

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 10th October 2019

Subject: School funding update 2020/21 and responses to DfE consultations

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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 schools services. 2020/21 is the third year of the national funding formula for schools, high needs and central school services. The Education and Skills Funding Agency (ESFA) uses the national funding formula 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, within the constraints set out by the ESFA.
2. The government has announced that the 5 to 16 core schools and high needs budget of the Dedicated Schools Grant will, compared to 2019/20, rise nationally by:
 - £2.6 billion for 2020/21
 - £4.8 billion for 2021/22
 - £7.1 billion for 2022/23
3. Details of indicative 2020/21 funding allocations for local authorities are due to be released in early October 2019 however at the time this report was issued this information had not been received.
4. 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.
5. Financial modelling will be carried out for 2020/21 to establish options for consultation with schools once the relevant information has been received from the ESFA. Due to the late release of information by the ESFA this year there will be less time than usual to model options and consult with schools. The consultation with schools on the 2020/21 funding arrangements and de-delegation will provisionally start during the week

commencing 21st October 2019 and end early in the week commencing 4th November 2019. Briefing sessions will be provided for schools and governors during this period and slides will be circulated if anyone is unable to attend.

6. Since the last Schools Forum meeting the council has responded to two DfE consultations and details of the responses are summarised in this report. The council has responded to the individual questions and proposals but has highlighted the importance of funding levels recognising increased need in the city as well as increased costs that would result from new requirements being placed on the local authority.

Recommendations

7. Schools Forum is asked to note the latest position on the 2020/21 school funding arrangements and the work planned to develop and consult on the allocation of this funding.

1 Background information

- 1.1 The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. 2020/21 is the second year of the national funding formula for schools, high needs and central school services. The ESFA uses 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, within the constraints set out by the ESFA.
- 1.2 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 2020/21. However the government has reaffirmed their intention to move as soon as possible to a hard NFF, where schools' budgets are set on the basis of a single national formula and local authorities are no longer involved in this decision.
- 1.3 Although a three year funding settlement has been announced for schools, details of how local authorities and schools will be allocated funding have not yet been published. The ESFA is due to publish illustrative 2020/21 local authority level allocations in early October 2019 for schools, central school services, and high needs blocks, based on October 2018 pupil data. The final local authority allocations will be confirmed in December 2019 and will take into account October 2019 pupil data.

2 Main issues

2.1 Dedicated Schools Grant balance

- 2.1.1 2020/21 will be the second year in which the ESFA will require a report and supporting evidence from any local authority that has a cumulative DSG deficit of more than 1% at the end of the financial year. Recovery plans will need to be discussed with Schools Forum and should set out the authority's plans for bringing the DSG account back into balance. The council's Chief Finance Officer must also review and sign off the report before it is submitted.
- 2.1.2 Future year projections for the High Needs block will be brought to Schools Forum in November which will provide some indication of whether the local authority may be at risk of a cumulative DSG deficit of more than 1% at the end of 2020/21.

2.2 High Needs Block

- 2.2.1 Details of potential funding increases have been provided in the DSG budget monitoring report on this agenda. However as noted in that report the latest projections suggest that this will not be sufficient to meet rising pressures on the High Needs Block in 2020/21. A report on future year High Needs Block projections will be brought to the November 2019 Schools Forum meeting.

2.3 Schools Block

Funding allocation

- 2.3.1 In 2020/21, the national funding formula will continue to set notional allocations for each school, which will be aggregated and used to calculate the total Schools Block funding received by each local authority. Local authorities will still have some discretion to set a different local formula if needed.
- 2.3.2 Although funding information has been provided later than usual to local authorities this year, the ESFA deadlines have not been extended and they recognise that this provides less time than usual for local authorities to model options and consult with schools on the proposals for 2020/21. We will endeavour to provide schools with as much time as possible to comment on any proposals, however we expect that the consultation window will need to be shorter this year. The consultation with schools on the 2020/21 funding arrangements will provisionally start during the week commencing 21st October 2019 and end early in the week commencing 4th November 2019. Briefing sessions will be provided for schools and governors during this period and slides will be circulated if anyone is unable to attend.

Transfers out of the schools block

- 2.3.3 Local authorities will continue to be able to transfer up to 0.5% of their Schools Block to other blocks of the DSG, with Schools Forum approval. Based on 2019/20 funding this would be approximately £2.5m for Leeds. If the council wishes to transfer more than 0.5%, or transfer any amount without Schools Forum approval, a request would need to be made to the DfE to disapply the regulations in this area.
- 2.3.4 As High Needs Block funding is unlikely to be sufficient to cover costs in this area, we will be consulting with schools in October 2019 on a transfer of funding in 2020/21 from the Schools Block to the High Needs Block. The amount to be consulted on will be decided following further consideration of the pressures on the High Needs Block.

Schools block funding formula

- 2.3.5 In our consultation with schools on the 2020/21 formula we will be proposing to move as close as possible to the national funding formula, as this was the approach taken for 2018/19 and 2019/20 which was supported by the majority of schools that responded to the consultation and also Schools Forum. As we will be proposing to transfer some funding out of the Schools Block in 2020/21 it will not be possible to move fully to the national funding formula and we will model options for adjusting the national funding formula to take account of this. Details of the proposed formula allocations will be provided to schools during the consultation period.
- 2.3.6 The results of the consultation will be brought to Schools Forum in November 2019 where members will be consulted on their views. The ESFA will provide details of final funding allocations to the council in December 2019 and we will therefore bring our final proposals to the January 2020 meeting as usual, prior to the council taking a decision on the 2020/21 funding formula.

- 2.3.7 A summary is provided below of the main changes to the national schools block funding formula for 2020/21. If any funding is transferred to the High Needs Block in 2020/21 then some or all of these factors would need to be scaled back in the local formula order to distribute the remaining funding to schools.

Formula factor increases

- 2.3.8 The majority of funding provided through the formula factors is related to pupil numbers and characteristics, plus some additional premises based funding. The premises funding consists mainly of a flat rate lump sum for all schools plus additional funding for PFI schools to recognise increased costs. Pupil-led funding comprises basic entitlement rates for all pupils, plus targeted funding across areas such as deprivation (measured based on Free School Meal entitlement and a deprivation index), prior attainment and English as an additional language.
- 2.3.9 Factors in the NFF allocations to local authorities will be increased by 4% apart from free school meals (increased at inflation) and premises based funding (allocated based on actual local authority spend in 2019/20 with an inflationary increase for the PFI factor only). There will be some local discretion to set lower rates for the funding factors if needed.

Minimum funding increases

- 2.3.10 A minimum increase of 1.84% (the forecast GDP deflator) will be guaranteed per pupil in local authority allocations compared to the 2019/20 NFF. As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools of between +0.5% and +1.84% per pupil. In 2019/20 Leeds set a minimum funding guarantee of +0.5% per pupil, which mirrored the maximum possible increase under the NFF at that time.

Cap on gains

- 2.3.11 For local authorities not already attracting their core NFF allocations for schools there will be no cap on gains, unlike the previous two years where gains were capped nationally at 3%. All local authorities will therefore receive schools' full core allocations under the 2020/21 formula.
- 2.3.12 There will still be local discretion to set a cap in the formula for schools if needed. The cap on gains for Leeds schools was set by the council at 2.3% in 2018/19 and 2.7% in 2019/20, which was lower than the 3% in the NFF in order to account for funding transferred from the Schools Block to the High Needs Block.

Minimum per-pupil funding levels

- 2.3.13 Increases have been announced in the minimum per-pupil funding levels allocated to local authorities for 2020/21. This element of the funding formula is designed to ensure

that there is at least a certain level of funding per pupil available, regardless of pupil characteristics. Schools may receive more than the minimum level where their pupils attract targeted funding through the formula. Schools with lower indicators of additional need are more likely to be below the minimum funding level and therefore receive an uplift to this amount.

- 2.3.14 For secondary schools, local authorities will receive a minimum of £5,000 per pupil in 2020/21. This compares to £4,800 allocated in the NFF for 2019/20, which was scaled back to £4,700 in the Leeds formula due to the transfer to the High Needs Block.
- 2.3.15 For primary schools, local authorities will receive a minimum of £3,750 per pupil in 2020/21, rising to at least £4,000 from 2021/22. This compares to £3,500 allocated in the NFF for 2019/20, which was scaled back to £3,400 in the Leeds formula due to the transfer to the High Needs Block.
- 2.3.16 The government has announced that they intend that the use of the minimum funding levels will be mandatory for local authorities in 2020/21 as a first step towards the government moving towards a hard NFF. However they recognise that there may be exceptional circumstances in which a local authority finds it difficult to deliver the minimum per pupil funding levels at the same value provided in the NFF, for example if a transfer was made from the Schools Block to the High Needs Block. The DfE is currently consulting on the implementation of the minimum funding levels in 2020/21 and they are proposing that local authorities would be able to make a request to disapply the use of the full NFF per-pupil values if needed.
- 2.3.17 The DfE consultation is currently open and will close on 22nd October 2019. The council will be submitting a response to this and should any schools or Schools Forum members also wish to respond then further details of the consultation can be found on the DfE website¹.

Growth fund

- 2.3.18 Growth funding will be allocated to local authorities as part of the Schools Block, based on growth in pupil numbers between the October 2018 and October 2019 censuses. Growth funding allocations for 2020/21 will not be confirmed by the ESFA until December 2019.
- 2.3.19 As in previous years, Schools Forum are responsible for agreeing the amount of growth funding to be top-sliced from the Schools Block (which does not have to be the same as the amount of growth funding allocated by the ESFA). Details will be brought to a future Schools Forum of the proposed amount and criteria for allocation to schools of the 2020/21 growth fund.

¹ <https://consult.education.gov.uk/funding-policy-unit/mandatory-minimum-per-pupil-funding-levels-in-5-16/>

2.4 **Central School Services Block**

- 2.4.1 Funding for this block is split between historic commitments and ongoing services. Details of the indicative allocation will be received in early October 2019 with the final allocation being confirmed in December 2019.

2.5 **Early Years Block**

- 2.5.1 As in previous years, the Early Years Block allocation is based on pupil numbers in the January census and therefore allocations for 2020/21 have not yet been released.

2.6 **De-delegation of services**

- 2.6.1 Schools Forum can agree that some funding for maintained primary and secondary schools is retained centrally each year, so that the council can provide certain services to schools that they would otherwise have to pay directly from their budget (such as reimbursing schools for the cost of staff on maternity leave). This arrangement is known as de-delegation and we will be consulting with maintained mainstream schools in October on the proposals for their de-delegated contributions in 2020/21.
- 2.6.2 The ESFA has not provided any clarity on how de-delegation will operate once the NFF is brought in fully, however it is possible that ability for schools to de-delegate funding may cease at some point in the future. If this is the case we will look at providing alternative arrangements for schools who wish to continue using these services.

2.7 **DfE consultations on future financial arrangements**

- 2.7.1 The DfE has recently carried out two consultations on future arrangements, covering financial transparency arrangements for maintained schools and the distribution of funding for special educational needs. Summaries of the council's responses to these consultations are set out below.

Financial Transparency arrangements for maintained schools

- 2.7.2 Local authorities are the accountable body for maintained schools and, in line with national frameworks and guidance set by the DfE, monitor and intervene in these schools to reduce the risk of financial failure or misuse of funds. Each local authority has a scheme for financing schools which sets out the financial relationship between it and its maintained schools, and the DfE publishes guidance setting out what is required or permitted in schemes.
- 2.7.3 The DfE recognises that many local authorities do a good job in overseeing the financial affairs of their maintained schools, however they feel that current arrangements for academies are generally stronger than those in place for maintained schools and they have therefore put forward a number of proposals to increase requirements relating to maintained schools.

- 2.7.4 The council has submitted a response to this consultation which closed on 30th September 2019. We also made schools aware of the consultation so that they could respond to the DfE if they wished. Many of the proposals would not create additional burdens and so the council has not objected to the introduction of such arrangements, for example the proposal to publish details of local authorities that do not comply with deadlines for assurance returns.
- 2.7.5 However the council has disagreed with some proposals, particularly where these are at odds with other regulations or would create an additional burden with no confirmation that additional funding would be received. For example, a proposal has been made to increase the frequency of internal audits for schools to at least once every three years. While the council does not disagree with this in principle, if additional funding is not received this would lead to increasing costs for the council which may need to be passed on to schools.
- 2.7.6 Details of the proposals that were consulted on can be found on the DfE's website².

Funding for special educational needs – call for evidence

- 2.7.7 Schools Forum members were advised at the June 2019 meeting that the DfE had launched a call for evidence which was intended to help them understand how the current available funding is distributed and what improvements could be made to the funding arrangements in the future. It also looked at factors in the current funding system that may be contributing to the escalation of costs, without necessarily securing better long-term outcomes for pupils and students.
- 2.7.8 The call for evidence posed a number of questions around the distribution of existing funding and how this could be improved. The council responded with comments on each of the questions but particularly highlighted that the key issue is not how existing funding is allocated but rather that insufficient funding is available to meet need. This response was made before the recent funding announcement which provides a welcome funding increase, however as noted earlier in this report this is still projected to fall short of the amount required to meet increasing demands.
- 2.7.9 The DfE has not yet issued a response to the consultation however further details of the questions posed in the consultation can be found on their website³.

3 Recommendations

- 3.1 Schools Forum is asked to note the latest position on the 2019/20 school funding arrangements and the ongoing work to develop and consult on the allocation of this funding.

² https://consult.education.gov.uk/funding-policy-unit/financial-transparency-of-local-authority-mainta/supporting_documents/LA%20Financial%20Transparency%20Consultation.pdf

³ <https://consult.education.gov.uk/funding-policy-unit/funding-for-send-and-those-who-need-ap-call-for-ev/>