

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 18 January 2018

Subject: 2018/19 School Funding Arrangements

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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. Regulations set by the Education and Skills Funding Agency (ESFA) require that we consult with Schools Forum, and in some cases ask Schools Forum to make decisions, on proposals relating to the use of the DSG.
2. This report provides an update on the 2018/19 arrangements relating to two of the funding blocks within the Dedicated Schools Grant: the schools block and the central school services block.
3. In relation to the schools block, the report covers the Growth Fund amount and criteria, schools funding formula and de-delegation for 2018/19.
 - For the Growth Fund, we are proposing that the 2017/18 amount and criteria are retained for 2018/19.
 - For the schools funding formula, we can confirm that we are able to provide the minimum per pupil funding increase of 0.5% compared to 2017/18 school baselines. We are however awaiting a response to some of our requests made to the ESFA, which if approved will allow us to allocate funding more closely in line with the national funding formula.
 - In relation to de-delegation for maintained schools in 2018/19, we are also able to confirm that the per pupil rates will either stay the same or reduce, as we will be using some of the de-delegated reserves to offset the total amount required.
4. The report also includes the proposed expenditure for 2018/19 against the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies. Approval is sought from Schools Forum on the proposed expenditure from this block. In addition, we can confirm that we

will be able to implement the proposal made in our November 2017 report to transfer £500k from the CSSB to the High Needs Block for 2018/19.

Recommendations

5. In relation to the Growth Fund for 2018/19, Schools Forum is asked to approve:
 - a) The proposed criteria.
 - b) The total Growth Fund of £2.9m (split between £2.61m for primary growth and £259k for secondary growth).
 - This is a Schools Forum decision. In the event that Schools Forum does not agree, the Department for Education (DfE) is able to adjudicate if we request this.
6. Schools Forum is asked to note the latest position on the school funding formula for 2018/19.
 - The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision making framework.
7. In relation to the Central School Services Block, Schools Forum is asked to approve the 2018/19 amounts detailed within the report.
 - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if we request this.

1 Main issues

1.1 DSG Budget monitoring

- 1.1.1 Whilst a detailed monitoring report has not been prepared for this meeting work has continued to be carried out on assessing projected income and costs on DSG since the last Schools Forum. Overall, we are not anticipating a significant variation from the position previously reported (£885k in year overspend), although there may be variations within individual areas. A detailed budget monitoring report will be provided at the February 2018 Schools Forum meeting.

1.2 Growth Fund 2018/19

- 1.2.1 Schools Forum has agreed in previous years to retain a central Growth Fund from the schools block, in order to support costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. This funding recognises that these pupils are not recorded on the census, and so will not attract funding through the usual schools funding formula.

1.2.2 Schools Forum decides on the total value of the Growth Fund and the criteria for allocating it to schools. The council's proposals are set out below for Schools Forum to vote on.

Growth Fund Criteria

1.2.3 Schools Forum is required to approve the criteria for allocating funding from the Growth Fund. We are proposing to retain the existing criteria for Leeds schools that have been in place for 2017/18, details of which are provided below.

1.2.4 Schools in Leeds are eligible for Growth Funding where expansion has occurred following an increase in the published admission number (PAN) to meet basic need, and where a consultation has taken place beforehand. No funding will be allocated to schools if they already have surplus places and take children up to the PAN, or if the school itself decides to admit pupils over the PAN.

1.2.5 Once the pupils are recorded in the October census, they will be funded through the following year's schools funding formula. However if pupil numbers are significantly lower in future years then some top up funding can be provided from the Growth Fund. To qualify for this, pupil numbers would need to be less than 80% of the agreed increase, and the top up would be paid to cover the difference between the number on roll and 80% of the increase that was agreed.

1.2.6 Growth Funding is paid to schools as a per pupil amount, with further funding available for existing schools that incur additional rental costs or for new schools with pre-opening staffing costs. The table below provides further details of the amounts payable.

Growth Funding available	Basis for allocation	Rate
Funding for all schools eligible for Growth Funding:		
Pupil funding	<p>Age Weighted Pupil Unit rate for each pupil (pro rata if part year).</p> <p>This is the basic entitlement all pupils receive through the schools funding formula.</p> <p>This is also the rate that applies where schools are eligible for the guaranteed top up funding detailed above.</p>	<p>The 2018/19 AWPU rates per year are shown below, and are the same as used in the funding formula:</p> <ul style="list-style-type: none"> • Primary - £2,747.43 • KS3 - £3,863.26 • KS4 - £4,386.50 <p>As noted below at 1.3.2, the funding formula rates are subject to approval by the Director of Children and Families in line with the council's decision making framework.</p>

Growth Funding available	Basis for allocation	Rate
Immediate additional resources, equipment or furniture	Standard per pupil rate. In the case of a single 'bulge' year group this is only paid in the year of expansion.	£100 per pupil is proposed for 2018/19 (no change from 2017/18).
Funding available where applicable to schools:		
Additional rental costs	For temporary accommodation needed to meet agreed growth.	Funded at cost through the growth fund until the financial year following the increase in numbers, at which point we would seek to fund the rental costs through the funding formula (assuming the criteria for this are met).
Pre-opening costs of a new school or academy established to meet basic need	<p>Pre-opening allowance for specific staffing costs. Rate depends on whether it is a primary or secondary school, and the number of additional forms.</p> <p>Funding is to be managed by the governing body.</p>	<p>The rates proposed for 2018/19 are shown below. These are based on the previous amounts, uplifted for pay awards.</p> <ul style="list-style-type: none"> • Primary 1 form entry - £52,010 • Primary 1.5 form entry - £55,390 • Primary 2 form entry - £59,900 • Secondary - £114,820 <p>A more detailed breakdown is provided in Appendix 1 for information.</p>

Growth Fund Value

- 1.2.7 Local authorities receive funding for growth from the ESFA as part of their schools block funding, based on the value of the Growth Fund agreed by their Schools Forum the previous year. As Schools Forum agreed to set aside £2.9m from the schools block for growth in 2017/18, our 2018/19 schools block allocation includes £2.9m for growth.
- 1.2.8 Schools Forum can however decide to set aside a different amount for the Growth Fund from the schools block if required. If the Growth Fund was increased this would decrease the amount of funding remaining in the schools block to be allocated to schools through the funding formula, and vice versa. Any underspends or overspends on the Growth Fund would form part of the overall DSG balance and be carried forward to the following year.
- 1.2.9 For 2018/19 we are proposing that the Growth Fund should be maintained at £2.9m based on anticipated growth. The £2.9m growth fund requirement is split between

£2.61m for primary growth and £259k for secondary growth. This funding requirement assumes that the Growth Fund criteria set out above are retained.

- 1.2.10 Schools Forum is requested to approve retaining £2.9m for Growth Funding from the schools block in 2018/19, and to agree the criteria for allocating this to schools.

1.3 Schools block funding formula 2018/19

- 1.3.1 At the November 2017 meeting Schools Forum supported our proposal that the 2018/19 school funding formula should move as close as possible to the national funding formula, in line with the majority vote by schools that responded to the consultation. We advised Schools Forum that we would update the individual school funding allocations once the ESFA had provided details of our final funding and the pupil numbers from the October 2017 census (note that these pupil numbers do not adjust for any reception pupils expected to start after October). We have now received this information and have updated the proposed school level allocations for 2018/19, which are attached to this report as appendix 2.
- 1.3.2 In line with our previous proposals, following these updates we are still able to provide schools with a minimum per pupil funding increase of 0.5% compared to 2017/18 baselines. The decision on the final formula will be made by the Director of Children's Services, in line with the council's decision making framework.
- 1.3.3 At the November 2017 meeting, Schools Forum members also supported our proposals to apply to the ESFA for permission to vary the funding rules for 2018/19 in a number of areas. This would allow us to replicate some of the new national funding formula rules that were not reflected in the local funding regulations.
- 1.3.4 The ESFA has confirmed that we are able to implement some of our proposals, however we are still awaiting confirmation on whether we can implement two of our requests.
- The first proposal we are awaiting an answer on affects 28 schools and academies where the figures we produced for the consultation showed a disproportionate reduction in funding when compared to the national funding formula allocation for 2018/19. We have made a request to the ESFA for permission to implement a technical adjustment in the formula that will enable us to rectify this issue.
 - The second request relates to allocating sparsity funding, which targets funding to small schools in sparsely populated areas. This request only affects two schools and the amounts involved are not significant in comparison to the school budgets. However the request has been made in order to be consistent with how funding will be allocated under the national funding formula.
- 1.3.5 The ESFA has advised that if we have not received a response to these two requests by the time our final formula submission is due to be provided to them (19th January 2018), we should submit the funding details on the basis that the requests have not been approved. The ESFA have advised that they may however subsequently

approve the requests, and if so they will ask us to update our formula details and resubmit them. Within the funding figures attached at appendix 2 we have therefore provided two funding scenarios; one shows funding if these two requests are approved, and another if they are not. Once we have received a final response from the ESFA on our requests we will update Schools Forum at a future meeting.

- 1.3.6 In relation to cluster funding, since 2017/18 this has formed part of the formula allocation and it is therefore already included within the figures provided in appendix 2. Up to 2016/17, cluster funding was top-sliced from the schools block and allocated separately to schools. However in October 2016 Schools Forum agreed that for 2017/18 it would be included within the normal schools funding formula as part of the transition towards the national funding formula. The cluster funding was therefore included within the 2017/18 baseline funding figures used to calculate the 2018/19 funding for schools. This approach has ensured that the 2018/19 formula has moved as close as possible to the national funding formula, in line with the principle supported by the majority of schools and Schools Forum.
- 1.3.7 In relation to PFI schools, in line with previous years these schools are allocated funding within the formula using a PFI factor, in order to account for some additional costs associated with PFI contracts. This funding is already included in the formula allocations detailed in appendix 2. We will confirm with PFI schools at a later date what the contribution from their budget will be towards PFI costs.
- 1.3.8 Schools Forum is asked to note and provide comments as necessary on the latest position in relation to the funding formula.

1.4 De-delegation

- 1.4.1 At the October 2017 meeting, Schools Forum approved the proposals for de-delegation for maintained schools in 2018/19. At that time we advised that the per-pupil costs provided were provisional based on the latest available data at that time, and would be updated in January 2018 if needed.
- 1.4.2 We are now able to confirm that there will be no increases in the 2018/19 de-delegation rates per pupil which provided to Schools Forum in October 2017, and we will be able to reduce the contribution in one case (the contingency fund) where the rate will reduce from £14.90 to £12.12. To achieve this we will be using £300k from the de-delegated reserves, which is a reasonable use of these reserves for 2018/19 based on the latest information.
- 1.4.3 This use of reserves fulfils a commitment we made in the November 2017 report to transfer back to maintained schools a proportion of any surplus on the de-delegated reserves, in order to partly account for the agreed severance contributions by maintained schools in 2018/19. We are making this adjustment through de-delegation contributions, rather than as a direct transfer to schools, because this is the most effective way for maintained schools to receive this within the regulations. We will consider any further use of de-delegated reserves to reduce maintained school contributions when de-delegation is reviewed again for 2019/20.

1.5 Central School Services Block

1.5.1 The Central School Services Block (CSSB) has been introduced in 2018/19 to fund local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together:

- funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
- residual funding for historic commitments, previously top-sliced from the schools block

1.5.2 In December 2017, the Government issued a notification giving the amount of funding for this block. For 2018/19, this allocation has been set at £5,171,000 for Leeds. This is an increase of £170,000 compared to the 2017/18 baseline. In addition, Schools Forum in November 2017 agreed to transfer £500,000 from the CSSB to the High Needs Block. This leaves £4,671,000 to fund CSSB services.

1.5.3 Schools Forum approval is required each year to confirm the amounts on each line. Schools Forum previously gave full approval for the 2017/18 proposals. The amounts requested to be approved for 2018/19 are shown below.

Retained Duties element of the Education Services Grant

1.5.4 The Retained Duties element of the Education Services Grant was transferred into DSG in 2017/18. The onus is on each local authority to ensure that they retain this funding centrally in order to contribute to the cost of fulfilling their statutory duties for all schools and academies.

1.5.5 The detail of the services funded by this amount is provided below, and although the service provision has not changed since 2017/18, due to unavoidable inflationary increases the cost of these services has increased to £2.3m. Part of the cost of these services is met by the council (£490k). The remaining amount requested from the CSSB for 2018/19 is £1,810,210. This is an increase of £85,820 compared to 2017/18, when funding of £1,724,390 was agreed.

1.5.6 Examples of statutory functions that are included in this amount are:

- Strategic planning for the whole of the education service (sections 13 15B of the Education Act 1996) including the appointment of a Director of Children's Services (section 18 Children Act 2004)
- Preparation of the school funding formula and individual school/academy budget allocations (Local Government Act 1972) and inclusion of income and expenditure pertaining to education within the Authority's annual statement of accounts

- Performance of internal audit and other tasks necessary for the discharge of the Chief financial Officers responsibilities under S151 of the Local Government Act 1972
- Provision of information to or at the request of the Secretary of State (S29 of the 1996 Education Act)
- Making arrangements to identify children not receiving education (section 436A Education Act 1996)
- Issuing a code for penalty notices to address poor attendance and administer the penalty notice regime in accordance with the Education Regulations 2007 (and subsequent amendments); issuing written notices, school attendance orders and exercising the power to prosecute a parent for a child's non-attendance (section 446& 437 of the Education Act 1996). This can also include applying for an Education Supervision Order (section 447 of the Act)
- Management of the capital programme, including preparation and review of an Asset Management Plan and negotiation and management of private finance initiatives

Historic commitments

- 1.5.7 Historic commitments are subject to a limitation of no new commitments or increases in expenditure from 2017/18. The amounts requested for 2018/19 are as follows and have either stayed the same or reduced since 2017/18:
- 1.5.8 Repayment of capitalised equal pay costs (amount requested £499,340). This budget supports the borrowing costs of capitalised equal pay claims that were paid between 2007 and 2012. The remaining balance will be paid off in 2019-20.
- 1.5.9 Prudential borrowing (amount requested £515,000). This budget supports borrowing costs in relation to the ongoing debt repayment from the 2004-05 primary capital program, and is paid back over 25 years.
- 1.5.10 Headteacher Support Service (amount requested £54,410). This service provides a confidential listening and support service for all primary and special school Headteachers, and acting Headteachers. The service is provided by two members of staff in a job share post.
- 1.5.11 School support staff training (amount requested £46,330). This service sources, organises and co-ordinates training for school support staff. The service also provides induction training for school support staff. The service is provided by one member of staff.
- 1.5.12 Carbon reduction officer (amount requested £30,000). This budget funds officer time from the Projects, Programmes and Procurement Unit who support the project management of schemes initiated with the purpose of lowering the embodied carbon

emissions within the school estate. The amount requested has reduced by £20,000 compared to last year.

Ongoing Central functions

- 1.5.13 Admissions Service – for 2018/19, it is proposed to increase the funding from this service from £1,040, 680 to £1,160,790. In the past 4 years, the Admissions service has seen a 9% increase in applications for schools places. In addition, over the same period, there has been a 30% increase of in-year applications which have not been resolved at first application to school. These increases are expected to continue and in order to continue to function and provide the support, advice and guidance schools and families require, an increase is requested to fund a small expansion of the team.
- 1.5.14 Servicing of Schools Forum – this budget supports the administration and running of Schools Forum and associated sub groups. This service has not changed, but as a result of unavoidable inflationary costs, it is proposed to increase funding from £28,180 to £29,740.
- 1.5.15 The ESFA has agreed with a number of agencies to purchase a single national licence for all state funded schools in England. A full list of licences included in the single national licence is available on their website. The ESFA will pay the agencies and provide the service to local authorities. For Leeds this amounts to £525,180 in 2018/19 (a 4% increase). This arrangement covers maintained schools and academies and local authorities are allowed to hold the budget centrally rather than include it in school budgets. This item does not require Schools Forum approval.
- 1.5.16 Schools Forum is therefore requested to approve the amounts summarised below, totalling £4,671k centrally for ESG retained duties, ongoing central functions, historic commitments, and to note the increase in the charge for the single national licence.

	2017/18 (for information) £	2018/19 (for approval) £
Former ESG Retained Duties	1,724,390	1,810,210
Historic Commitments		
Equal pay borrowing	1,037,000	499,340
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	54,410
School support staff training	46,330	46,330
Carbon Reduction Officer	50,000	30,000
Ongoing Responsibilities		
Admissions Service	1,040,790	1,160,790
Schools forum	28,180	29,740

	2017/18 (for information) £	2018/19 (for approval) £
ESFA central licence (for information only, no vote required by Schools Forum)	505,000	525,180
Total Central School Services Block	5,001,100	4,671,000

- 1.5.17 At the November 2017 meeting, Schools Forum supported our proposal to transfer up to £500k to the High Needs Block. At that time the exact amount was subject to confirmation of the costs and funding relating to the Central School Services Block. These figures have now been confirmed and we will be able to transfer the full £500k to the High Needs Block for 2018/19.
- 1.5.18 In addition to this, at the November Schools Forum meeting it was agreed that maintained schools would contribute a total of £500k for 2018/19 towards the severance costs of maintained school staff, which are charged to the council. At the time the rate per-pupil was proposed to be £7.25, although this was subject to change once the latest data became available. We are now able to confirm that the charge will not change, and will remain at £7.25 per maintained school pupil. As noted above at 1.3.1, in order to partly account for this severance contribution we have transferred some funding from de-delegated reserves to reduce the contribution needed from schools towards de-delegated services for 2018/19.

2 Recommendations

2.1 In relation to the Growth Fund for 2018/19, Schools Forum is asked to approve:

- a) The proposed criteria.
 - b) The total Growth Fund of £2.9m (split between £2.61m for primary growth and £259k for secondary growth).
- This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if we request this.

2.2 Schools Forum is asked to note the latest position on the school funding formula for 2018/19.

- The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision making framework.

2.3 In relation to the Central School Services Block, Schools Forum is asked to approve the amounts summarised below for 2018/19 (apart from the ESFA central licence charge, which does not require approval).

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the ESFA is able to adjudicate if we request this.

	2017/18 (for information) £	2018/19 (for approval) £
Former ESG Retained Duties	1,724,390	1,810,210
Historic Commitments		
Equal pay borrowing	1,037,000	499,340
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	54,410
School support staff training	46,330	46,330
Carbon Reduction Officer	50,000	30,000
Ongoing Responsibilities		
Admissions Service	1,040,790	1,160,790
Schools forum	28,180	29,740
ESFA central licence (for information only, no vote required by Schools Forum)	505,000	525,180
Total Central School Services Block	5,001,100	4,671,000