

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 15 November 2018

Subject: 2019/20 school funding proposals

Report Author: Louise Hornsey

Contact telephone number: 0113 3788689

Summary of main issues

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. 2019/20 is the second 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 Dedicated Schools Grant (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 of the DSG, 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 2019/20. The majority of respondents supported the council's proposals to transfer funding to the high needs block from the schools block (£2.5m) and the central school services block (up to £800k). The majority of maintained schools responding to the consultation also supported a contribution by maintained schools towards severance costs (a total of £200k, to be applied as a rate of £3.12 per pupil). In relation to the school funding formula, the votes were evenly split between the two options presented for consultation. The report provides further details of the council's view on the direction for the funding formula in 2019/20, taking into account feedback received from schools.

Recommendations

4. Schools Forum is asked to consider and vote on a proposal to transfer £2.5m from the schools block to the high needs block.

- 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 £800k from the central schools services block to the high needs block (with the final amount being subject to confirmation of costs and funding).
 - 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 2019/20 of £200k by maintained schools towards the severance costs of maintained school staff, to be applied as a per pupil amount of £3.12.
 - 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 comment on the proposed principles for the schools funding formula for 2019/20.
 - 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 2019/20, and requests decisions and views on a number of matters.
- 1.2 A further report will be brought to Schools Forum in January 2019 to confirm the final school funding allocations for 2019/20.

2 Background information

- 2.1 The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. 2019/20 is the second year of the national funding formula for schools, high needs and central school services. The ESFA uses the national funding formula to calculate the blocks within the Dedicated Schools Grant (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 now advised that local authorities will also continue to determine their local formula in 2020/21, a year longer than previously thought. The ESFA has not confirmed the date that the national funding formula will now be fully implemented so it is possible there could be further transitional years beyond 2020/21.
- 2.3 The level of funding increases and any cap on gains is still unknown from 2020/21 as this will be the subject of a future government spending review.
- 2.4 The ESFA has published illustrative local authority level allocations for 2019/20 for schools, central school services, and high needs blocks, based on October 2017 pupil data. Details are provided in the relevant sections below and these figures will be used for consultation with schools in October 2018. The final local authority allocations will be confirmed in December 2018 and will take into account October 2018 pupil data.
- 2.5 The council recently held a consultation with maintained schools and academies on school funding arrangements for 2019/20, between 18th October and 2nd November 2018. 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.
- 2.6 It should be noted that the options and figures within the consultation and this report have been calculated based on October 2017 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 2018 and will take into account October 2018 pupil data.
- 2.7 The proposals are therefore subject to change prior to the deadline for confirming final funding allocations to the ESFA by 21st January 2019. A Schools Forum meeting has been arranged on 17th 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, 77 responses were received (compared to 69 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 2019/20:

- A £2.5m transfer from the schools block to the high needs block.
- Up to an £800k transfer from the central schools services block to the high needs block.

b) Two options for funding formula for 2019/20, taking into account the proposed transfer out of the schools block of £2.5m.

- Option 1 provided a 0.5% minimum per pupil increase, a 2.3% cap on gains and minimum per pupil funding of £3,300 for primary pupils and £4,600 for secondary pupils.
- Option 2 provided a 0.25% minimum per pupil increase, a 2.3% cap on gains and minimum per pupil funding of £3,400 for primary pupils and £4,700 for secondary pupils.

c) A contribution in 2019/20 by maintained schools of £200k towards the severance costs of maintained school staff, to be applied as a per pupil amount of £3.12.

3.1.3 The majority of respondents supported the transfers between funding blocks and the contribution by maintained schools towards severance costs in 2019/20. In relation to the funding formula, the votes were fairly evenly split between the two options.

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 £2.5m 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 sessions. 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.
- There were overspends on the high needs block of £4.8m in 2016/17 and £2.4m in 2017/18 with a further £2.5m projected for 2018/19, despite some savings being implemented.
- If the cap on gains had not been in place Leeds would have received additional high needs funding of £7m in 2018/19 and £5m (indicative) for 2019/20.
- The local authority can transfer up to 0.5% (£2.5m) from the schools block with Schools Forum approval, with the option to transfer more with approval from the DfE.
- A £2.5m transfer would leave an extra £5.6m in the schools block compared to the amount allocated to schools in 2018/19.
- A schools block transfer was one of the options supported by the previous high needs consultation focus groups.

Consultation responses

- 3.2.2 75 responses were received to this proposal. 54 (72%) supported the proposal and 21 (28%) did not. A number of comments expressed disappointment that the increase in the council's high needs funding is being capped by the government. Comments were also received that a transfer from the schools block may mean that the issue of the current pressures caused by the cap on gains is not obvious to the ESFA. As previously confirmed to Schools Forum, the council has discussed this issue with the ESFA however at this stage no additional funding has been forthcoming.

Proposal

- 3.2.3 The majority of respondents supported our original proposal, and therefore the local authority is still proposing to transfer £2.5m from the schools block to the high needs block.
- 3.2.4 The movement of up to 0.5% (£2.5m) 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.
- 3.2.5 The proposed transfer from the schools block to the high needs block only relates to proposals for 2019/20. In 2020/21 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.
- 3.2.6 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 £800k from the central school services block, 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 central schools services block which will allow us to transfer further 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 central schools block is subject to the costs and funding relating to this block being confirmed.

Consultation responses

- 3.3.3 75 responses were received to this proposal. 61 (81%) supported the proposal and 14 (19%) did not. Very few comments were received about this proposal, and as indicated by the results the comments were generally supportive of the proposal.

Proposal

- 3.3.4 As the majority of respondents supported our original proposal, the council is still proposing a transfer of up to £800k 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.
- 3.3.5 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 £2.5m transfer from the schools block, we cannot fully move to the national funding formula as not enough funding will remain. However there would still be additional funding available for schools in 2019/20 as the schools block funding allocated to Leeds has increased by £6.1m compared to 2018/19, based on the indicative figures using October 2017 pupil data.

- 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. The two options that the council consulted on both proposed to move as close as possible to the national funding formula for 2019/20, as this was the approach taken for 2018/19 which was supported by the majority of schools that responded to the consultation and also Schools Forum.
- 3.4.4 Under both options the council included an increase in per-pupil funding, so that all schools would still see a per-pupil gain compared to 2018/19. However the options distribute funding differently to schools depending on which aspects of the formula are prioritised. The two options the council consulted on are summarised below, with school level information provided in the appendix.
- 3.4.5 The local authority's view is that option 1 provides the greatest stability in the formula as it delivers the same priorities as in 2018/19: a 0.5% minimum per pupil increase in funding, a 2.3% cap on gains per pupil and the same minimum funding level per pupil. The rest of the funding formula is substantially the same as in 2018/19 however the pupil led factors have been scaled back by 0.2% compared to the national funding formula in order to deliver these priorities and take into account the transfer of £2.5m to the high needs block.
- 3.4.6 The council also modelled a second option to demonstrate the effect of increasing the minimum per pupil funding level while protecting the cap on gains at 2.3%: this would result in a reduced minimum increase per pupil of 0.25%. The table below compares the options with the 2018/19 local formula and 2019/20 national formula.
- 3.4.7 As part of the consultation we also advised schools that the final formula that the council adopts will not necessarily be one of these options, as feedback from schools will be taken into account when considering the final arrangements. In addition our final funding allocation for 2019/20 will be confirmed by the ESFA in mid-December 2018. The funding increases built into our current proposal are based on the ESFA's indicative allocations which use October 2017 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.

| Funding formula factor | National Funding Formula 2019/20 (for comparison) | Local funding formula 2018/19 (for comparison) | Consultation Option 1 2019/20 | Consultation Option 2 2019/20 |
|--|---|--|--------------------------------------|--------------------------------------|
| Minimum per pupil increase in funding ¹ | 0.5% | 0.5% | 0.5% | 0.25% |
| Cap on gains per pupil ¹ | 3% | 2.3% | 2.3% | 2.3% |
| Minimum per pupil funding ^{1,2} | Primary: £3,500 Secondary: £4,800 | Primary: £3,300 Secondary: £4,600 | Primary: £3,300 Secondary: £4,600 | Primary: £3,400 Secondary: £4,700 |

¹ Excluding lump sum and certain premises based funding

² If any schools are not attracting this level of funding through other factors in the formula then their funding is uplifted to this minimum amount. In line with the national funding formula this is not subject to the cap on gains.

- 3.4.8 For some schools the options showed additional funding being provided above the national funding formula allocation. The reasons for this are:
- a) The national funding formula currently uses 2017/18 as a baseline (i.e. October 2016 pupil characteristics) to calculate uplifts in funding for 2019/20. The ESFA allows us to either apply this method or use the more recent 2018/19 information. We have used 2018/19 information to prepare the funding options in this consultation as this will be more reflective of current pupil characteristics and is likely to be the basis on which schools have budgeted. The ESFA has not commented on whether they will update their baseline in future, however we assume this would need to occur before the full introduction of the national funding formula in order to ensure the basis for funding is kept up to date.
 - b) In 2018/19 the council was unable to fully mirror the national funding formula due to differences between the ESFA's national and local formula funding rules. The ESFA approved our application to make adjustments to the local rules as far as possible, however in a handful of cases it was not possible to prevent a small amount of additional funding being delivered to some schools and this has fed through to 2019/20.

Consultation responses

- 3.4.9 77 responses were received on the funding formula, with the results being essentially evenly split between the two options:
- 36 preferred option 1
 - 39 preferred option 2
 - The remaining two said they had no preference
- 3.4.10 A number of schools acknowledged that they had responded on the basis of the option that benefitted them the most, although some chose the option that they felt was best for the city as a whole.
- 3.4.11 Some concerns were expressed that the impact of the transfer to the high needs block was being felt disproportionately by some schools, for example under option 1 there are a small number of schools who see a much lower increase than they would under option 2.
- 3.4.12 Some comments were also received that some schools would gain more than the indicative national funding formula and that this funding should be distributed to other schools.
- 3.4.13 We also asked schools to indicate their preference for how funding increases should be targeted for schools, with three options given. Some responses included more than

one priority so the total number of answers for this question is greater than for others. The responses were:

- Increase funding for all schools – 30 (37%)
- Increase minimum funding level – 30 (37%)
- Increase cap on gains – 9 (11%)
- No preference indicated - 13 (16%)

3.4.14 Some schools did however comment that they did not feel they understood the funding formula well enough to provide a view on the priorities or be confident in the option they had selected.

Proposal

3.4.15 The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. This proposal is only for 2019/20, and the council will be required to consult again next year on the 2020/21 funding formula.

3.4.16 As the voting did not identify a clear preference between the two options that were consulted on, the local authority's view is to take the general principles of option 1 (as this provides the greatest stability in the formula factors, see 3.4.5) but with some adjustments to provide a degree of compromise between the two options, in order to address the views put forward during the consultation.

3.4.17 We have not re-modelled the provisional funding figures at this stage as we will not receive confirmation of our final funding for 2019/20 from the ESFA until mid-December 2018. We will produce updated 2019/20 schools funding figures at this time and these will be reported to the Schools Forum meeting on 17th January 2019.

3.4.18 The final funding formula for 2019/20 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.

3.4.19 In addition to general changes in pupil numbers, Schools Forum should be aware that there are also some specific areas where funding can change in the final allocation:

- In calculating our proposal we have allowed for a growth fund to be top-sliced from the schools block on the same basis as was agreed by Schools Forum for 2018/19. The growth fund provides support for costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. It should be noted that in 2019/20 growth funding will now be allocated to local authorities on a formulaic basis rather than using historic spend as was the case previously. This may mean that the growth funding allocation for Leeds will change, however allocations for 2019/20 will not be confirmed until mid-December 2018. The indicative 2019/20 schools block allocation provided by the ESFA currently includes the 2018/19 growth funding amount. This is an area of risk as if the amount of growth funding allocated to Leeds is insufficient compared to demand then one of the options

may be to supplement this from funding delivered through the formula to schools. If this was the case then this decision would be taken by Schools Forum at the meeting on 17th January 2019.

- Within the funding formula there are two factors where the final per-pupil funding we allocate to schools can vary depending on demand, as the ESFA does not change our funding for these factors in line with demand. These are the low prior attainment factor (primary schools only) and the mobility factor (for schools with pupil turnover of more than 10%). We are intending to calculate these using a similar approach as in 2018/19, i.e. we will maintain the total proportion of spend on these factors through the formula and if the eligible cohort changes then this will change the unit rate.

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 £200k towards the severance costs of maintained school staff, which are charged to the council. This equates to a contribution of £3.12 per maintained school pupil based on forecast pupil numbers.
- 3.5.2 For 2018/19, Schools Forum agreed to a contribution of £500k from maintained schools towards severance costs (£7.25 per pupil), following support for this proposal by the majority of maintained schools that responded to the consultation. The 2019/20 consultation on a £200k contribution therefore represented a £300k reduction in the amount requested compared to 2018/19. Although costs in this area are unlikely to reduce in 2019/20 and this would mean a greater contribution is required by the council, we were mindful of the financial pressures that schools are facing and therefore consulted on a reduction to schools' contributions.
- 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 increasing over recent years: in 2016/17 the total redundancy cost for maintained schools was £555k and in 2017/18 this increased £955k.
- 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 38 responses were received from maintained schools to this proposal. 29 (76%) supported the proposal and 9 (24%) 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 £200k (£3.12 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 £2.5m from the schools block to the high needs block.
- 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 £800k from the central schools services block to the high needs block (with the final amount being subject to confirmation of costs and funding).
- 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 2019/20 by maintained schools towards the severance costs of maintained school staff, to be applied as a per pupil amount of £3.12.
- 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 comment on the proposed principles for the schools funding formula for 2019/20.
- 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.