

Leeds City Council

School funding arrangements 2020/21

1. Summary of key points

1.1. This consultation is on school funding arrangements for 2020/21.

The consultation covers:

- a) Transfers from the schools and central schools services blocks to the high needs block of the Dedicated Schools Grant.
- b) The formula for allocating schools block funding to mainstream schools. Two options are provided for comment which both provide an increase in per-pupil funding to all mainstream schools.

Additionally for maintained mainstream schools only the following is also included in the consultation:

- c) A contribution towards the severance costs of maintained school staff.

- 1.2. The consultation is open until the end of Thursday 7th November 2019. Information on funding allocations from the ESFA has been issued significantly later this year due to the late funding announcement by the government. We have prepared the council's proposals as quickly as possible to provide as much time as we can for this consultation, however as our deadlines to respond to the ESFA have not been extended we are unfortunately unable to offer a longer period for comment.
- 1.3. Details of the consultation on de-delegation contributions for maintained mainstream schools will be issued shortly, provisionally during November 2019.
- 1.4. Detailed school level figures for the formula options are attached as an appendix. These use the council's indicative funding allocation provided by the Education and Skills Funding Agency which is based on October 2018 data. Please note that these figures may differ from the provisional school level allocations published by the ESFA (see 2.4 for further details). The final funding for 2020/21 will be updated for October 2019 pupil data and confirmed by the ESFA in December 2019.
- 1.5. A briefing session has been arranged for schools and governors on Tuesday 5th November 2019, 1.30 – 3pm in the Millennium Room at The Carriageworks (Millennium Square, Leeds city centre). In this session we will talk through the proposals being made and there will be an opportunity to ask questions. If you would like to attend the briefing please email education.finance@leeds.gov.uk
- 1.6. If you have any queries during the consultation period please email education.finance@leeds.gov.uk, or contact us by telephone on 0113 3788245.
- 1.7. Responses to the consultation should be made on the attached Excel spreadsheet and returned to education.finance@leeds.gov.uk by the end of Thursday 7th November 2019.

- 1.8. We will report to Schools Forum on 14th November 2019 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. 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 (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. 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.
- 2.3. The indicative schools block allocation for Leeds in 2020/21 is £535.6m before growth, which is an increase of £24.5m compared to the equivalent allocation received for 2019/20.
- 2.4. This consultation has been prepared using the ESFA's indicative allocation for Leeds, which uses the October 2018 census. Please be aware that the school level figures that have been circulated recently by the ESFA are not necessarily what schools will receive in 2020/21, as they have been prepared by the ESFA on a different basis to the local authority level allocations and local authorities still have the ability to set a different formula in response to local need.
- 2.5. The actual schools block allocation for 2020/21 will not be provided to local authorities by the ESFA until December 2019. This will reflect any changes in pupil data from the October 2019 census for mainstream schools and academies.
- 2.6. We will report to Schools Forum on 14th November 2019 with the outcome of this consultation and draft proposals for funding arrangements in 2020/21. The final proposals for the funding arrangements will be taken to Schools Forum in January 2020, following the receipt of updated funding information from the ESFA in December 2019. Mainstream maintained schools will be advised of their final funding allocation by the council end of February 2020. Mainstream academies will be notified of their funding allocations directly by the ESFA.

3. Consultation

3.1. Transfers to the high needs block

- 3.1.1. We are consulting on two transfers to the high needs block in order to contribute towards budget pressures in this area:
 - a) A £2.65m transfer from the schools block to the high needs block.
 - b) Up to a £250k transfer from the central schools services block to the high needs block.

Background

- 3.1.2. 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%. For Leeds, 0.5% approximately £2.678m.
- 3.1.3. 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. An overspend of £7.2m on the high needs block is currently forecast for 2019/20.
- 3.1.4. Although funding on the high needs block has provisionally increased by £12.4m for Leeds in 2020/21, this is still subject to a cap on gains which equates to £4.68m.
- 3.1.5. The attainment 'gap' in Leeds between outcomes achieved by those with SEND, and achieved by their peers without SEND is greater than in other LAs. Leeds is not by any means performing as well as we would like to in this area; indeed, less well in comparison to our peers and statistical neighbours. There is a pressing need to improve these outcomes and reduce this gap. This is reflected in recent and emerging local strategies, including the Future in Mind: Social Emotional and Mental Health strategy for Leeds, the developing local strategy on Attainment, Achievement and Attendance (the '3 As'), and the Leeds Children and Young People's Plan 2018-23 (which includes a specific priority of 'improve at a faster rate, educational progress for children and young people vulnerable to poor learning outcomes').
- 3.1.6. Such improvements cannot be made if funding reductions place undue pressure and restrictions on education providers, especially given the need for specific costly resources to support some complex needs. Those stakeholders participating in consultation on the High Needs Block during the 2017 review reported significant concerns that future funding may be not be adequate to fully meet rising levels of needs.
- 3.1.7. The ESFA requires that we provide a range of evidence to support the council's proposal to transfer funding from the schools block to the high needs block. Further details of this are attached as an appendix.
- 3.1.8. The second proposal to transfer funds relates to the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies. We anticipate that there will be up to £250k of funding available in the CSSB to transfer to the high needs block due to a reduction in historic commitments which is not fully matched by a decrease in funding. This transfer will not affect the ability to fund the current statutory duties from the CSSB. The precise amount that would be transferred from the CSSB is subject to the costs and funding relating to this block being confirmed in December 2019.
- 3.1.9. We expect that 2020/21 will be the last year that CSSB funding will be available to support pressures in the high needs block, as the ESFA intends to continue reducing local authorities' funding for historic commitments. We expect this will cause a pressure on this block from 2021/22.

Proposal

- 3.1.10. As set out above we are proposing transfers to the high needs block of £2.65m from the schools block, and up to £250k from the central schools services block. The ESFA allows us to transfer up to 0.5% (approximately £2.678m) from the schools block with the agreement of Schools Forum.
- 3.1.11. As the increase in the provisional 2020/21 schools block allocation for Leeds is expected to be approximately £24.5m compared to 2019/20 (before any pupil growth which will be confirmed in December), the transfer of £2.65m out of the schools block in 2020/21 will still leave a significant increase in the schools formula of over £20m. In addition, funding transferred to the high needs block is effectively redistributed to schools through the funding mechanisms associated with that block.
- 3.1.12. The impact on individual schools in the funding formula of the proposed £2.65m transfer will vary, depending on the formula adopted. Further details of the formula options under consultation are provided in section 3.2 below, and the impact on each school is shown in the appendix.
- 3.1.13. Following the consultation, we will take our proposal to Schools Forum on 14th November 2019 on any transfers from the schools block and central schools services 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. In relation to the transfer from the central schools services block, the final decision on this is the responsibility of the council.
- 3.1.14. 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.

3.2. Mainstream Schools funding formula

Background

- 3.2.1. 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.
- 3.2.2. The council is proposing to move as close as possible to the national funding formula for 2020/21 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.
- 3.3. The national funding formula for schools comprises 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.

Figure 1: Factors in the schools national funding formula

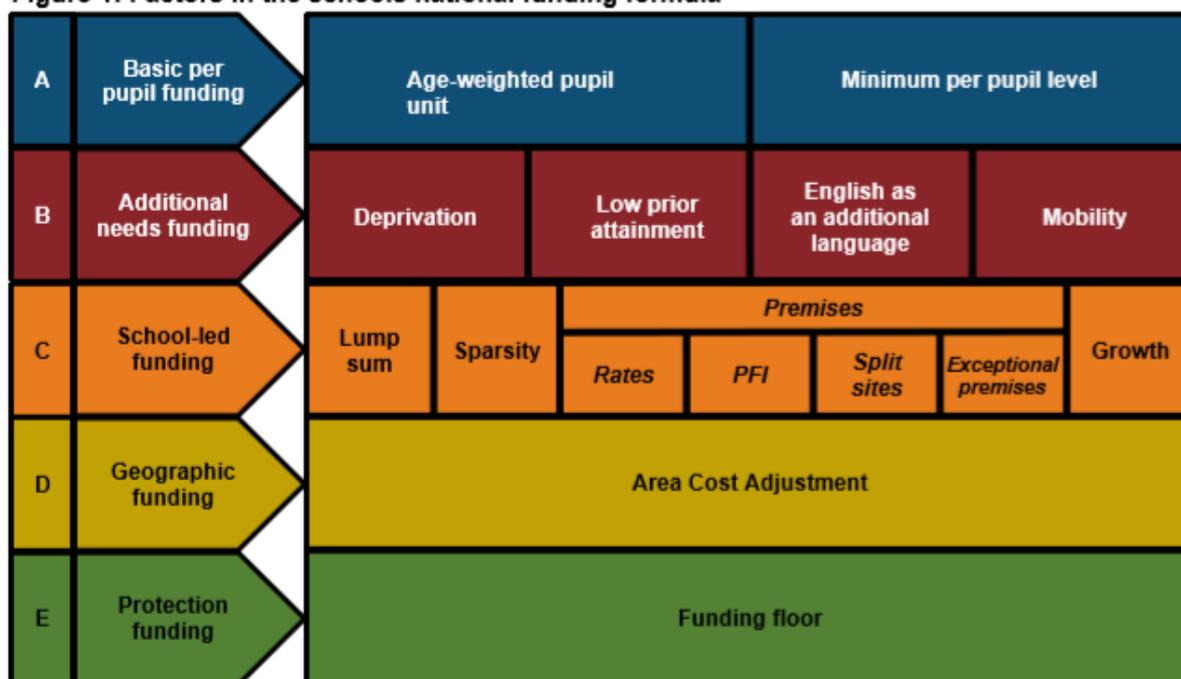


Figure 1: This illustrates the factors that will be taken into account when calculating schools block DSG funding allocations through the national funding formula. It is not to scale. Funding for factors in italics will be allocated to local authorities on the basis of historic spend.

- 3.4. Several changes have been announced which provide increases in funding for local authorities in 2020/21. 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.
- 3.4.1. 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. However as previously noted there would still be over £20m additional funding available for schools in 2020/21 compared to 2019/20 due to increases in the council’s provisional schools block allocation.
- 3.4.2. Formula factor increases
- Funding allocated to the council: Factors in the funding formula will be increased consistently by 4% apart from free school meals (increased at inflation) and premises based funding (allocated based on actual spend in 2019/20 with an inflationary increase of 3.03% for the PFI factor only).
 - Schools funding formula: The council can decide to allocate these increases out differently to schools if needed, subject to any ESFA restrictions or requirements for minimum funding increases.

3.4.3. Minimum funding guarantee

- a) Funding allocated to the council: A minimum increase of 1.84% will be guaranteed per pupil compared to allocations under the 2019/20 NFF.
- b) 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 +1.84%. In 2019/20 Leeds set a minimum funding guarantee of +0.5%, which mirrored the NFF at that time.

3.4.4. Cap on gains

- a) Funding allocated to the council: For schools not already attracting their core NFF allocations there will be no cap on gains, unlike the previous two years where gains were capped at 3%. All schools will therefore attract their full core allocations under the 2020/21 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 2.3% in 2018/19 and 2.7% in 2019/20 to account for funding transferred from the Schools Block to the High Needs Block.

3.4.5. Minimum Funding Level increases

- a) Funding allocated to the council: Increases have been announced in the minimum funding levels for 2020/21 to £5,000 per pupil for secondary schools and £3,750 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 needs 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 2020/21 and is intending to make this a mandatory requirement. There may be a route for local authorities to apply for permission to set lower levels if this is unaffordable locally, however we have been advised that it is unlikely that such a request would be granted.

Funding formula options

3.4.6. 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.

3.4.7. We have provided details of two different funding formula options for consideration. As these proposals are based on the indicative funding allocations which use October 2018 pupil data, the affordability of these options may change once the October 2019 census

details are available in December. These proposals are also only for 2020/21 only and we will consult again next year on the 2021/22 funding formula if this does not move to the NFF.

- 3.4.8. Using the principles established in previous years for the formula, we have modelled two options for 2020/21 which vary the minimum funding guarantee and cap on gains. However for 2020/21 we are proposing to retain the minimum per-pupil funding level as the government has said this should be mandatory. Both options provide an increase in per pupil funding but distribute this differently.
- 3.4.9. **Option 1:** A cap on gains of 3.83%. All other factors are in line with the national funding formula (see table below), including the minimum funding guarantee of 1.84%.
- 3.4.10. **Option 2:** A reduced minimum funding guarantee of 1% and a cap on gains of 3.96%. All other factors are in line with the national funding formula (see table below).

Funding formula factor	2019/20 (for comparison)		2020/21		
	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	1.84% per pupil	1.84% per pupil	1% per pupil
Cap on gains ^{1,2}	3% per pupil	2.7% per pupil	No cap	3.83%	3.96%
Minimum per pupil funding level ^{1,2}	Secondary £4,800 Primary £3,500	Secondary £4,700 Primary £3,400	Secondary £5,000 Primary £3,750	Secondary £5,000 Primary £3,750	Secondary £5,000 Primary £3,750

¹ Excluding premises based funding

² The minimum per pupil funding level cannot be subject to the cap on gains

- 3.4.11. We have provided an appendix listing the details for schools by phase and in alphabetical order. As previously noted, both options provide an increase per pupil for all schools compared to 2019/20. When comparing the figures on the appendix please note that:
- The ESFA's final funding allocations in December 2019 may result in changes to the final school formula. Specifically we have not yet been advised how much funding to expect for growth in the formula. If the amount allocated for growth is insufficient this will affect the affordability of the options proposed in this consultation.
 - Changes in premises-led funding may affect the comparison between 2019/20 and 2020/21 total funding. Specifically:
 - We have reflected any changes in business rates costs in the 2020/21 funding figures.

- For PFI schools, the required amount of PFI affordability gap funding will be distributed through the formula in 2020/21. PFI schools should not expect to receive any additional PFI funding outside of the formula in 2020/21.
- c) All figures are based on financial years and the 2019/20 funding figures are those submitted by the council to the ESFA. However for free schools and academies, the ESFA provides funding based on academic years. The 2019/20 formula allocation may therefore not agree to academy and free school General Annual Grant statements. However the increases between the 2019/20 and 2020/21 figures are a correct reflection of the indicative gains resulting from the funding formula options.
- d) The figures are before contributions for de-delegation or severance cost contributions (which would only apply to maintained schools).

3.5. **Contribution towards severance costs - maintained schools only**

- 3.5.1. We are also consulting on a proposal for maintained schools to contribute a total of £150k towards the severance costs of maintained school staff, which are charged to the council. This equates to a contribution of £2.50 per maintained school pupil, based on forecast pupil numbers.
- 3.5.2. This is a reduction compared to 2019/20 when Schools Forum agreed that maintained schools would contribute £200k to severance costs, which equated to £3.12 per maintained school pupil based on forecast pupil numbers at the time. This was a reduction compared to 2018/19 when a contribution of £500k was agreed (£7.25 per pupil).
- 3.5.3. The £150k contribution is being proposed for 2020/21 as the council has faced 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. ESG ceased to be paid at the end of August 2017 and the full year effect of the ending of this grant was £2.47m in 2018/19.
- 3.5.4. 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. The cost of redundancies has been increasing over recent years: in 2016/17 the total redundancy cost for maintained schools was £555k and in 2017/18 this increased £955k. While costs have started to reduce, and the proposed contribution from schools reflects this, we are still anticipating costs of approximately £500k for 2019/20.
- 3.5.5. For 2020/21 we are proposing that maintained schools make a contribution 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. Some other authorities have also already agreed contributions from their maintained schools towards severance costs.
- 3.5.6. Following the consultation, we will take a proposal to Schools Forum on 14th November 2019 in relation to a contribution from maintained schools for severance costs for maintained schools 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.

4. Consultation responses

- 4.1. Responses to the consultation should be made on the attached Excel spreadsheet and returned to education.finance@leeds.gov.uk by the end of Thursday 7th November 2019.
- 4.2. We will report to Schools Forum on 14th November 2019 with the outcome of the consultation.
- 4.3. The final proposals for the funding formula will be taken to Schools Forum in January 2020, following receipt of updated funding information from the ESFA in December 2019. Mainstream maintained schools can expect to be advised of their final funding allocation by the council end of February 2020. Mainstream academies will be notified of their funding allocations directly by the ESFA.