

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 14 November 2019

Subject: 2020/21 school funding proposals

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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. 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.
3. This report presents the outcome of a recent consultation with mainstream schools on funding arrangements for 2020/21. 88% of respondents supported the council's proposal to transfer funding to the high needs block from the schools block (£2.65m) and 89% supported the proposed transfer from the central school services block (up to £250k). 80% of maintained schools responding to the consultation also supported a contribution by maintained schools towards severance costs (a total of £150k, to be applied as a rate of £2.50 per pupil). In relation to the school funding formula, option two was preferred by the majority (63%).

Recommendations

4. Schools Forum is asked to consider and vote on a proposal to transfer £2.65m from the schools block to the high needs block in 2020/21.
 - All Schools Forum members may vote on this proposal.

- It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
5. Schools Forum is asked to consider and vote on a proposal to transfer up to approximately £250k from the central schools services block to the high needs block in 2020/21 (with the final amount being subject to confirmation of costs and funding).
- All Schools Forum members may vote on this proposal.
 - This transfer can be made by the local authority following consultation with Schools Forum.
6. Maintained school members of Schools Forum are asked to consider and vote on a proposal for a contribution in 2020/21 by maintained schools towards the severance costs of maintained school staff, to be applied as a per-pupil amount of £2.50.
- Voting on this proposal is limited to maintained primary and secondary school members.
 - It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
7. Schools Forum is asked to consider and indicate their preference for the schools funding formula for 2020/21.
- All Schools Forum members may vote on this proposal.
 - The local authority is required to consult with Schools Forum on the funding formula, however the local authority retains the final decision on the formula to be used.

1 Purpose of this report

- 1.1 This report updates Schools Forum on the outcome of the consultation with maintained schools and academies on school funding arrangements for 2020/21, and requests decisions and views on a number of matters from Schools Forum's members in their capacity to take a strategic view across the whole education estate whilst acting as representative of the group that has elected them
- 1.2 A further report will be brought to Schools Forum in January 2020 to confirm the final school funding allocations for 2020/21.

2 Background information

- 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 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.
- 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 council recently held a consultation on school funding arrangements for 2020/21, between 24th October and 7th November 2019. During the consultation period schools were provided with background information and figures to demonstrate the impact of the proposals, a briefing session was held and queries received from individual schools were responded to. A copy of the consultation documents issued to schools is attached as an appendix to this report.
- 2.4 It should be noted that the options and figures within the consultation and this report have been calculated based on October 2018 pupil data, which was the basis for the indicative funding published by the ESFA for consultation purposes. The final local authority allocations will be confirmed in December 2019 and will take into account October 2019 pupil data.
- 2.5 The proposals in this report are therefore subject to change prior to the deadline for confirming final funding allocations to the ESFA on 21st January 2020. A Schools Forum meeting has been arranged on 16th January ahead of this deadline, where the full final proposals will be confirmed.

3 Main issues

3.1 Summary of consultation

- 3.1.1 Of the 265 schools consulted with, 84 responses were received (compared to 77 the previous year). Comments and key themes from the responses have been

summarised in the relevant sections below. Not all response forms included an answer to every question, so the number of responses against each proposal below varies.

3.1.2 The council consulted on the following proposals:

- a) Two transfers between the funding blocks of the Dedicated Schools Grant in 2020/21:
 - A £2.65m transfer from the schools block to the high needs block.
 - Up to a £250k transfer from the central schools services block to the high needs block.
- b) Two options for funding formula for 2020/21, taking into account the proposed transfer out of the schools block of £2.65m.
 - Option 1: A cap on gains of 3.83%. All other factors are in line with the national funding formula, including the minimum funding guarantee of 1.84%.
 - Option 2: A reduced minimum funding guarantee of 1% and an increased cap on gains of 3.96%. All other factors are in line with the national funding formula.
- c) A contribution in 2020/21 by maintained schools of £150k towards the severance costs of maintained school staff, to be applied as a per pupil amount of £2.50.

3.1.3 88% of respondents supported the transfer from the schools block to the high needs block and 89% supported the transfer from the central school services block to the high needs block. 80% supported the contribution by maintained schools towards severance costs in 2020/21. In relation to the funding formula, the majority (63%) voted for option two.

3.1.4 Further detail on each of the proposals and consultation responses are provided below.

3.2 Transfer from the schools block to the high needs block

Background

3.2.1 The council consulted on a £2.65m transfer from the schools block to the high needs block. Detailed information was provided to schools on the background to our proposals as part of the consultation document and the briefing session. The full consultation document is attached as an appendix to this report, but in summary the key points were:

- The ESFA expects most movements from schools block will be due to pressures on 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.
- The latest high needs block projections for 2019/20 show an anticipated £7.2m overspend.
- Although the provisional 2020/21 high needs block allocation for Leeds shows an increase in funding of £12.38m compared to 2019/20, there is still a cap on gains in place. If the cap on gains was not in place the council would gain an additional £4.7m.
- The local authority can transfer up to 0.5% (approximately £2.65m) from the schools block with Schools Forum approval, with the option to transfer more with approval from the DfE.
- 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.
- The transfer to the high needs block will not be funding council services and will instead be redistributed to schools and settings through the funding mechanisms associated with that block.
- A schools block transfer was one of the options supported by the previous high needs consultation focus groups.

Consultation responses

- 3.2.2 83 responses were received to this proposal. 73 (88%) supported the proposal and 10 (12%) did not. Some respondents provided comments, in general these recognised the pressure on the High Needs Block and were hopeful that funding would be sufficient in future so that further transfers would not be required, a view which is shared by the council. Some respondents also felt that further work to review costs associated with the High Needs Block would be beneficial.
- 3.2.3 Proposal
- 3.2.4 The majority of respondents supported our original proposal, and therefore the local authority is still proposing to transfer £2.65m from the schools block to the high needs block.
- 3.2.5 The movement of up to 0.5% (approximately £2.65m) from the schools block is a Schools Forum decision. In the event that Schools Forum does not agree with our proposals, the DfE can adjudicate if the local authority wanted to request this.
- 3.2.6 The proposed transfer from the schools block to the high needs block only relates to proposals for 2020/21. In 2021/22 it is possible that a further request could also be made to transfer funds from the schools block to the high needs block. This would depend on the savings that can be made through other means or if additional funding was forthcoming. If a further transfer was required it would form part of a separate consultation during the next financial year.

3.2.7 The council is required by the DfE to present a range of evidence to support our proposal to transfer funding from the schools block to the high needs block. The local authority has carried out a self-assessment against the requirements in order to demonstrate how these criteria have been met, and a copy of this is attached as an appendix.

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

Background to the proposal

3.3.1 The council consulted on a further transfer to the high needs block of up to £250k from the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies.

3.3.2 There is likely to be an underspend against the historic commitment costs within the CSSB which will allow us to transfer this funding to the high needs block without affecting the statutory duties the local authority is required to undertake. The precise amount that would be transferred from the CSSB is subject to the costs and funding relating to this block being confirmed.

3.3.3 Movements from the CSSB to any other block are not subject to any limit and can be made by the council following consultation with Schools Forum.

3.3.4 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.

Consultation responses

3.3.5 83 responses were received to this proposal. 74 (89%) supported the proposal and 9 (11%) did not. Very few comments were received about this proposal, and as indicated by the results the comments were generally supportive.

Proposal

3.3.6 As the majority of respondents supported our original proposal, the council is still proposing a transfer of up to £250k from the central schools services block. The precise amount that would be transferred from the central schools services block is subject to the costs and funding relating to this block being confirmed.

3.3.7 Movements from the central schools services block are not subject to any limit and the local authority can take this decision following consultation with Schools Forum.

3.4 Schools funding formula

Background to the proposal

- 3.4.1 The council is required to apply a funding formula in order to allocate schools block funding to schools. The ESFA sets a range of 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 a cap on gains.
- 3.4.2 If the council implements the £2.65m transfer from the schools block, we cannot 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.
- 3.4.3 Given the complexity of the possible formula factors there are a significant number of formula options that it would have been possible to model and the council looked at a number of alternative options. 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. These are:
- 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%.
 - Option 2: A reduced minimum funding guarantee of 1% and an increased cap on gains of 3.96%. All other factors are in line with the National Funding Formula (see table below).
- 3.4.4 In 2018/19 and 2019/20 we scaled back the minimum per-pupil funding levels compared to the National Funding Formula, however we have not done so for 2020/21 as the government expects that these levels will be fully provided to schools. The DfE is intending to make this a mandatory requirement and has advised that local authorities and schools should plan on this basis. There is likely to be a route for local authorities to apply for permission to reduce these levels if they can demonstrate they are unaffordable in the local formula, however we have been advised that it is very unlikely local authorities would be able to demonstrate this given the increased funding allocations.
- 3.4.5 Under both options consulted on there is an increase in per-pupil funding for all schools compared to 2019/20. The options are summarised in the table below, with school level information provided in the appendix.

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	Secondary £4,700	Secondary £5,000	Secondary £5,000	Secondary £5,000
	Primary £3,500	Primary £3,400	Primary £3,750	Primary £3,750	Primary £3,750

¹ Excluding premises based funding

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

3.4.6 Our final funding allocation for 2020/21 will be confirmed by the ESFA in mid to late December 2019. The funding increases built into our current proposal are based on the ESFA's indicative local authority allocations which use October 2018 pupil data. As a result the affordability of our proposal could change once the final allocation is confirmed, if there is a significant change in pupil demographics.

Consultation responses

3.4.7 82 responses were received on the funding formula:

- 30 (37%) preferred option one
- 52 (63%) preferred option two

3.4.8 It is not unexpected that option two is the preferred option, as this results in more funding for most schools. The schools benefiting most from each of the options are as follow:

- Option one is best for 29 schools (11%)
- Option two is best for 139 schools (52%)
- There is no difference between the options for 97 schools (37%)

3.4.9 Comments from schools generally either supported option one on the basis that this delivered a 1.84% minimum funding guarantee in line with the national funding formula, or option two on the basis that this benefitted most schools.

Proposal

- 3.4.10 The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. This proposal is only for 2020/21, and the council will be required to consult again next year on the 2021/22 funding formula if the National Funding Formula will not be fully implemented at that time.
- 3.4.11 In the context of the extent to which all schools are proposed to gain under the options for 2020/21 the local authority does not have a preference as to which option should be implemented. However we are mindful that Schools Forum has previously expressed a preference to move as close as possible to the National Funding Formula, which is best represented by the first option (1.84% minimum funding guarantee and 3.83% cap on gains).
- 3.4.12 The final funding formula for 2020/21 will be approved in line with the council's decision making framework and we will submit details of the funding allocations for schools to the ESFA by their deadline of 21st January 2019.
- 3.4.13 In addition to providing funding based on the October 2019 census, the ESFA also provides an allocation for growth in the formula based on changes between the October 2018 and October 2019 census. This growth allocation is used to create a Growth Fund which provides support for costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The allocation is also used to fund estimated pupil numbers in the formula for new schools that have opened in the last seven years and are still adding year groups. The council's growth allocation for 2020/21 will not be confirmed until December. This is an area of risk as if the amount of growth funding allocated to Leeds is insufficient compared to projected demand then this may reduce funding available to be delivered to schools through the formula. If this was the case then we will report details to Schools Forum at the meeting on 16th January 2020.
- 3.4.14 In relation to PFI schools, the DfE provides additional PFI funding in the council's allocation to recognise the additional costs associated with these contracts, which the council then distributes to PFI schools through the funding formula. The council's contribution of £1m into DSG in 2019/20 to resolve PFI funding issues has been baselined and included in our DSG allocation for 2020/21. For 2020/21 we will again be requesting permission from the DfE to exclude any PFI funding delivered through the formula from the calculation of the minimum funding guarantee. This will ensure that the per-pupil funding for PFI schools is calculated on the same basis as non-PFI schools and that they receive the correct amount of PFI funding to support their contributions to contract costs.

3.5 Contribution towards severance costs for maintained schools

Background to the proposal

- 3.5.1 The council consulted 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, following support for this proposal by the majority of maintained schools that responded to the consultation. This equated to £3.12 per maintained school pupil based on forecast pupil numbers at the time. This was also a reduction compared to 2018/19 when a contribution of £500k was agreed (£7.25 per pupil).
- 3.5.3 This contribution was consulted on 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 significant 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 A contribution from maintained schools is equitable with the treatment of academies, who have already lost their 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.

Consultation responses

- 3.5.6 44 responses were received from maintained schools to this proposal. 35 (80%) supported the proposal and 9 (20%) did not. Some schools commented that they had worked hard to minimise redundancies and therefore did not feel it was fair to be asked to contribute towards these costs for other schools. However under the regulations the council can only apply this contribution as a per-pupil amount, rather than passing on the actual costs to individual schools.

Proposal

- 3.5.7 As the majority of maintained schools responding to the consultation supported our proposal, the council is requesting that maintained schools contribute £150k (£2.50 per pupil) towards severance costs for maintained schools.
- 3.5.8 Maintained school members of Schools Forum are able to decide on whether to accept this proposal. In the event that Schools Forum does not agree with our proposal, the DfE are able to adjudicate if the council wanted to request this.

4 Recommendations

- 4.1 Schools Forum is asked to consider and vote on a proposal to transfer £2.65m from the schools block to the high needs block in 2020/21.
- All Schools Forum members may vote on this proposal.
 - It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
- 4.2 Schools Forum is asked to consider and vote on a proposal to transfer up to approximately £250k from the central schools services block to the high needs block in 2020/21 (with the final amount being subject to confirmation of costs and funding).
- All Schools Forum members may vote on this proposal.
 - This transfer can be made by the local authority following consultation with Schools Forum.
- 4.3 Maintained school members of Schools Forum are asked to consider and vote on a proposal for a contribution in 2020/21 by maintained schools towards the severance costs of maintained school staff, to be applied as a per-pupil amount of £2.50.
- Voting on this proposal is limited to maintained primary and secondary school members.
 - It is a Schools Forum decision on whether to accept this proposal. In the event that Schools Forum does not agree, the DfE are able to adjudicate if the local authority requests this.
- 4.4 Schools Forum is asked to consider and indicate their preference for the schools funding formula for 2020/21.
- All Schools Forum members may vote on this proposal.
 - The local authority is required to consult with Schools Forum on the funding formula, however the local authority retains the final decision on the formula to be used.