

Report of the Director of Children and Families

Report to the Leeds Schools Forum

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Subject: School Funding Update 2019/20

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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. 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, within the constraints set out by the ESFA.
2. The ESFA has published some of the indicative DSG funding allocations for 2019/20. These show an increase for Leeds of £6.1m for the Schools Block and £1.7m for the High Needs Block. The final allocations for 2019/20 will be confirmed later in the year using the latest pupil data. There has also been an increase of £75k to the Central Schools Services Block. Funding for the Early Years Block has not yet been confirmed.
3. 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.
4. Financial modelling is currently being carried out for 2019/20 to establish options for consultation with schools. The consultation with schools on the 2019/20 funding arrangements and de-delegation will provisionally run from 15th to 26th October 2018. Briefing sessions will be provided for schools during this period.

Recommendations

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

1 Background information

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 For 2019/20 the ESFA's formula rules remain largely the same as in 2018/19, although there are a few technical changes to the formula, key details of which are highlighted in the relevant sections of the report below.

2 Main issues

2.1 Dedicated Schools Grant balance

- 2.1.1 In 2019/20 there will be a tightening of rules around DSG deficits, requiring local authorities to explain their plans for bringing the DSG account back into balance. The ESFA will require more information from authorities where the deficit is more than 1% of their DSG. Based on current projections this should not have a significant impact on Leeds as the deficit is less than 1% and plans are already in place to repay this.

2.2 Schools Block

Funding allocation

- 2.2.1 In 2019/20, the national funding formula will continue to set notional allocations for each school, which will be aggregated and used to calculate the total Schools Block funding received by each local authority. The Schools Block indicative 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). The final Schools Block allocation for 2019/20 will

be received in December 2018 and will reflect the October 2018 pupil numbers in mainstream schools and academies.

- 2.2.2 If the national funding formula had been implemented in full without any cap on gains the Schools Block allocation would have been £508,646k, which is £3,570k 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.

Transfers out of the schools block

- 2.2.3 The Schools Block will again be ring-fenced in 2019/20. Local authorities are able to transfer up to 0.5% of their schools block funding out with the agreement of their Schools Forum. For Leeds this would be approximately £2.5m. Transfers of more than 0.5% may be allowed in circumstances where the Secretary of State has previously allowed a transfer between blocks and where this is again agreed by the Schools Forum.
- 2.2.4 Due to the ongoing pressures on the High Needs Block, for 2019/20 we will be consulting with schools in October 2018 on a transfer of funding from the Schools Block. The amount to be consulted on will be decided following further consideration of the pressures on the High Needs Block.

Funding formula

- 2.2.5 The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between minus 1.5% and plus 0.5% per pupil. In line with 2018/19, we will seek to set the MFG at plus 0.5% if this is possible following the modelling of the formula options, so that all schools will see an increase in their per pupil funding.
- 2.2.6 The indicative allocations for Leeds have increased in 2019/20 due to the continued roll out of three key areas of the national funding formula as detailed below. It should be noted there is still some local discretion in the extent to which the local formula replicates the national formula and any transfer of funding out of the Schools Block would affect the ability to fully deliver these increases to schools.
- 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).
 - The funding floor will increase to ensure that the funding allocated to the local authority includes at least a 1% gain per pupil against their 2017/18 baselines (i.e. a 0.5% gain compared to 2018/19).
 - The gains cap will increase to 6.09% per pupil against 2017/18 baselines (i.e. a 3% cap compared to 2018/19).
- 2.2.7 As in previous years, we will be consulting with schools on the local funding formula to be used for 2019/20. We will be proposing to move as close as possible to the national funding formula, 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. As we will be proposing to transfer some funding out of the Schools Block it will not be possible to move fully to the national funding formula and we are currently modelling options for adjusting the national funding formula to take account of this. Details of the proposed formula allocations will be provided to schools during the consultation in October 2018.

PFI

- 2.2.8 The ESFA provides additional funding for PFI schools within the Schools Block to offset the extra costs associated with PFI contracts. This additional funding is intended to mean that PFI schools are neither treated more or less favourably than a non-PFI school. The ESFA allocates funding to local authorities based on the amount given to PFI schools the previous year plus inflation.
- 2.2.9 However the cost of the PFI contracts is currently increasing at a faster rate than the funding and we therefore need to look at solutions to address this. Over the past two years the council has made up any shortfall in funding for schools, however this is not sustainable in the long term and we will be discussing our options with the ESFA for funding this in future. As part of this process we may also need to consult with schools and put in a formal disapplication request to the ESFA for changes to be made to the funding.

Growth fund

- 2.2.10 A further change to funding arrangements is that growth funding will now be allocated to local authorities on a formulaic basis rather than using historic spend. Growth funding allocations for 2019/20 will not be confirmed until December 2018 and the indicative 2019/20 Schools Block allocation currently includes the 2018/19 growth funding amount.
- 2.2.11 As in previous years, Schools Forum are responsible for agreeing the amount of growth funding to be top-sliced from the Schools Block (which does not have to be the same as the amount of growth funding allocated by the ESFA). Details will be brought to a future Schools Forum of the proposed amount and criteria for the 2019/20 growth fund.

2.3 High Needs Block

- 2.3.1 The High Needs Block (HNB) indicative allocation for 2019/20 is £69,833k. This is an increase of £1,668k compared to the indicative amount issued in December 2017 and an increase of £968k compared to the projected income amount used in the HNB review. There will be further changes in December as a result of pupil numbers in special schools, HNB deductions and the import / export adjustment.
- 2.3.2 The main reasons for this increase are an increase in pupil numbers included in the basic entitlement element which is not subject to the 3% cap, an overall reduction in the number of “exported” pupils, an increase in the amount of grant due in the proxy

factors used to calculate need and an increase in population above previous projections.

2.3.3 If the cap on gains had not been in place then the council's indicative funding allocation for the High Needs Block would have been £5.142m more for 2019/20 (compared to £7m in 2018/19).

2.3.4 The basic structure of the formula will not change, though subject to national consultation, there may be further changes on:-

- Incorporating special free schools place funding as part of DSG
- Using data to calculate hospital funding rather than historical spend
- Introducing more flexibility to post 16 funding and considering using a flat rate element

2.3.5 Although the impact of these is not known, the ESFA guidance suggests that for each of these elements, local authorities should not see any reduction in funding.

2.3.6 There is a separate report on the agenda on High Needs Block projections which provides further details of costs and assumptions moving forward.

2.4 **Central School Services Block**

2.4.1 The indicative allocation for the Central School Services Block (CSSB) in 2019/20 is £5,246k which is an increase of £75k compared to 2018/19.

2.4.2 Funding for this block is split between historic commitments and ongoing services. Funding for historic commitments is allocated at the same level as 2018/19 and from 2020/21 funding for this element will start to reduce, though there are no indications yet on how much this will reduce by.

2.4.3 Due to a reduction in the cost of historic commitments we are expecting that for 2019/20 there will be between £500k and £1m of the CSSB available to transfer to the HNB. This will not be confirmed until details of the final funding allocation are received in December 2018, however we will be consulting with schools in October 2018 on the principle of transferring the maximum amount that becomes available.

2.5 **De-delegation of services**

2.5.1 Schools Forum can agree that some funding for maintained primary and secondary schools is retained centrally each year, so that the council can provide certain services to schools (such as reimbursing schools for the cost of staff on maternity leave). We will be consulting with schools in October on the proposals for de-delegated contributions in 2019/20.

2.5.2 We were previously expecting 2019/20 to be the last year that de-delegation would be possible, as the ESFA had intended to bring in the full national funding formula in 2020/21. However this has now been delayed until at least 2021/22 and we are

expecting de-delegation to continue until the national funding formula is fully introduced.

2.6 Contribution towards severance costs for maintained schools

2.6.1 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. In 2016/17 the total redundancy cost for maintained schools was £555k, and in 2017/18 the total was £955k. Funding was previously provided to the council for redundancy costs through the Education Services Grant but this ceased in 2017, following reductions in grant funding over several years.

2.6.2 For 2018/19, Schools Forum agreed to a contribution of £500k from maintained schools towards severance costs. For 2019/20 we will again be consulting on a proposal for maintained schools to contribute towards these costs. The amount of the proposed contribution is currently being considered, taking into account ongoing trends in school redundancies and being mindful of the financial pressures faced by schools.

2.7 Early Years Block

2.7.1 As in previous years, the Early Years Block allocation is based on pupil numbers in the January census and therefore allocations for 2019/20 have not yet been released.

2.8 Consultation with schools

2.8.1 The 2019/20 consultation with schools will provisionally run from 15th to 26th October 2018 and as set out in this report will cover:

- The local schools funding formula
- Any proposals to transfer funding between the blocks of the Dedicated Schools Grant
- De-delegation of services for maintained schools
- Maintained school contributions to severance costs

2.8.2 We are writing to schools to provide advance notice of the consultation so that they have time to plan for any arrangements they may want to make to be able to respond.

2.8.3 At the start of the consultation period we will send out detailed information including indicative school level figures, in addition to attending existing Headteacher meetings to discuss the consultation and providing specific briefing sessions for schools.

2.8.4 We will report the outcome of the consultation to Schools Forum on 15th November 2018. A further update will also be provided at the meeting on 17th January 2019 once the final funding allocations have been confirmed by the ESFA.

3 Recommendations

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