

**Report of Head of Finance, Children and Families**

**Report to Director of Children and Families**

**Date: 5<sup>th</sup> February 2018**



**Subject: School funding 2018/19 – local funding formula and transfer between funding blocks of the Dedicated Schools Grant**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Dedicated Schools Grant (DSG) is allocated to local authorities in four blocks; schools, high needs, early years and central school services. The Department for Education (DfE) has been reforming the school funding system with the intention of making it simpler, fairer and more transparent. 2018/19 is a transitional year where local authorities will be allocated their funding based on a new National Funding Formula, but they are still required to decide on a local formula for distributing this funding to schools, and some funding can be moved within the different blocks of the DSG.
2. Department for Education regulations require the council to make the final decision on two schools funding proposals for 2018/19; the funding formula and a transfer of £500k of funding between the Central School Services Block and High Needs Block of the DSG. This report presents the proposals in these two areas for approval by the Director of Children and Families.

**Recommendations**

3. The Director of Children and Families is asked to approve the proposed funding formula for 2018/19 which moves as close as possible to the National Funding Formula, and the transfer of £500k from the Central Schools Services Block to the High Needs Block of the 2018/19 Dedicated Schools Grant.

## **1. Purpose of this report**

- 1.1 This report details the outcome of the consultation with schools and Schools Forum on funding arrangements for 2018/19, and requests approval in relation to the 2018/19 schools funding formula and a transfer of £500k in 2018/19 from the Central School Services Block to the High Needs Block.

## **2. Background information**

### Overview

- 2.1 The Dedicated Schools Grant (DSG) is allocated in four blocks; schools (pre-16 pupils), high needs, early years and central schools services. The Department for Education (DfE) has been reforming the school funding system with the intention of making it simpler, fairer and more transparent. From 2020/21, schools will be allocated their schools block funding based on a National Funding Formula and local authorities will no longer be involved in this decision.
- 2.2 However transitional arrangements apply for 2018/19 and 2019/20. During this time, local authorities will be allocated an amount based on the new National Funding Formula, but they will still decide on a local formula for allocating this to schools. There is also some flexibility for local authorities to move funding between the different funding blocks of the DSG.
- 2.3 In addition to introducing the new formula, the DfE has also increased the amount of funding available for the schools block compared to 2017/18. Funding allocated to local authorities for 2018/19 provides at least a 0.5% per pupil increase, and at least a 1% increase per pupil by 2019/20 compared to 2017/18 baselines. Due to these funding increases as well as increases in pupil numbers, the total increase for Leeds is approximately £23m in 2018/19 compared to the 2017/18 baseline. However gains for schools are capped at 3% per pupil compared to their 2017/18 baselines, and overall Leeds funding is approximately £8m less than it would have been had the national funding formula been fully applied without any caps.
- 2.4 The council held a consultation with maintained schools and academies on school funding arrangements for 2018/19, between 30th October and 8th November 2017. During the consultation period schools were provided with background information and figures to demonstrate the impact of the proposals, and three briefing sessions were also held which were attended by approximately 65 school representatives.
- 2.5 Of the 275 schools consulted with, 69 schools responded (25%). The majority of respondents supported the two proposals within this report, which were also subsequently supported by Schools Forum. Further background details are provided below.

### Funding formula

- 2.6 We are required to apply a funding formula in order to allocate schools block funding to schools. The Education and Skills Funding Agency (ESFA) sets a range of compulsory and optional 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 caps on gains.

- 2.7 Given the complexity of the formula factors there were a significant number of formula options that it would have been possible to model, and we looked at a number of alternative options. For the consultation we used two formula options which provided the option of either staying with our existing local formula for a further year, or moving as close as possible to the National Funding Formula, which will ultimately be how schools will be funded from 2020/21.
- 2.8 In these options we built in a transfer of £2m from the schools block to the high needs block, which would support pressures in this area. In common with many areas around the country, Leeds is under considerable pressure due to increasing demographic growth and complexity of children's needs. In line with ESFA regulations this transfer from the schools block is not a council decision, and responsibility for the decision rests with Schools Forum, who provided approval for it at the November 2017 meeting.
- 2.9 ESFA regulations require us to set a minimum per-pupil funding guarantee within the formula, using 2017/18 schools baseline funding. Under both formula options we proposed a 0.5% increase in funding per pupil, so that all schools would see a gain relative to their 2017/18 baselines. This mirrors the basis on which the council's funding allocation has been calculated by the ESFA. However in order to afford a minimum 0.5% increase, the gains of some schools would not be as great as they would have been under the National Funding Formula, as we would be unable to fully implement this if some funding was transferred out of the schools block.
- 2.10 69 responses were received from schools on the funding formula proposals, with the majority preferring we move as close as possible to the national funding formula:
- 44 (64%) preferred option 2 (moving as close as possible to the national funding formula)
  - 23 (33%) preferred option 1 (the existing local formula, uplifted for the extra funding within the system)
  - The remaining 2 (3%) said they had no preference
- 2.11 Based on the comments received, most schools voted based on what they identified as the best option for them, although some voted on the basis of what they felt was best for schools as a whole or for the most deprived schools.
- 2.12 A number of comments expressed concern that the options put forward allowed some schools to gain more than they would the under the national funding formula. This discrepancy occurred because the ESFA's formula rules for local authorities did not allow us to fully replicate the new National Funding Formula rules. We have since addressed this issue by gaining ESFA approval to vary the local formula rules to replicate the National Funding Formula, and this has ensured that funding will be allocated on a more equitable basis.
- 2.13 In line with the majority view of schools that responded to the consultation, we took a proposal to Schools Forum in November 2017 that the formula should move as

close as possible to the National Funding Formula and provide a minimum 0.5% per pupil increase in funding. At that meeting members voted unanimously in favour of this proposal. Schools Forum also supported our proposals to ask the ESFA for permission to vary the local formula rules to replicate the National Funding Formula allocation. In January 2018 we reported a further update to Schools Forum to confirm that the ESFA had approved our requests, and we provided details of the updated school level allocations that reflected the ESFA approvals and latest pupil data. Schools Forum members noted the updated allocations and did not raise any objections.

#### Transfer from the central schools services block to the high needs block

- 2.14 We consulted with schools and Schools Forum on a transfer to the high needs block of £500k from the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies.
- 2.15 The ESFA provides CSSB funding based on the previous year's expenditure, and due to a reduction in costs for equal pay borrowing since 2017/18 we are able to transfer £500k of the CSSB funding for 2018/19 to the High Needs Block, in order to support pressures in this area.
- 2.16 68 responses were received from schools to this proposal. 63 (93%) supported the proposal and 5 (7%) did not. Few comments were received about this proposal, and those that were received were supportive of it. Schools Forum also voted unanimously in support of the proposal at the November 2017 meeting.

### **3. Main issues**

#### Funding formula

- 3.1 In line with the outcome of the consultations with schools and Schools Forum, we are seeking approval to move as close as possible to the national funding formula in 2018/19. This includes a minimum funding guarantee (MFG) of a 0.5% increase per pupil, compared to schools' 2017/18 baselines. This proposal is only for 2018/19, and we are required to consult again next year on the 2019/20 funding formula. Details of the proposed school level funding allocations have previously been provided to Schools Forum and are published on the council's website.
- 3.2 SILCs (Specialist Inclusive Learning Centres) are funded through the High Needs Block rather than through the schools formula, and so a separate MFG needs to be set for their High Needs funding. We are seeking approval to set the SILC MFG at -1.5%, meaning that for 2018/19 SILCs will receive at least 98.5% of their 2017/18 funding, but will be able to receive more if they are entitled to it through the formula. This takes into account the funding available within the High Needs Block and the pressures in this area.

#### Transfer from the central schools services block to the high needs block

- 3.3 In line with the outcome of the consultations with schools and Schools Forum, we are seeking approval to transfer £500k from the CSSB to the High Needs Block. Sufficient funding will remain within the CSSB to fund projected costs for 2018/19.

The ESFA regulations set out that movements from the CSSB are not subject to any limit and can be made following consultation with Schools Forum.

#### **4. Corporate considerations**

##### **4.1 Consultation and engagement**

4.1.1 The ESFA requires that we consult with all schools and Schools Forum on our proposals for the schools funding formula and the funding transfer from the CSSB. As detailed within section 2 of this report, the council held a consultation with maintained schools and academies on these proposals for 2018/19. The proposals made within this report are in line with the majority opinion of schools that responded to the consultation, and they were also fully supported by Schools Forum.

##### **4.2 Equality and diversity / cohesion and integration**

4.2.1 The DfE is introducing the National Funding Formula in order to make school funding fairer and more transparent. The DfE carried out a national consultation on its proposals, and their formula was subject to equality considerations. By moving as close as possible to the National Funding Formula in 2018/19 we are replicating the formula that the DfE has assessed as a fair way to allocate funding. Schools will move to this funding model fully by 2020/21, at which point the funding formula will cease to be a local decision.

4.2.2 We have completed an Equality, Diversity, Cohesion and Integration Screening form which demonstrates how equality has been considered throughout the process of developing and consulting on the proposals contained within this report. A copy is provided as an appendix to this report.

##### **4.3 Council policies and best council plan**

4.3.1 Allocating funding to schools in a fair and transparent way in line with the DfE National Funding Formula ensures that funding is aligned with national priorities. The National Funding Formula targets more funding towards deprivation, but also it also ensures a minimum per pupil level of funding is provided for all schools regardless of pupil characteristics. Through replicating the National Funding Formula as closely as possible the funding allocation should support the Best Council Plan priority of being a Child Friendly City, specifically in the area of educational attainment.

##### **4.4 Resources and value for money**

4.4.1 The council's Dedicated Schools Grant allocation is calculated by the ESFA, however the council currently has some decision making powers in terms of how it is allocated to schools. The proposed schools block formula recognises the financial pressures faced by schools and provides a minimum 0.5% funding increase per pupil (in line with the ESFA funding the council receives), compared to 2017/18 funding baselines.

4.4.2 The transfer of £500k from the CSSB to the High Needs Block has been proposed with consideration for the projected costs against the CSSB and the pressures on the High Needs Block. Sufficient funding will remain within the CSSB in 2018/19 for the contributions required to CSSB services.

#### **4.5 Legal implications, access to information, and call-in**

4.5.1 DfE regulations set out that the recommendations within this report are council decisions, following consultation with schools and Schools Forum.

#### **4.6 Risk management**

4.6.1 If school funding is not allocated in a fair and transparent way then this may impact on the ability of schools to operate within their budgets in order to maintain or raise the educational attainment of pupils in Leeds.

### **5. Conclusions**

5.1 The 2018/19 proposals for the funding formula and funding transfer from the CSSB to the High Needs Block have been put forward having taken account of ESFA funding regulations and the need to allocate available funding in a fair and transparent way. The decisions requested in this report were supported by the majority of schools that responded to the consultation, and fully supported by Schools Forum.

### **6. Recommendations**

6.1 The Director of Children and Families is asked to approve the proposed funding formula for 2018/19 which moves as close as possible to the National Funding Formula, and the transfer of £500k from the Central Schools Services Block to the High Needs Block of the 2018/19 Dedicated Schools Grant.

### **7. Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.