

Report of the Director of Children and Families

Report to the Leeds Schools Forum

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Subject: School funding update 2021/22

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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. 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. The ESFA has published some of the indicative DSG funding allocations for 2021/22. These show an increase for Leeds of £43.6m for the Schools Block and £11.5m for the High Needs Block. The final allocations for 2021/22 will be confirmed later in the year using the latest pupil data. There has also been a decrease of £168k 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 will be carried out for 2021/22 to establish options for consultation with schools once the relevant information has been received from the ESFA. The consultation with schools on the 2021/22 funding arrangements and de-delegation will provisionally start during the week commencing 19th October 2020 and end early in the week commencing 2nd November 2020. Online briefing sessions will be provided for schools during this period.

Recommendations

5. Schools Forum is asked to note the latest position on the 2021/22 school funding arrangements and the work planned 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. 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.
- 1.2 In light of the need to focus efforts on meeting the challenges of COVID-19 the ESFA has not changed local authorities flexibility over the distribution of school funding in 2021-22. The government will shortly put forward proposals to move to a hard 'NFF' in future which will then determine budgets directly, rather than through local formulae set independently by each local authority.
- 1.3 The ESFA has published illustrative local authority level allocations for 2021/22 for schools, central school services, and high needs blocks, based on October 2019 pupil data. Details are provided in the relevant sections below and these figures will be used for consultation with schools in October 2020. The final local authority allocations will be confirmed in December 2020 and will take into account October 2020 pupil data.
- 1.4 For 2021/22 the basic structure of the schools NFF is not changing however the ESFA is changing some existing features of the formula alongside some technical changes, key details of which are included within the relevant sections of the report below.

2 Main issues

2.1 Dedicated Schools Grant balance

- 2.1.1 Previously the ESFA required a report and supporting evidence from any local authority that had a cumulative DSG deficit of more than 1% at the end of the financial year. As from 2020/21 the ESFA will now require that any authority with a DSG deficit of any size, or that is likely to fall into a DSG deficit in the near future should have a plan for managing its DSG account going forward and must keep its schools forum regularly updated about its plan including high needs pressures and potential savings. It must also respond to enquiries from the DFE about the plan

2.2 Schools Block

Funding allocation

- 2.2.1 In 2021/22, 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.
- 2.2.2 The Schools Block indicative allocation for Leeds in 2021/22 is £590,205k which is an increase of £43,601k compared to 2020/21 (based on October 2019 pupil data). The final Schools Block allocation for 2021/22 will be received in December 2020 and will reflect the October 2020 pupil numbers in mainstream schools and academies.

2.2.3 Whilst the funding factors used in the formulae to calculate the NFF allocations remain the same, two technical changes have been made:

- Funding from the teachers pay grant (TPG) and the teachers pension employer contribution grants (TPECG) has been added to the schools NFF allocations. The funding has been added to the basic per pupil entitlement, to the minimum per pupil funding levels and to schools baselines so that it is protected through the funding floor.
- The 2019 update to the Income Deprivation Affecting Children Index has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

Rolling Grant Funding into the NFF

2.2.4 The Teachers Pay Grant (TPG) was introduced in September 2018 to support schools to implement the 2018 teachers pay award, in September 2019 the grant was increased to help schools implement the 2019 teachers pay award as well as the ongoing cost of the 2018 award. The Teachers Pension Employer Contribution Grant (TPECG) was introduced to fund schools and LAs for the increase in teacher pension employer contribution costs from September 2019.

2.2.5 These grants will now be rolled into the schools notional NFF allocations and will affect core budgets that maintained schools will receive from April 2021 and that academies will receive from September 2021.

2.2.6 These grants have been rolled into the notional NFF allocations, the funding has been added to the basic per pupil entitlement (£180 per pupil for primary schools and £265 per pupil for secondary schools), to the minimum per pupil funding levels and to schools baselines so that it is protected through the funding floor.

2.2.7 In 2021/22 whilst LAs still remain responsible for determining final allocation it is expected that as far as possible additional funding from the previous pay and pension grants should be passed onto individual schools. We will provide further details on these calculations and their inclusion within the formulae within the consultation to schools.

Update to the Income Deprivation Affecting Children Index (IDACI)

2.2.8 The IDACI is an area-based index measuring the relative deprivation of different areas, the 2019 update provides a more up to date measure of the relative deprivation of different areas.

2.2.9 For both the schools and high needs NFF the IDACI scores are divided into seven bands, A to G with band A representing the most deprived areas. This banding structure has been updated to reflect the new 2019 data to ensure that the amount of deprivation funding allocated through IDACI does not decrease and as such the proportion of pupils attracting funding through each band should remain broadly unchanged from 2020/21.

Transfers out of the schools block

- 2.2.10 Local authorities will continue to be able to transfer up to 0.5% of their Schools Block to other blocks of the DSG, with Schools Forum approval. Based on 2020/21 funding this would be approximately £2.65m for Leeds. In 2021-22, the total schools block available for such transfers must exclude the additional funding local authorities have been allocated for the teachers' pay and pension grant, thereby guaranteeing that all of this funding remains with schools.
- 2.2.11 If the council wishes to transfer more than 0.5%, or transfer any amount without Schools Forum approval, a request would need to be made to the DFE to disapply the regulations in this area.
- 2.2.12 As High Needs Block funding is unlikely to be sufficient to cover costs in this area, we will be consulting with schools in October 2020 on a transfer of funding in 2021/22 from the Schools Block to the High Needs Block. The amount to be consulted on will be decided following further consideration of the pressures on the High Needs Block.

Schools block funding formula

- 2.2.13 The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between plus 0.5% and plus 2% per pupil. The MFG we seek to set will be determined by the modelling of the formula options, so that all schools will see an increase in per pupil funding.
- 2.2.14 The indicative allocations for Leeds have increased in 2021/22 due to changes to the key areas of the national funding formula as detailed below.
- The minimum per pupil funding levels will increase to £5,150 for secondary schools (compared to £5,000 in 2020/21) and £4,000 for primary schools (compared to £3,750 in 2020/21). On top of this schools will receive an additional £265 and £180 per pupil respectively to cover the additional teachers pay and pension costs previously funded through separate grants.
 - The funding floor will increase to ensure that the funding allocated to the local authority includes at least a 2% gain per pupil against the 2020/21 baseline.
 - Additional funding for small and remote schools will increase in 2021/22 with primary schools attracting up to £45,000 compared to £26,000 previously and from £67,000 to £70,000 for secondary schools.
- 2.2.15 As in previous years, we will be consulting with schools on the local funding formula to be used for 2021/22. We will be proposing to continue to move as close as possible to the national funding formula, as this was the approach taken for 2020/21. 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 2020.

Formula factor increases

- 2.2.16 The majority of funding provided through the formula factors is related to pupil numbers and characteristics, plus some additional premises based funding. The premises funding consists mainly of a flat rate lump sum for all schools plus additional funding for PFI schools to recognise increased costs. Pupil-led funding comprises basic entitlement rates for all pupils, plus targeted funding across areas such as deprivation (measured based on Free School Meal entitlement and a deprivation index), prior attainment and English as an additional language.
- 2.2.17 Factors in the NFF allocations to local authorities will be increased by 3% apart from free school meals (increased at inflation) and premises based funding (allocated based on actual local authority spend in 2020/21 with an inflationary increase for the PFI factor only). There will be some local discretion to set lower rates for the funding factors if needed.

Minimum funding increases

- 2.2.18 A minimum increase of 2%, this is broadly in line with current inflation forecasts, will be guaranteed per pupil in local authority allocations compared to the 2020/21 NFF. As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools of between +0.5% and +2% per pupil.

Growth fund

- 2.2.19 Growth funding will be allocated to local authorities as part of the Schools Block, based on growth in pupil numbers between the October 2019 and October 2020 censuses. Growth funding allocations for 2021/22 will not be confirmed by the ESFA until December 2020.
- 2.2.20 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 allocation to schools of the 2021/22 growth fund.

2.3 **High Needs Block**

- 2.3.1 The High Needs Block (HNB) indicative allocation for 2021/2022 is £97,359k. This is an increase of £11,499k compared to 2020/21. This increase also includes the teachers pay (TPG) and pension (TPECG) grants.
- 2.3.2 The high needs national funding formula ensures that every local authority receives an increase of at least 8% per head of population, with some authorities receiving up to 12% more than this year. For Leeds the increase is the maximum 12%, with a cap on gains of £3,939k. Without this cap, the indicative allocation would have been £101,298k.

The High Needs Operational Guide has only recently been published and so further guidance will be available on the high needs funding when this has been reviewed in detail.

2.4 **Central School Services Block**

- 2.4.1 The indicative allocation for the Central School Services Block (CSSB) in 2021/22 is £4,899k which is a decrease of £168k compared to 2020/21.
- 2.4.2 Funding for this block is split between historic commitments and ongoing services. Local authorities will continue to be funded for the ongoing responsibilities with a 3.8% national increase compared to 2020/21 to keep up with inflation and pupil numbers. This element of the CSSB is calculated using a simple per pupil formula which remains unchanged.
- 2.4.3 In line with reforms to move to a fairer funding system and avoid maintaining significant differences in funding between local authorities which reflect historic decision, the historic element of the CCSB funding began to be reduced from 2020/21. In 2021/22 the historic commitments funding will continue to reduce by 20% (£272k) on 2020/21 allocations.
- 2.4.4 The ESFA will provide further details in due course as to how they will continue to reduce this funding in future years however in 2021/22 they are not changing the requirement in regulations that authorities spend no more on these commitments than they did in the previous year.

2.5 **Early Years Block**

- 2.5.1 As in previous years, the Early Years Block allocation is based on pupil numbers in the January census and therefore allocations for 2021/22 have not yet been released.

2.6 **De-delegation of services**

- 2.6.1 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 that they would otherwise have to pay directly from their budget (such as reimbursing schools for the cost of staff on maternity leave). This arrangement is known as de-delegation and we will be consulting with maintained mainstream schools later in the autumn on the proposals for their de-delegated contributions in 2021/22.
- 2.6.2 The ESFA has not provided any clarity on how de-delegation will operate once the NFF is brought in fully, however it is possible that the ability for schools to de-delegate funding may cease at some point in the future. If this is the case we will look at providing alternative arrangements for schools who wish to continue using these services.

2.7 Consultation with schools

2.7.1 The 2021/22 consultation with schools will provisionally run from 19th October to 2nd November 2020 and 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

2.7.2 We will be 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.

2.7.3 At the start of the consultation period we will send out detailed information including indicative school level figures, in addition to providing specific briefing sessions for schools.

2.7.4 We will report the outcome of the consultation to Schools Forum on 19th November 2020. A further update will also be provided at the meeting on 19th January 2021 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 2021/22 school funding arrangements and the ongoing work to develop and consult on the allocation of this funding.