DERBYSHIRE COUNTY COUNCIL

Agenda Item 5

Rep 725

SCHOOLS FORUM

14 December 2017

Report of the Strategic Director for Children’s Services

Schools Block funding 2018-19 onwards

1. Purpose of the Report

To provide the Schools Forum with an initial analysis of the potential Schools Block grant levels and funding pressures from 2018-19 onwards.

1. Information and Analysis

This report provides an analysis of Schools Block income and spending which it is hoped will help frame tonight’s debates and inform decisions on a arrange of matters going forward. Attached as Appendix 1 is a summary of the potential income levels and costs for the next 3 years. At the time of writing the 2018-19 Schools Block allocations and supporting data had not been published, consequently the analysis in Appendix 1 is based on 2017-18 data. The key points to note are set out below.

2.1 Schools Block income

Income for primary schools rises in each of the three years, reflecting the schools’ increases under the NFF outlined by the DfE. The increase for 2020-21 is an estimate as the DfE have only indicated the increases in funding for the first two years (2018-19 and 2019-20) and the phasing of increases to deliver the NFF in full is uncertain.

In the secondary sector there are increases for 2018-19 and 2019-20, the increase for 2019-20 mainly reflects the increase in the minimum funding threshold to £4,800.

The overall picture for 2020-21 is particularly uncertain as the DfE may choose to adopt a hard NFF in which case the Primary and Secondary Unit of Funding (PUF/SUF) model would be redundant. However, as the hard NFF requires a change to primary legislation, the PUF/SUF approach may continue for a longer period.

Assuming the current approach is maintained, the overall level of income in 2020-21 will be influenced by decisions yet to be taken by the DfE regarding the funding of schools’ rates bills. For 2018-19 and 2019-20 funding for rates will be based on 2017-18 planned spend. However, actual spend in Derbyshire during this period will be lower as a result of schools converting to academy status and, as a result, there is an in-year windfall for these years. For the purposes of modelling it has been assumed that the rates funding for 2020-21 will reflect the planned spend in 2019-20 and therefore a lower level of grant will be received.

2.2 Schools Block Allocations

In terms of the allocations to schools, for 2018-19 these reflect the figures included in the LA’s mainstream consultation document, including a 0.5% MFG, a 3% cap on gains and minimum overall funding thresholds of £3,300 and £4,600 per pupil. The only changes are in respect of rates inflation and rates savings arising from agreed/expected future academy transfers.

The formula allocations for 2019-20 onwards reflect minimum overall funding thresholds of £3,500 and £4,800 per pupil, increases in the low prior attainment multiplier in the primary sector and known data changes such as the change in split site funding for Glossopdale Community College. Also an allowance of £0.5m has been made for each of the three years to cover other data changes whilst the potential post-opening support to new free schools has been built in from 2019-20. A report on this latter item is also on this meeting’s agenda.

Based on the above assumptions there would be modest uncommitted allocations of £0.624m in 2018-19 and £0.570m in 2019-20. There is, however, a potential shortfall in 2020-21 of £1.274m which results from a reduction in the funding for schools’ rates and split site allocations and the increase in the post-opening costs of new free schools. Should this shortfall be confirmed, and assuming a hard NFF is not in place, the Schools Forum and Authority would need to determine how the gap between income and spend should be closed.

2.3 Risks and uncertainties

The estimates are only intended to give a broad picture of potential future scenarios for planning purposes, the allocations for future years will be subject to a number of changes including:

1. Impact of pupil number changes – an increase in pupil numbers is likely to help close the funding gap as the impacts on the formula allocations to schools are lower than the Primary and Secondary Unit of Funding (PUF/SUF) as the table below shows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | KS1&2 | KS3 | KS4 |
| NFF AWPU | £2,746.99 | £3,862.65 | £4,385.51 |
| % uplift for deprivation/LPA/EAL | +17.1% | +17.5% | +17.5% |
| Uplift for deprivation/LPA/EAL | £469.74 | £675.95 | £767.46 |
| Potential pupil led formula impact | £3,216.73 | £4,538.60 | £5,152.97 |
| PUF/SUF | £3,877.27 | £4,959.92 | £4,959.92 |
| Net per-pupil benefit using PUF/SUF model | +£660.54 | +£421.32 | £193.05 |

1. Change in income levels – there is uncertainty regarding future income streams, particularly from 2020-21 onwards, both in terms of data changes and the methodology used. If the DfE were to adopt a hard NFF from April 2020 then decisions on how to close any shortfall would cease to be a matter for the LA/Schools Forum.
2. Data changes – the model has a contingency of £0.5m per annum to fund any increases resulting from data changes which do not result in an increase in funding.
3. Increases in NFF multipliers – if the government were to announce an increase in the NFF multipliers from April 2020 of 1% this would reduce the Minimum Funding Guarantee bill by around £1.2m, with most of the reduction being in the secondary sector. This alone would effectively close the gap for 2020-21 identified above.
4. Changes to MFG profile – if no increases in NFF multipliers are forthcoming then a less generous MFG regime might need to be adopted. This is discussed more fully in the MFG paper to this meeting.
5. Reduction in formula multipliers – this is very much a worse-case scenario but if the £1.274m gap has not been closed by other means, the shortfall would require the NFF multipliers to be reduced, probably by around 0.29%.

In summary, and based on the assumptions in Appendix 1, a potential funding shortfall of £1.274m has been calculated for 2020-21. The Schools Forum should plan on dealing with this problem within the Schools Block quantum as both the Early Years and High Needs Blocks are already under pressure. Also the modest accumulated uncommitted DSG cash reserves held by the LA are unlikely to be sufficient to provide significant levels of support, particularly as some funding will be required to support transitional costs in the early years sector and help with pressures in the 2018-19 High Needs Block.

On the positive side, changes to future years’ data, the way Schools Block allocations are determined, national decisions regarding NFF multipliers and local decisions regarding MFG all mean that there is scope for the Schools Forum and Authority to address this shortfall in the next three years. The shortfall equates to less than 0.3% of the annual Schools Block grant and needs to be seen in that context.

The Schools Block Medium Term Financial Plan will be updated and Schools Forum kept informed of the emerging picture on a regular basis.

1. Background Papers

Held in Children’s Services Finance.

1. Strategic Director’s Recommendation

The Schools Forum is asked to note the report

**JANE PARFREMENT**

**Strategic Director for Children’s Service**

