

# School funding arrangements 2019/20

## Consultation with mainstream schools and academies

### 1. Summary of key points

- 1.1. This consultation is on school funding arrangements for mainstream schools and academies in 2019/20.

For all mainstream schools and academies 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 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 Friday 2<sup>nd</sup> November 2018. Details of the consultation on de-delegation contributions for maintained mainstream schools will follow separately.
- 1.3. Detailed school level figures for the formula options are attached as an appendix. These use the indicative funding allocations provided by the Education and Skills Funding Agency which are based on October 2017 data. The final funding for 2019/20 will be updated for October 2018 pupil data once this is available.
- 1.4. A briefing session has been arranged for schools on Wednesday 24<sup>th</sup> October 2018, 9.30 – 11am at Leeds Town Hall. 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](mailto:education.finance@leeds.gov.uk)
- 1.5. If you have any queries during the consultation period please email [education.finance@leeds.gov.uk](mailto:education.finance@leeds.gov.uk), or contact us by telephone on 0113 3788245.
- 1.6. Responses to the consultation should be made on the attached Excel spreadsheet and returned to [education.finance@leeds.gov.uk](mailto:education.finance@leeds.gov.uk) by the end of Friday 2<sup>nd</sup> November 2018.
- 1.7. We will report to Schools Forum on 15<sup>th</sup> November 2018 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.
- 2.2. The Department for Education (DfE) has been reforming the school funding system with the intention of making it simpler, fairer and more transparent. 2019/20 is the second year of a 'soft' national funding formula for the schools, high needs and central school services blocks. The Education and Skills Funding Agency (ESFA) uses a national funding formula to calculate the funding which is then allocated to local authorities. Local authorities currently still decide

how this funding is allocated to schools, within a number constraints set out by the ESFA, and there is still some flexibility to move funding between the different DSG blocks.

- 2.3. The ESFA has announced that local authorities will also continue to determine their local school funding formula in 2020/21, a year longer than previously thought. The ESFA has not confirmed the date that the national funding formula will be fully implemented so it is possible there could be further transitional years beyond 2020/21 during which time local authorities will still have some responsibility for allocating funding to schools.
- 2.4. As a result of the continued roll out of the national funding formula for 2019/20, the indicative schools block allocation for Leeds in 2019/20 is £505,076k which is an increase of £6,103k compared to 2018/19 (based on October 2017 pupil data). This consultation has been prepared using these indicative figures. The actual schools block allocation for 2019/20 will not be confirmed until December 2018. This will reflect any changes in pupil data from the October 2018 census for mainstream schools and academies which we expect will provide a further uplift in funding due to increases in pupil numbers.
- 2.5. If the national funding formula had been implemented in full without any cap on gains then the schools block allocation for Leeds would have been £506,627k, which is £1,551k more than the indicative allocation. Funding has therefore moved closer to the national funding formula compared to 2018/19 when the cap on gains totalled £8m, however it is not yet at the full national funding level. Increases due in funding beyond 2019/20 are currently uncertain as these will be subject to a government spending review.

### **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 £2.5m transfer from the schools block to the high needs block.
  - b) Up to an £800k 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% is approximately £2.5m based on latest forecasts.
- 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. In 2017/18 there was an overspend on the high needs block of £2.4m, with an overall deficit balance of £3.4m on the DSG being carried forward to 2018/19 which will need to be repaid. An overspend on the high needs block of £2.3m is also being forecast for 2018/19 despite some savings being implemented.
- 3.1.4. Although funding is increasing, this is currently subject to a 3% cap on gains. In 2018/19 Leeds would have received an additional £7m of high needs block funding if the cap had not

been in place, and in 2019/20 the funding would be £5m more based on the indicative allocation.

- 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 recently revised 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 back up our 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. There will be an underspend against the central schools services block of between £500k and £800k, as funding for historic commitments is being allocated at the same level as 2018/19 however the costs of these commitments will reduce. 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 in December 2018.

#### Proposal

- 3.1.9. As set out above we are proposing transfers to the high needs block of £2.5m from the schools block, and up to £800k from the central schools services block. The ESFA allows us to transfer up to 0.5% (approximately £2.5m) from the schools block with the agreement of Schools Forum.
- 3.1.10. As the increase in the 2019/20 schools block allocation for Leeds is expected to be approximately £6.1m compared to 2018/19, the transfer of £2.5m out of the schools block in 2019/20 will still leave a net increase in funding available for Leeds schools.
- 3.1.11. The impact on individual schools of the proposed £2.5m transfer will vary, depending on the formula adopted and the complex relationship between the various formula factors. 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.
- 3.1.12. Following the consultation, we will take our proposal to Schools Forum on 15<sup>th</sup> November 2018 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 our 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.

- 3.1.13. 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. **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.
- 3.2.2. We are proposing 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.
- 3.3. 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). Detailed information can be found in the [operational guidance](#) issued by the ESFA. The main changes compared to 2018/19 are due to the continued roll out of three key areas of the national funding formula which are detailed below. 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 this consultation covers the extent to which these factors will be passed on to schools in 2019/20.
- a) There will be a 0.5% gain per pupil compared to 2018/19 (in total this is a 1% gain compared to 2017/18). The 0.5% increase only applies to pupil-led factors in the formula and excludes the lump sum and certain premises based funding.
  - b) The gains cap will be 3% per pupil compared to 2018/19 (in total this is a 6.09% cap per pupil against 2017/18 baselines). The calculation of the cap excludes the lump sum and certain premises based funding.
  - c) The minimum per pupil funding levels will increase to £4,800 for secondary schools (compared to £4,600 in 2018/19) and £3,500 for primary schools (compared to £3,300 in 2018/19). 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 and it is not subject to the cap on gains.
- 3.3.1. If we implement 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.

- 3.3.2. We have provided details of two different funding formula options for consideration. Under both options we are proposing to provide an increase in per-pupil funding, so that all schools still see a per-pupil gain compared to 2018/19. The details are summarised below with school level information provided in the appendix. The final formula we adopt will not necessarily be one of these options as we will take into account feedback from schools when considering the final arrangements.
- 3.3.3. In calculating the options 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 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 need to be taken by Schools Forum.
- 3.3.4. Within the funding formula there are two factors where the final per-pupil funding can vary depending on 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 this will change the unit rate.

#### Funding formula options

- 3.3.5. The two options for consultation are summarised below. These both provide for an increase in per-pupil funding compared to 2018/19. However the options distribute funding differently to schools depending on which aspects of the formula are prioritised.
- 3.3.6. 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 we have scaled back the pupil led factors 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.
- 3.3.7. We have 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.

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

\*Excluding lump sum and certain premises based funding

- 3.3.8. As these proposals are based on the indicative funding allocations which use October 2017 pupil data, the affordability of these options may change once the October 2018 census details are available in December. Please note that the options do not include an adjustment for de-delegation or severance cost contributions (which apply to maintained schools only). These proposals are also only for 2019/20 and we will consult again next year on the 2020/21 funding formula.
- 3.3.9. We have provided an appendix listing the details for schools in alphabetical order. As previously noted, both options provide an increase per pupil for all schools compared to 2018/19. When comparing the figures on the attached appendices please note that:
- a) All figures are based on financial years and the 2018/19 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 2018/19 formula allocation will therefore not agree to academy and free school General Annual Grant statements. However the increases between the 2018/19 and 2019/20 figures are a correct reflection of the indicative gains resulting from the funding formula options. We are able to provide additional information to academies and free schools to enable a comparison with actual funding if required.
  - b) For some schools the options show additional funding being provided above the national funding formula allocation. There are a couple of reasons for this:
    - i. 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.

- ii. In 2018/19 we were 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.

#### **3.4. Contribution towards severance costs - maintained schools only**

- 3.4.1. We are also consulting 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.
- 3.4.2. 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 proposal for a £200k contribution therefore represents 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 will mean a greater contribution is required by the council, we have been mindful of the financial pressures that schools are facing and are therefore proposing this reduction to schools' contributions.
- 3.4.3. This contribution is being proposed 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.
- 3.4.4. 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.
- 3.4.5. For 2019/20 we are proposing that maintained schools make a contribution towards severance costs, as they are driven by school decisions. This 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.
- 3.4.6. Following the consultation, we will take a proposal to Schools Forum on 15<sup>th</sup> November 2018 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](mailto:education.finance@leeds.gov.uk) by the end of Friday 2<sup>nd</sup> November 2018.
- 4.2. We will report to Schools Forum on 15<sup>th</sup> November 2018 with the outcome of the consultation.