

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 19 January 2021

Subject: 2021/22 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 school 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. This report provides an update on the 2021/22 arrangements relating to the schools, high needs and central school services blocks. An update on the early years block will be provided at the February 2021 meeting.
2. In relation to the Schools Block, the report covers the Growth Fund and the schools funding formula:
 - For the Growth Fund, the Council is proposing that
 - The existing criteria be retained for primary schools and secondary expansion.
 - The existing criteria for additional resources and rental costs be retained.
 - Leadership costs for new presumption free schools to reflect ESFA allocations and be set at £125k for 2021/22
 - Additional resources for new presumption free schools to be set at £200 per pupil.
 - The final proposal for the schools funding formula provides a per-pupil increase of 2.0% through the Minimum Funding Guarantee and a 3.0% cap on gains. The Minimum Funding Guarantee remains the same however the cap on gains has reduced by 0.18% against the consultation following the final funding allocation and growth fund requirements. The final proposal retains the Minimum Funding

Levels of £4,000 for primaries and £5,150 for secondaries that were consulted on.

3. The report also includes the proposed expenditure for 2021/22 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.

Recommendations

4. Schools Forum is asked to note the arrangements for the school funding formula for 2021/22 and approve the disapplication request for exceptional premises funding.
 - 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.
5. In relation to the Growth Fund for 2021/22, Schools Forum is asked to approve that:
 - a) In relation to the funding criteria:
 - a. The existing criteria be retained for primary schools and secondary school growth.
 - b. The existing criteria for additional resources and rental costs be retained.
 - c. Leadership costs for new presumption free schools to reflect ESFA allocations and be set at £125k for 2021/22.
 - d. Additional resources for new presumption free schools to be set at £200 per pupil.
 - b) The total Growth Fund of £2,659k, of which £2,159k will be funded from the Schools Block 2021/22 allocation with the remaining £500k funded from the 2020/21 underspend. The Growth Fund would be split between £1,002k for primary growth and £1,657k 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 the council requests this.
6. In relation to the Central School Services Block, Schools Forum is asked to approve the 2021/22 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 the council requests this.

1 Main issues

1.1 Schools block funding formula

- 1.1.1 At the November 2021 meeting Schools Forum noted the results of the consultation for the 2021/22 schools funding formula which demonstrated a preference for option 1 among schools that voted. 49% were in favour of option 1 compared to 43% for option 2, with the remaining 8% having no preference. Compared to 2020/21, option 1 proposed a Minimum Funding Guarantee increase of 2% per pupil and a 3.18% cap on gains per pupil. The figures provided in the consultation were provisional at that time and therefore subject to change pending confirmation of the final funding allocation in December 2020.
- 1.1.2 The final schools block funding for 2021/22 has been confirmed by the ESFA as £601.9m, an increase of £50.3m compared to 2020/21 when the allocation was £551.6m, though it should be noted that £24.5m of this increase is in relation to the teachers' pay and pension grants which will no longer be paid as a separate grant. Schools Forum in November agreed to transfer 0.5% to the high needs block and this value has now been confirmed as £2.887m. The proposed Growth Fund of £2.659m set out in section 1.2 below, of which £2.159m will be funded from the schools block, means that an amount of £596.8m would remain to be allocated to mainstream schools through the funding formula.
- 1.1.3 The funding formula has been updated to take into account the views of Schools Forum and the final funding allocation from the ESFA. The revised formula provides for the same Minimum Funding Levels of £4,000 for primaries and £5,150 for secondaries, which are the amounts used in the National Funding Formula. It has been possible to retain the Minimum Funding Guarantee at 2%, which is the level used in the National Funding Formula, and the cap on gains has been set at 3%. The revised school level allocations proposed for 2021/22 are attached to this report as appendix 1. These are subject to finalisation, including quality checks by the ESFA and approval by the Director of Children and Families.
- 1.1.4 The approach taken in the local formula replicates the National Funding Formula as closely as possible, including the use of the same unit values. In line with the National Funding Formula our calculation of the MFG and cap on gains for PFI schools excludes the PFI funding they receive. This will ensure that both PFI and non-PFI schools are treated equally in the funding formula and receive equivalent levels of funding protection.
- 1.1.5 Since 2015/16 the Leeds schools funding formula has included exceptional premises funding for schools incurring rental costs and this continues to be assumed in the proposed funding formula for 2021/22. Previous DfE approval received for this is valid for 6 years and has now expired, therefore the Council has made a renewed disapplication request to the DfE to continue including exceptional premises funding for rent within the formula. The DfE has conditionally approved this disapplication, subject to Schools Forum approval.
- 1.1.6 The decision on the final formula will be made by the Director of Children and Families, in line with the council's decision making framework.

1.1.7 The final funding formula proposals will be submitted to the ESFA for them to quality check by the deadline of 21st January 2021. Once the ESFA has confirmed they are satisfied with the formula and the decision on the formula has been taken by the Director of Children and Families, the council will send out funding statements to maintained mainstream schools by the end of February. The ESFA will issue funding statements to mainstream academies in line with their usual timescales.

1.2 Growth Fund 2021/22

1.2.1 Funding for growth is allocated to local authorities by the ESFA as part of the Schools Block of the DSG. This allocation funds pupil number variations within the funding formula for new schools that are still growing, as well as being used to establish a separate Growth Fund, which supports costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The Growth Fund recognises that these pupils are not recorded on the October census, and so will not attract funding through the usual schools funding formula. It is the Growth Fund

1.2.2 The funding allocated to local authorities is calculated by the ESFA on the basis of pupil growth between the previous two October censuses, so it will not always match the actual growth in the coming year. For 2021/22, the Leeds total allocation for growth from the ESFA has reduced and is £4,431k for 2021/22, compared to £5,031k in 2020/21. Although pupil numbers have increased by 1,153 between the 2019 and 2020 October census, this is a lower increase than the previous year and consequently funding for growth is also lower.

1.2.3 Although funding for growth has reduced, the overall funding requirement for growth in Leeds has increased for 2021/22, due to an increased need for pupil places in the secondary sector. The Council has calculated the funding requirement for growth in 2021/22 as £5,464k, which is a shortfall of £1,033k against the DfE allocation of £4,431k.

1.2.4 A summary of the growth funding required for 2021/22 is as follows:

	£000
Funding required:	
For new and growing schools within the standard funding calculation	2,805
Growth Fund	<u>2,659</u>
Total funding required for growth	<u>5,464</u>
Funded through:	
ESFA allocation for growth 2021/22	4,431
Growth Fund underspend 2020/21	500
Schools Block funding 2021/22	<u>533</u>
Total funding	<u>5,464</u>

1.2.5 Whilst it is proposed that £533k of Schools Block funding contributes towards the £5.5m requirement for to support growth, over the previous two years there has been a surplus on the growth allocation from the ESFA which has increased the funding paid out to schools through the formula allocation. This additional school allocation amounted to £1,169k in 2019/20 and £460k in 2020/21. This has an ongoing benefit for schools in 2021/22 and future years, as this additional funding has become part of the baseline figure used to calculate funding increases provided through the Minimum Funding Guarantee.

Growth Fund Criteria

1.2.6 Schools Forum is asked to approve the criteria for allocating funding from the Growth Fund.

1.2.7 We are proposing to retain the existing criteria for Leeds primary schools that have been in place for 2020/21. It is proposed that primary schools in Leeds would be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid until the permanent change in PAN is accommodated in every year group.

1.2.8 We are also proposing to retain the existing criteria for Leeds secondary schools that have been in place for 2020/21. It is proposed that Secondary schools in Leeds will be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid in the first year only that the permanent change in PAN is established. This is being proposed as cost pressures in relation to an increase in pupils falls differently in secondary schools and are more likely to be able to manage these costs within economies of scale.

1.2.9 Schools would be eligible for Growth Funding where a temporary bulge has been created to meet basic need. Funding will be allocated for the bulge year only.

1.2.10 For existing schools, an allocation of £100 per pupil will be made to fund immediate additional resources, equipment or furniture costs.

1.2.11 For new presumption free schools, we are proposing a provision of £200 per pupil for additional resources, rather than £100. Whilst the existing growth fund criteria provides for £100 per pupil for additional resources, this is based on expanding schools where a base level of resources is already available within the schools, this does not provide for new schools. It is proposed that for new schools will be funded for additional non staff resources at a rate of £200 per pupil. The table below provides further details of the amounts payable.

1.2.12 No funding would be allocated to schools where their PAN prior to expansion is not exceeded, or where a school itself decides to admit over PAN not linked to basic need.

1.2.13 Additional funding would be available for existing schools that incur additional rental costs or for new schools with pre-opening costs.

1.2.14 In line with ESFA requirements to support pre and post start-up costs for academies where they are created to meet basic need, we are proposing to introduce a new criteria for any new schools opening through a free school presumption route. It is proposed that a presumption free school would be eligible for leadership funding for the first academic year of opening equivalent to that which would be received from the ESFA under the traditional free school route. For 2021/22 this equates to £125k.

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>The 2021/22 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 - £3,123.50 • KS3 - £4,404.70 <p>As noted in the report, 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>
Funding for existing schools:		
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 2021/22 (no change from 2020/21).
Funding available for new presumption free schools:		
Leadership costs for a new presumption free school	Amount allocated will be equivalent to that which would be received from the ESFA in the first academic year of opening.	The funding proposal for 2021/22 is £125k
Presumption free schools: additional resources	Standard per pupil rate: In the first year of each new cohort	£200 per pupil is proposed for 2021/22.
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).

1.3 Central School Services Block

1.3.1 The Central School Services Block (CSSB) was introduced by the ESFA 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

1.3.2 In December 2020, the Government issued a notification giving the amount of funding for this block. For 2021/22, this allocation has been set at £5.156m for Leeds. This is an increase of £89k compared to 2020/21. Within this, there has been a reduction of 20% on the historic commitment element in line with previous DfE statements to reduce funding on this element. There is also additional funding of £216k for the increased pension costs of centrally employed teachers.

1.3.3 Schools Forum approval is required each year to confirm the amounts on each line. Schools Forum previously gave full approval for the 2020/21 proposals. The amounts requested to be approved for 2021/22 are shown below, and can be afforded within the allocation of CSSB funding received for these duties.

Retained Duties element of the Education Services Grant

1.3.4 The Retained Duties element of the Education Services Grant was transferred into DSG in 2017/18. This funding contributes towards the cost to the Council of carrying out central functions on behalf of maintained schools and academies.

1.3.5 Costs can be funded for certain functions relating to statutory and regulatory duties, education welfare and asset management. Examples of functions which could be funded within each category are shown below.

1.3.5.1 *Statutory and regulatory duties*

- Director of children's services and planning for the education service as a whole.
- Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education.
- Formulation and review of local authority schools funding formula.

- Internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools.
- Provision of information to or at the request of the Crown other than relating specifically to maintained schools.

1.3.5.2 *Education welfare*

- Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils.
- School attendance.

1.3.5.3 *Asset management*

- Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions.
- General landlord duties for all buildings owned by the local authority, including those leased to academies

1.3.6 The CSSB funding can provide a contribution towards these functions, however it is not sufficient to cover all of these duties and the remainder of the cost is therefore met from the Council's budget.

1.3.7 The amount of funding requested from CSSB for the Retained Duties in 2021/22 is £2,323,840. This is an increase of £234,890 compared to 2020/21, when funding of £2,088,950 was agreed. This moves the funding closer to the actual cost of providing these duties, although there is still a significant cost remaining which falls to the Council's budget. The Council's costs for the example functions listed above have been calculated as £2.805m, therefore after CSSB funding this would result in a net cost of at least £481k to the Council.

Centrally employed teachers' pension costs

1.3.8 The separate grant received in 2020/21 for the additional pension costs for teachers employed by local authorities has now been added to the ongoing responsibilities element of CSSB in the same way grants to schools have been added to the schools block.

Historic commitments

1.3.9 Historic commitments are subject to a limitation of no new commitments or increases in expenditure from 2020/21. The amounts requested for 2021/22 are as follows and have stayed the same or reduced since 2019/20.

- 1.3.10 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.
- 1.3.11 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.
- 1.3.12 School support staff training (amount requested £19,000). This service sources, organises and co-ordinates training for school support staff and induction training for school support staff. Demand for this service has reduced and so the funding requested has reduced to £19,000 from £46,330 as a result.
- 1.3.13 Carbon reduction officer (amount requested £30,000). This budget funds officer time from Procurement and Commercial Services who support the project management of schemes initiated with the purpose of lowering the embodied carbon emissions within the school estate.

Ongoing Central functions

- 1.3.14 Admissions Service – for 2021/22, it is proposed to increase the funding from this service from £1,381,880 to £1,390,760 to cover the unavoidable increases in pay award and superannuation.
- 1.3.15 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 £30,940 to £31,140.
- 1.3.16 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 £576,250 in 2021/22 (a 1.15% 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.
- 1.3.17 Schools Forum is therefore requested to approve the amounts summarised below, totalling £5,156,470 centrally for ESG retained duties, centrally employed teachers' pension costs, ongoing central functions, historic commitments, and to note the increase in the charge for the single national licence.

	2020/21 (for information) £	2021/22 (for approval) £
Local Authority costs		
Former ESG Retained Duties	2,088,950	2,323,840
Centrally employed teacher pension costs	0	216,070
Historic Commitments		
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	54,410
School support staff training	46,330	19,000
Carbon Reduction Officer	30,000	30,000
Ongoing Responsibilities		
Admissions Service	1,381,880	1,390,760
Schools Forum	30,940	31,140
ESFA central licences (for information only, no vote required by Schools Forum)	569,700	576,250
	<u>4,717,210</u>	<u>5,156,470</u>

1.4 High Needs Block

- 1.4.1 Since the report on high needs projected funding and expenditure was presented to Schools Forum in November 2020, a number of outstanding elements in the funding allocated have been confirmed and are generally in line with the estimates made at that time.
- 1.4.2 Work in ongoing to finalise budgets for 2021/22 to produce a budget and a more detailed report on this will be brought to the next Schools Forum meeting.
- 1.4.3 In line with the council's decision making framework, a high level summary of the proposed HNB budgets will be presented to the Executive Board in January to be approved by Full Council in February.

2 Recommendations

2.1 Schools Forum is asked to note the arrangements for the school funding formula for 2021/22 and approve the disapplication request for exceptional premises funding.

- 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.

2.2 In relation to the Growth Fund for 2021/22, Schools Forum is asked to approve that:

a) In relation to the funding criteria:

- i. The existing criteria be retained for primary schools while for new secondary school growth, funding is allocated in the first year of expansion.
- ii. The existing criteria for additional resources and rental costs be retained.
- iii. Leadership costs for new presumption free schools to reflect ESFA allocations and set at £125k for 2021/22
- iv. Additional resources for new presumption free schools to be set at £200 per pupil.

b) The total Growth Fund of £2,659k, of which £2,159k will be funded from the Schools Block 2021/22 allocation with the remaining £500k funded from the 2020/21 underspend. The Growth Fund would be split between £1,002k for primary growth and £1,657k 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.

2.3 In relation to the Central School Services Block, Schools Forum is asked to approve the amounts summarised below for 2021/22 (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.

Please see table on the next page

	2020/21 (for information) £	2021/22 (for approval) £
Former ESG Retained Duties	2,088,950	2,323,840
Centrally employer teacher pension costs		216,070
Historic Commitments		
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	54,410
School support staff training	46,330	19,000
Carbon reduction officer	30,000	30,000
Ongoing Responsibilities		
Admissions service	1,381,880	1,390,760
Schools forum	30,940	31,140
ESFA central licences (for information only, no vote required by Schools Forum)	569,700	576,250
Total Central School Services Block	4,717,210	5,156,470