has now been confirmed as £3.82m. Subject to the proposed Growth Fund of £0.870m set out in section 1.2 below, £760m would remain to be allocated to mainstream schools through the funding formula.
- 1.1.3 The funding formula has been updated to take into account the views of Schools Forum and the final funding allocation from the ESFA. The revised formula provides for the same Minimum Funding Levels of £4,955 for primaries and £6,465 for secondaries, which are the amounts used in the National Funding Formula. It has been possible to retain the Minimum Funding Guarantee at 0.0% which is the level used in the National Funding Formula, and the cap on gains has been set at 2.53%.
- 1.1.4 The school level allocations proposed for 2025/26 are attached to this report as appendix 1. These are subject to finalisation, including quality checks by the ESFA and approval by the Director of Children and Families.
- 1.1.5 The approach taken in the local formula replicates the National Funding Formula as closely as possible, including the use of the same unit values. In line with the National Funding Formula, our calculation of the MFG and cap on gains for PFI schools excludes the PFI funding they receive. This will ensure that both PFI and non-PFI schools are treated equally in the funding formula and receive equivalent levels of funding protection.
- 1.1.6 The decision on the final formula will be made by the Director of Children and Families, in line with the council's decision-making framework.
- 1.1.7 The final funding formula proposals will be submitted to the ESFA for them to quality check by the deadline of 22nd January 2025. Once the ESFA has confirmed they are satisfied with the formula and the decision on the formula has been taken by the Director of Children and Families, the council will send out funding statements to maintained mainstream schools by the end of February. The ESFA will issue funding statements to mainstream academies in line with their usual timescales.

## **1.2 Growth Fund 2025/26**

- 1.2.1 Funding for growth is allocated to local authorities by the ESFA as part of the Schools Block of the DSG. This allocation funds pupil number variations within the funding

formula for new schools that are still growing, as well as being used to establish a separate Growth Fund, which supports costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The Growth Fund recognises that these pupils are not recorded on the October census, and so will not attract funding through the usual schools funding formula.

- 1.2.2 The funding allocated to local authorities is calculated by the ESFA on the basis of pupil growth between the previous two October censuses, so it will not always match the actual growth in the coming year. For 2025/26, the Leeds total allocation for growth and falling rolls from the ESFA has reduced and is £2,953k for 2025/26, compared to £3,731k in 2024/25.
- 1.2.3 In addition to the decrease in funding, the estimated requirement for 2025/26 has reduced compared to 2024/25. The total 2025/26 allocation is expected to be sufficient to fund both the cost of new and growing schools within the standard funding formula and the anticipated growth fund requirements.
- 1.2.4 The total growth fund fully funded from the Schools Block 2025/26 is £870k this would be split between £107k for primary growth and £763k for secondary growth.

#### Growth Fund Criteria

- 1.2.5 Schools Forum is asked to approve the criteria for allocating funding from the Growth Fund.
- 1.2.6 We are proposing to retain the existing criteria for Leeds schools that were in place for 2024/25. Schools in Leeds would be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid until the permanent change in PAN is accommodated in every year group.
- 1.2.7 Local authorities are required to provide growth funding where a school or academy has agreed with the local authority to provide an extra class to meet basic need in the area (either as a bulge class or as an ongoing commitment). Funding, either through the growth fund, or by adjusting pupil numbers in the APT, will need to be provided regardless of whether the additional class is within or outside of the PAN
- 1.2.8 Schools would be eligible for Growth Funding where a temporary bulge has been created to meet basic need. Funding will be allocated for the bulge year only.
- 1.2.9 For existing schools, an allocation of £150 per pupil will be made to fund immediate additional resources, equipment or furniture costs to reflect increased costs.
- 1.2.10 For new presumption free schools, we are proposing to retain the provision of £250 per pupil for additional resources.
- 1.2.11 Additional funding would be available for existing schools that incur additional rental costs or for new schools with pre-opening costs.

1.2.12 In line with ESFA requirements to support pre and post start-up costs for academies where they are created to meet basic need, we are proposing to retain the criteria for leadership costs introduced in 2021/22 for any new schools opening through a free school presumption route over a 4-year period on a reduced sliding scale.

1.2.13 As a minimum, local authorities are required to provide funding to a level which is compliant with the following formula:

Primary growth factor value (£1,570) x number of pupils x ACA

For Leeds, the ACA is 1.000168 which means this value is £1,570.26. Leeds uses the AWPU value for primary and key stage 3 which is greater than this value.

1.2.14 The proposed funding for 2025/26 is as follows:

Growth funding available	Basis for allocation	Rate
<b>Funding for all schools eligible for Growth Funding:</b>		
Pupil funding	Age Weighted Pupil Unit rate for each pupil (pro rata if part year).  This is the basic entitlement all pupils receive through the schools funding formula.	The 2025/26 AWPU rates per year are shown below and are the same as used in the funding formula:  <ul style="list-style-type: none"> <li>• Primary - £3,847.65</li> <li>• KS3 - £5,422.92</li> </ul> As noted in the report, the funding formula rates are subject to approval by the Director of Children and Families in line with the council's decision-making framework.
<b>Funding for existing schools:</b>		
Immediate additional resources, equipment or furniture	Standard per pupil rate. In the case of a single 'bulge' year group this is only paid in the year of expansion.	£150 per pupil is proposed for 2025/26
<b>Funding available for new presumption free schools:</b>		
Leadership costs for a new presumption free school	Amount allocated will be equivalent to that which would be received from the ESFA in the first 4 years of opening.	The funding proposal for 2025/26 is: Year 1 £125k Year 2 £93.5k Year 3 £62.5k Year 4 £31k
Presumption free schools: additional resources	Standard per pupil rate: In the first year of each new cohort	£250 per pupil is proposed for 2025/26.
<b>Funding available where applicable to schools:</b>		

Growth funding available	Basis for allocation	Rate
Additional rental costs	For temporary accommodation needed to meet agreed growth.	Funded at cost through the growth fund until the financial year following the increase in numbers, at which point we would seek to fund the rental costs through the funding formula (assuming the criteria for this are met).

1.2.15 Attached at appendix 2 is a schedule of how this funding is projected to be used in 2025/26.

### 1.3 Falling Rolls Fund

1.3.1 For the first time in 2024/25 funding was allocated to local authorities based on both growth and falling rolls, this has continued for 2025/26.

1.3.2 Funding is allocated based on the reduction in pupil numbers that middle super output areas (MSOA) within each local authorities experience for each year. For 2025/26 it has been 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. The falling rolls allocation for each local authority will be £141,890 x ACA per MSOA which sees a 10% or greater reduction in the number of pupils on roll between the 2 census years.

1.3.3 Local authorities 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 the most recent school capacity data (SCAP) shows that school places will be required in 2025/26 and / or the subsequent 2 years.

1.3.4 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.

1.3.5 For 2025/26 Leeds has received a falling rolls funding allocation of £141,914. However, this is as a result of falling pupil numbers as a result of a primary school in that area reducing it's PAN a number of years ago. Therefore it is proposed not to operate a falling rolls fund for 2025/26. If this funding is not used for a falling rolls fund, it is added to funding available to support growth fund payments. The criteria will be reviewed again when considering funding allocations for 2026/27.

### 1.4 Central School Services Block

1.4.1 The Central School Services Block (CSSB) was introduced by the ESFA in 2018/19 to fund local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together:

- funding for statutory duties

- funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
- residual funding for historic commitments, previously top-sliced from the schools block

1.4.2 In December 2024, the Government issued a notification giving the amount of funding for this block. For 2025/26, this allocation has been set at £5.571m for Leeds. This is an increase of £446k compared to 2024/25. This increase is partly as a result of the centrally employed teachers elements of the 2024/25 Teachers Pension Grant and the Core Schools Budget Grant being rolled into the CSSB for 2025/26 and partly to fund the significant increases in the various copyright licences in the past 2 years.

1.4.3 Within the overall total, there has been a reduction of 20% on the historic commitment element in line with previous DfE statements to reduce funding on this element. However, the historic commitment funding is now less than the unavoidable prudential borrowing costs this element is expected to fund. The Schools operational guide: 2025 to 2026 states that local authorities will be able to apply for protection if this happens. Therefore, Leeds will be requesting an additional £68k of historic commitment funding. If approved, this will be confirmed in March 2025. This means that the total funding expected is £5,639k.

1.4.4 Schools Forum approval is required each year to confirm the amounts on each line. Schools Forum previously gave full approval for the 2024/25 proposals. The amounts requested to be approved for 2025/26 are shown below and can be afforded within the allocation of CSSB funding received for these duties.

#### Statutory Duties

1.4.5 This funding contributes towards the cost to the Council of carrying out central functions on behalf of maintained schools and academies.

1.4.6 Costs can be funded for certain functions relating to statutory and regulatory duties, education welfare and asset management. Examples of functions which could be funded within each category include, but are not limited to, the following.

##### *1.4.6.1 Statutory and regulatory duties*

- Director of children's services and planning for the education service as a whole.
- Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education.
- Formulation and review of local authority schools funding formula.
- Internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools.

- Provision of information to or at the request of the Crown other than relating specifically to maintained schools.

#### 1.4.6.2 *Education welfare*

- Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils.
- School attendance.

#### 1.4.6.3 *Asset management*

- Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions.
- General landlord duties for all buildings owned by the local authority, including those leased to academies

1.4.7 The CSSB funding can provide a contribution towards these functions, however it is not sufficient to cover all of these duties and the remainder of the cost is therefore met from the Council's budget.

The amount of funding available from CSSB for the Statutory Duties in 2025/26 is £2,079k This is a decrease of £81k compared to 2024/25, when funding of £2,160k was agreed. The cost of providing these duties has increased since 2024/25, so this means that there is an increased cost to the Council's budget for these duties. The Council's costs for these functions have been calculated as £2.785m which means there is still a net cost to the council for these services.

#### Centrally employed teachers' pension costs

1.4.8 The separate grant received in 2020/21 (£216k) for the additional pension costs for teachers employed by local authorities was added to the ongoing responsibilities element of CSSB and has been part of this block for a number of years.

1.4.9 Similarly, the 2024/25 Teachers Pension Grant and Core Schools Grant funding relating to centrally employed teachers has been added to CSSB for 2025/26. This funding totals £361k

#### Historic commitments

1.4.10 Historic commitments are subject to a limitation of no new commitments or increases in expenditure from 2020/21. The amounts requested for 2025/26 are as follows.

1.4.11 Prudential borrowing (amount requested £515k). This budget supports borrowing costs in relation to the ongoing debt repayment from the 2004/05 primary capital program and is paid back over 25 years.

1.4.12 Ongoing Central functions



- 1.4.13 Admissions Service – for 2025/26, it is proposed to increase the funding from this service from £1,499k to £1,558k. The School Admissions Code (September 2021) introduced new responsibilities for the School Admissions Service in terms of statutory timescales and mandatory requirements in relation to in-year admissions. These additional requirements are currently being met within the current staffing and funding commitment, with the service prioritising the mandatory requirements. As such, the increase in Admissions service funding is to cover pay award and inflation and no additional duties.
- 1.4.14 Servicing of Schools Forum – this budget supports the administration and running of Schools Forum and associated sub-groups. This service has not changed, but as a result of unavoidable inflationary costs, it is proposed to increase funding from £35k to £36k.
- 1.4.15 The ESFA has agreed with a number of agencies to purchase a single national licence for all state funded schools in England. A full list of licences included in the single national licence is available on their website. The ESFA will pay the agencies and provide the service to local authorities. We have not yet received confirmation of the costs for 2025/26, but based on guidance issued in November 2024, for Leeds this is estimated to amount to £874k in 2025/26 which is an increase of £174k compared to the original budget for 2024/25. This arrangement covers maintained schools and academies, and local authorities are allowed to hold the budget centrally rather than include it in school budgets. The licences covered by this charge are:
- Copyright Licencing Agency
  - School Printed Music Licence
  - Newspaper Licensing Agency
  - Education Recording Agency
  - Public Video Screening Licence – Filmbank Distribution Ltd.
  - Motion Picture Licensing Company
  - Phonographic Performance Ltd.
  - Performing Rights Society Ltd.
  - Mechanical Copyright Protection Society Ltd.
  - Christian Copyright Licensing International

This item does not require Schools Forum approval.

- 1.4.16 Schools Forum is therefore requested to approve the amounts summarised below, totalling £5,639k centrally for Statutory duties, centrally employed teachers' pension costs, ongoing central functions, historic commitments, and to note the increase in the charge for the single national licence.

	2024/25 (for information) £	2025/26 (for approval) £
<b>Local Authority Costs</b>		
Statutory duties	2,160,000	2,079,000
Centrally employed teacher funding	216,000	577,000
<b>Historic Commitments</b>		
Prudential Borrowing	515,000	515,000
<b>Ongoing Responsibilities</b>		
Admissions Service	1,499,000	1,558,000
Schools Forum	35,000	36,000
ESFA central licences (for information only, no vote required by Schools Forum)	700,000	874,000
	<b>5,125,000</b>	<b>5,639,000</b>

## 1.5 High Needs Block

- 1.5.1 Since the Medium Term Financial Strategy (MTFS) report on high needs projected funding and expenditure was presented to Schools Forum in October 2024, a number of outstanding elements in the funding allocated have been confirmed. The main difference is that the gains limit factor has been set at 10% rather than the 3% assumed in the MTFS.
- 1.5.2 Although there are still some outstanding elements, this means that the high needs block funding for 2025/26 is now estimated to be £133.8m, which is £9.4m higher than assumed in the MTFS. However, this is still not sufficient to meet the expected demand in 2025/26.
- 1.5.3 Work is ongoing to finalise budgets for 2025/26 to produce a budget and a more detailed report on this will be brought to the next Schools Forum meeting.
- 1.5.4 In line with the council's decision-making framework, a high level summary of the proposed HNB budgets will be presented to the Executive Board in January to be approved by Full Council in February.

## 2 Recommendations

2.1 Schools Forum is asked to note the arrangements for the school funding formula for 2025/26.

- The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.

2.2 In relation to the Growth Fund for 2025/26, Schools Forum is asked to approve that:

a) In relation to the funding criteria:

- i. The existing criteria be retained for primary and secondary schools.
- ii. The existing criteria for additional resources and rental costs within existing schools be retained at £150 per pupil .
- iii. The existing criteria for leadership costs for new presumption free schools be retained as over a 4-year period.
- iv. The existing criteria for additional resources for new presumption free schools to be retained at £250 per pupil.

b) The total Growth Fund of £870k. The Growth Fund would be split between £107k for primary growth and £763k for secondary growth.

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if we request this.

2.3 In relation to the Central School Services Block, Schools Forum is asked to approve the amounts summarised below for 2025/26 (apart from the ESFA central licence charge, which does not require approval).

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the ESFA is able to adjudicate if we request this.

	2024/25 (for information) £	2025/26 (for approval) £
<b>Local Authority Costs</b>		
Statutory duties	2,160,000	2,079,000
Centrally employed teacher funding	216,000	577,000
<b>Historic Commitments</b>		
Prudential Borrowing	515,000	515,000

**Ongoing Responsibilities**

Admissions Service	1,499,000	1,558,000
Schools Forum	35,000	36,000
ESFA central licences (for information only, no vote required by Schools Forum)	700,000	874,000
	<b>5,125,000</b>	<b>5,639,000</b>