

DERBYSHIRE COUNTY COUNCIL

CABINET

31 January 2019

Report of the Strategic Director for Children's Services

SCHOOL REVENUE FUNDING SETTLEMENT 2019-20 (YOUNG PEOPLE)

1. **Purpose of the Report** - To inform Cabinet of the Schools Block funding settlement for 2019-20 and to seek approval to a range of decisions to enable mainstream schools' budgets to be determined.
2. **Information and Analysis**
 - 2.1 **Overview** The 2019-20 revenue settlement for schools was published on 17 December 2018. The High Needs, Early Years and Central School Services Block allocations of the Dedicated Schools Grant (DSG) will be the subject of future reports to Cabinet: this report focuses on the Schools Block.
 - 2.2 **Schools Block – the National Funding Formula** The settlement reflects the Government's continued roll-out of the National Funding Formula (NFF) for mainstream schools and academies. For many years, the Schools Block element of the DSG has been calculated as the product of a historic funding rate per pupil – which varied between LAs – multiplied by the number of children on roll. This model will continue for 2019-20 but with each LA's funding rates now reflecting the impact of the NFF.

To calculate the total 2019-20 Schools Block quantum for each LA, the DfE has determined what the NFF allocations would have been for each school in 2018-19, had the NFF been in place. These NFF allocations, which exclude premises-related factors e.g. rates, are summed for all schools and academies in each sector. The total is then divided by the number of pupils on roll in October 2017 to derive a Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The PUF/SUF funding rates are then multiplied by the October 2018 pupil census to determine the Schools Block total for next year, excluding premises. The PUF and SUF for Derbyshire for 2019-20 (2018-19 figs in brackets) are £3,971.40 (£3,877.27) and £5,002.23 (£4,959.92) respectively.

The 2019-20 allocations for premises are based on 2018-19 planned spend with the only inflation being in respect of PFI-related factors. The quantum also includes a Growth Fund allocation to meet in-year increases in pupil numbers and support meeting the Key stage 1 class size requirements.

A summary of the published Schools Block settlement for 2019-20 based on the above methodology is shown in Table 1 below:

Table 1- Summary of Derbyshire's Schools Block Settlement 2019-20

Item	Primary	Secondary	Total
Mainstream pupil count – October 2018	59,516	38,184	97,700
Primary/Secondary Unit of Funding per pupil (£)	£3,971.40	£5,002.23	-
Sub-total excluding premises factors (£m)	236.362	191.005	427.367
Premises factors (rates, split site, PFI etc.) (£m)			10.451
Schools Block excl. Growth Fund (£m)			437.818
Growth fund (£m)			2.352
Total Schools Block (£m)			440.170

There are several points to note. The first is that for 2019-20 and 2020-21, the allocation of funding to schools remains a matter for local authorities i.e. the Authority determines the value (multipliers) of each formula factor.

Secondly, as with 2018-19, the calculated PUF/SUF values for each LA closely reflect the impact of the NFF changes, and it is therefore more difficult for LAs to justify allocating funding to schools on a basis that didn't largely mirror the NFF. To vary from the NFF would, in effect, mean the LA was choosing to allocate funding received on behalf of one school to another.

Thirdly, the Schools Block is effectively ring-fenced as any funding, other than amounts held centrally as pupil growth funding, has to be delegated to schools. The only other exception is that LAs are allowed, subject to consultation with schools and with the approval of the Schools Forum, to transfer up to 0.5% to another block within the DSG.

As will be reported to Cabinet in March, the Authority's High Needs Block is under significant financial pressure and the department has commissioned the Isos Partnership to undertake a strategic review of the Authority's SEND provision. Should this review – which is planned to be completed by May 2019 – provide evidence to support a case for transferring resources from the Schools Block from 2020-21, the Authority will need to consult with its schools during the summer and autumn terms 2019, and seek approval from the Schools Forum and/or Secretary of State in autumn 2019 on any proposed transfer. In the interim, the Authority does not intend to take up the option of seeking School Forum approval to transfer resources between blocks for 2019-20.

Finally, the Schools Block quantum includes an allocation to support the impact of in-year increases in pupil numbers. The 2018-19 pupil growth fund allocations, as they are known, were based on historic planned spending; however, for 2019-20 a formulaic approach has been used by the DfE which has benefitted Derbyshire. The proposed allocation of the pupil growth funding is discussed in section 2.5 below.

2.3 Consultation with schools, academies and the Schools Forum In making their allocation decisions for 2019-20, the DfE expects LAs to have consulted schools,

academies and the Schools Forum on its proposals. The LA published a consultation document on 18 September 2018 in which it proposed to:

- (i) To set a Minimum Funding Guarantee of 0% per pupil;
- (ii) To allow schools to gain up to 3% per pupil;
- (iii) To further increase the funding in primary schools to support pupils with low prior attainment; and
- (iv) To apply Minimum Funding Level thresholds of £3,500 (prim) and £4,800 (sec);
- (v) To introduce a minimum Funding Floor to guarantee a 1% per pupil increase for every school compared with 2017-18 baselines.

The responses from schools and academies supported the LA's approach, as summarised in Table 2 below.

Table 2 - Summary of responses to the LA's NFF consultation questions

Question	Primary (25)				Secondary (3)		
	Agree	Dis-agree	Don't Know		Agree	Dis-agree	Don't Know
Q1a. Do you agree with the proposal to set an MFG of 0.0% per pupil for 2019-20?	20	1	4		2	1	-
Q2a. Do you agree with the Authority's proposal to cap gains at 3% per pupil in 2019-20?	18	4	3		3	0	0
Q3a. Do primary schools agree with the proposal to increase the amount delegated through the LPA factor in 2019-20?	19	2	4		-	-	-
Q4. Do you agree with the Authority's proposal to increase the MFL rates for 2019-20?	20	0	5		3	0	0
Q5. Would you support the introduction of the 1% Funding Floor for 2019-20?	21	1	3		3	0	0

Given the responses, the allocations to schools and academies in 2019-20 set out in this paper closely reflect the consultation proposals.

2.4 Proposed Schools Block allocations The DfE released the 2019-20 pupil and other formula data sets on 14 December 2018. The Authority has applied this data to the NFF multipliers in Appendix 1, with one exception. The DfE have reduced the NFF primary sector multiplier which supports pupils with Low Prior Attainment (LPA) from £1,050 to £1,022. This recognises that the 2019-20 LPA counts of the number of pupils qualifying for support are higher than in previous years. This increase is because the counts now reflect the number of children not achieving the expected level of development in the early years foundation stage profile (EYFSP) which are generally higher than the historic reception year test data they have replaced.

As a result of the above technical change, Derbyshire's count has increased from 19,023 to 20,277, an increase of 1,254 (6.6%).

The LA's autumn consultation with schools proposed increasing the amount allocated to primary schools as LPA funding by £3.805m, from £11.413m to £15.218m. Based on

the data for 2018-19, this would have resulted in a multiplier of £800. However, following the data increase for 2019-20, a LPA multiplier of £750 is now proposed, which will allocate broadly the same quantum.

All of the other NFF multipliers have been adopted in full, the only other points to note regarding the allocations are as follows.

Split site – the allocation to Glossopdale School has been reduced following the relocation of the school on to a single site.

Rates – the allocations have been adjusted to reflect changes in the Uniform Business Rate multiplier, rateable values and the impact of rate relief for those schools that converted to academy status on or before 1 January 2019.

Private Finance Initiative – allocations have been increased in line with contractual commitments;

Capped gains – the final data allows for a slightly more generous cap on gains to be applied. The proposal is that schools' gains are capped at 4% rather than 3% per pupil.

The allocations for each indicator for both sectors are set out in Appendices 2 and 3. A summary of the implications is shown in Table 3 below:

Table 3 – Summary of Schools Block funding and allocations 2019-20

Item	Primary	Secondary	Total
	£m	£m	£m
Schools Block (excl. growth fund) as per Table 1			437.818
Delegated allocations per Appendices 2&3	240.862	197.489	438.351
Over-commitment			0.533

The delegated formula allocations include £0.341m in respect of the new free schools at The Mease and Chellaston Fields for the period September 2019 to March 2020, which will be met from the pupil growth allocation. The residual Schools Block over-commitment of £0.192m post-this transfer is modest (~0.04% of the Schools Block) and will be offset by savings in the rates bills of community and voluntary controlled schools that are expected to convert to academy status on or after 1 February 2019.

Finally, in terms of the formula, at the time of writing work was still on-going to calculate final allocations. Consequently, there remains the possibility that adjustments might have to be made to the allocations for reasons such as late changes in the formula data e.g. individual schools' rateable values etc. The final formula is also subject to the approval of the Education and Skills Funding Agency to ensure it meets national requirements. In view of these uncertainties, coupled with the need to publish budgets as soon as possible, Cabinet is asked to allow any matters of detail to be resolved by the Strategic Director for Children Services in consultation with relevant Cabinet Members.

2.5 Growth funds - Local authorities' Schools Block allocations currently include funding to reflect historic spending supporting schools with increasing numbers of pupils and to help meet national Key Stage 1 class size requirements. The DfE is keen to move away from funding LAs on the basis of historic spend and has previously signalled its intention to formulaise the allocations.

In July 2018, the DfE announced that from 2019-20, LA-level pupil growth allocations would be based on the year-on-year increases in pupil numbers as measured at Middle Super Output Area (MSOA) level: net reductions at MSOA level would be ignored. The allocations for 2019-20 have been based on the increases between October 2018 and October 2017 pupil census data with each additional primary pupil attracting £1,370 and each secondary pupil £2,050. In addition, LAs will receive £65,000 for each new institution that is registered for the first time on the October 2018 census. This will not become relevant in Derbyshire until 2020-21 when the funding will reflect the new schools at The Mease (Hilton) and Chellaston which will open in September 2019.

Using the above approach, the settlement now confirms the following allocation for Derbyshire for 2019-20 as shown in Table 4 below:

Table 4- Pupil Growth Fund Allocation 2019-20

	Pupil Increase	2019-20 Rate	Pupil growth funding	
Primary	649	£1,370	£899,130	
Secondary	1,056	£2,050	£2,164,800	
Sub total			£3,053,930	A
Actual 2018-19			£1,100,000	B
Gross gain			£1,953,930	C=A-B
Allocation 2019-20:				
Actual 2018-19			£1,100,000	B
50% of historic			£550,000	D=B/2
50% Scaled gain			£701,965	$\frac{1}{2}*(C-D)$
2019-20 allocation			£2,351,965	

The pupil growth allocation represents an increase of £1.252m compared with current resources. Whilst the increase is welcomed, it must be noted that the funding is only guaranteed for 2019-20, a separate calculation will be performed to determine the 2020-21 pupil growth allocation based on the October 2019 and October 2018 census data. The uncertainty over future funding levels is a key consideration when determining how the 2019-20 growth fund might be utilised.

There are three other circumstances in which the DfE permits an LA to hold Schools Block funding centrally:

- (i) To meet the cost of in-year increases in pupil numbers due to basic need;
- (ii) To provide support to new free schools; and
- (iii) To provide temporary support to good or outstanding schools with falling rolls.

The size of any growth funds, and the criteria for their application, are a matter for the Schools Forum. In 2017, Derbyshire consulted schools on the purposes for which a growth fund should be held centrally and there was only support for items (i) and (ii) above. The budget proposals for 2019-20 were considered by the Schools Forum at its meeting on 22 November 2018 and the Forum agreed to hold £1.100m centrally for Key Stage 1 class sizes and £0.250m to support in-year increases in pupil numbers in schools and academies and which are a direct consequence of the Authority requiring the institution to admit a significant number of children.

The balance of the fund, £1.002m, would be added to the existing DSG reserve to support new free schools in Derbyshire. The DSG is required to support both the pre-opening and post-opening support costs of free schools as well as the in-year formula budget shares of pupils attending for the first time. Typically, the overall support for a 210 place primary school could be as follows:

- (i) Pre-opening support - to fund the necessary preparation costs e.g. appointing a head teacher and other key staff in advance of the free school opening; typically costs are at least £0.150m per school;
- (ii) In-year formula funding - covers the period September to March for pupils attending a free school for the first time, estimated at £0.412m for a 210 pupil primary school;
- (iii) Post-opening support (Leadership) - provides an average of ~£13,500 per empty cohort per annum, the maximum a school could claim would be £0.283m during the first six years.
- (iv) Post-opening support (Resources) – to provide additional resources and is a flat rate £250 per additional pupil, a total cost of £0.053m for a 210 pupil school

The total cost is estimated to be around £0.898m per school over the first six years of a school opening, the actual amount will vary based on the needs of the children and the admissions profile. Derbyshire has four free primary schools in the pipeline [Chellaston Fields, The Mease (Hilton), Drakelow Park and Boulton Moor] which could require overall support in the region of £3.592m. Of this, £1.1m has already been set aside towards pre-opening support costs and the Schools Forum agreed to set aside the balance of the 2019-20 pupil growth fund to increase this reserve and thus reduce the need to top-slice existing schools and academies' budgets in future years.

2.6 De-delegation (re-pooling) and top-slicing of funding Each year, local authorities' Schools Forums are permitted to take-back monies delegated through the formula to mainstream schools to fund a range of prescribed functions. Academies' budgets are not subject to de-delegation, instead these institutions remain responsible for meeting their own costs directly.

Historically, Derbyshire schools have always given significant support to the de-delegation of funding for these services. Consequently, at its meeting on 24 September 2018, the Schools Forum was asked to consider approving the de-delegation of funding for 2019-20. The list of services and the amounts proposed to be de-delegated from mainstream primary and secondary schools are set out in Appendix 4. Schools Forum

agreed to the proposals. The decision to accept responsibility for costs funded from de-delegated and top-sliced resources is a matter for Cabinet: it is recommended that Cabinet agree to the Forum's requests for 2019-20.

3. **Other Considerations** - In preparing this report, the relevance of the following factors has been considered: - prevention of crime & disorder, equality of opportunity, and environmental, health, social value, human rights, human resources, property and transport considerations.
4. **Background Papers** - Files held within Children's Services Finance.
5. **Key Decision** - Yes
6. **Call-in** - Is it required that the call-in period be waived in respect of the decisions being proposed within this report? No
7. **Officer's Recommendations** That Cabinet:
 - (i) Notes the Schools Block settlement for 2019-20;
 - (ii) Notes the responses from schools and academies to the LA's consultation proposals;
 - (iii) Agrees to set an MFG rate of 0% per pupil for both sectors for 2019-20;
 - (iv) Agrees to allocate funding to schools on the basis of the formula multipliers as set out in Appendices 2 and 3;
 - (v) Approves a 4% per pupil cap on gains for both sectors for 2019-20;
 - (vi) Notes that the residual over-commitment will be met from the savings in rates bills of community and voluntary controlled schools that convert to academy status on or after 1st February 2019;
 - (vii) Notes the decision of Schools Forum regarding the use of the pupil growth fund;
 - (viii) Agrees to the request from the Schools Forum to de-delegate and top-slice funding from maintained schools' 2019-20 budgets as set out in section 2.6;
 - (ix) Allows any matters of detail relating to schools' delegated budgets to be resolved by the Strategic Director for Children's Services in consultation with the relevant Cabinet Members; and
 - (x) Notes that further reports will be brought on the Central School Services, Early Years and High Needs Blocks.

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National Funding Formula multipliers 2019-20

Appendix 1

Primary Sector Factors		2019-20 NFF
		£
Basic per pupil funding	Per pupil – Key Stage 1 & 2	2,746.99
Additional needs funding	Deprivation: Ever 6 Free School Meals	540.00
	Deprivation: Current Free School Meals	Or 980.00
	Deprivation: IDACI* ¹ F	200.00
	Deprivation: IDACI E	240.00
	Deprivation: IDACI D	360.00
	Deprivation: IDACI C	390.00
	Deprivation: IDACI B	420.00
	Deprivation: IDACI A	575.00
	Low Prior Attainment	1,022.00
	English as an Additional Language (EAL3)	515.00
School-led funding	Lump sum	110,000.00
	Sparsity	Up to 25,000
	Minimum threshold per pupil	3,500
Secondary Sector Factors		NFF
		£
Basic per pupil funding	Per pupil – Key Stage 3	3,862.65
	Per pupil – Key Stage 4	4,385.81
Additional needs funding	Deprivation: Ever 6 Free School Meals	785.00
	Deprivation: Current Free School Meals	Or 1,225.00
	Deprivation: IDACI* ¹ F	810.00
	Deprivation: IDACI E	600.00
	Deprivation: IDACI D	560.00
	Deprivation: IDACI C	515.00
	Deprivation: IDACI B	390.00
	Deprivation: IDACI A	290.00
	Low Prior attainment	1,550.00
	English as an Additional Language (EAL3)	1,385.00
School-led funding	Lump sum	110,000.00
	Sparsity	Up to 65,000
	Minimum threshold per pupil	4,800

*¹ IDACI - Income Deprivation Affecting Children Index

Primary sector multipliers and allocations 2019-20

Appendix 2

	Count	Multiplier	Allocation
		£	£m
Per pupil: Key Stage 1 and 2 Pupils	59,582.50	2,746.99	163.673
Deprivation: Current Free School Meals	9,163.87	440.00	4.032
Deprivation: Ever 6 Free School Meals	13,618.84	540.00	7.354
Deprivation: IDACI F	6,434.53	200.00	1.287
Deprivation: IDACI E	3,441.33	240.00	0.826
Deprivation: IDACI D	3,848.94	360.00	1.386
Deprivation: IDACI C	3,919.05	390.00	1.528
Deprivation: IDACI B	3,516.73	420.00	1.477
Deprivation: IDACI A	383.12	575.00	0.220
Low Prior Attainment	20,296.63	750.00	15.223
English as an Additional Language (EAL3)	1,045.09	515.00	0.538
PUPIL-LED SUB TOTAL			197.544
Lump Sum	350.00	110,000.00	38.628
Sparsity	12.77	25,000.00	0.319
Split site: <500m	4.00	2,489.91	0.010
Split site: >500m	2.00	35,088.03	0.070
Rates	N/A	N/A	3.747
Exceptional circumstances factor	N/A	N/A	0.097
NON PUPIL-LED SUB TOTAL			42.871
Threshold per pupil top up (£3,500)	N/A	N/A	0.930
Funding Floor	N/A	N/A	0.888
Minimum Funding Guarantee (0% per pupil)	N/A	N/A	0.001
Cap on gains (gains >4% per pupil)	N/A	N/A	(1.372)
TOTAL			240.862

Secondary sector multipliers and allocations 2019-20

Appendix 3

	Count	Multiplier	Allocation
		£	£m
Per pupil: Key Stage 3 Pupils	23,626.00	3,862.65	91.259
Per pupil: KS4 Per Pupil	14,565.00	4,385.81	63.879
Deprivation: Current Free School Meals	5,363.00	440.00	2.360
Deprivation: Ever 6 Free School Meals	9,529.98	785.00	7.481
Deprivation: IDACI F	4,084.67	290.00	1.185
Deprivation: IDACI E	2,041.99	390.00	0.796
Deprivation: IDACI D	2,237.63	515.00	1.152
Deprivation: IDACI C	2,214.57	560.00	1.240
Deprivation: IDACI B	2,179.44	600.00	1.308
Deprivation: IDACI A	226.05	810.00	0.183
Low Prior Attainment	7,781.48	1,550.00	12.061
English as an Additional Language (EAL3)	133.15	1,385.00	0.184
PUPIL-LED SUB TOTAL			183.088
Lump Sum	45.00	110,000.00	4.950
Sparsity	0.39	65,000.00	0.025
Split Site	-	-	0.272
Private Finance Initiative	N/A	N/A	2.388
Rates	N/A	N/A	3.252
Exceptional circumstances factor	N/A	N/A	0.119
NON PUPIL-LED SUB TOTAL			11.006
Threshold per pupil top up (£4,800)	N/A	N/A	2.316
Funding Floor	N/A	N/A	0.946
Minimum Funding Guarantee (0% per pupil)	N/A	N/A	0.135
Cap on gains (gains >4% per pupil)	N/A	N/A	0.000
TOTAL			197.489

Proposed De-delegated funds 2019-20**Appendix 4**

<u>Primary</u>		Indicative 19-20 rate £	Narrative
Contingencies	AWPU	9.00	e.g. schools in financial difficulty, exceptional unforeseen costs, unreasonable for a GB to meet
Insurance	AWPU	20.64	Includes premises, cash in transit, public liability and employers' liability
Staff Costs: Maternity	AWPU	17.41	Cover costs for staff on maternity, paternity or adoption leave
Staff Costs: Public Duties	AWPU	0.09	Cover costs for staff on jury service.
Staff Costs: Trade Unions	AWPU	3.48	Cover costs for staff undertaking union duties
School Improvement	Lump sum	2,850.00	Services include Leadership forums, single named contact for advice, guidance, signposting & support, e-noticeboard, reduced rate attendance at courses and conferences plus core package of 3 days of school improvement activity plus governor support package
Redundancy (top-sliced)	AWPU	10.95	To meet the agreed redundancy costs of school staff
Fmr ESG funded services	AWPU	13.86	Funds a range of HR, Finance, pensions, ICT and asset management functions
<u>Secondary</u>			
Contingencies	AWPU	4.90	See primary
Insurance	AWPU	18.20	See primary
Staff Costs: Trade Unions	AWPU	3.48	See primary
School Improvement	Lump sum	2,850.00	See primary
Redundancy (top-sliced)	AWPU	10.95	To meet the agreed redundancy costs of school staff
Fmr ESG funded services	AWPU	13.86	See primary