26 February 2018

To Headteachers and Chairs of Governing Bodies of Sheffield Nursery, Primary, Secondary and Special Schools

Dear Colleague

School Budget Shares and Spending Plans 2018/19

For Action

This letter sets out the schools budget settlement for the financial year 2018/19, including early estimates of funding being made available by the Government through its Pupil Premium grant.

This information will assist you in preparing for your budget setting process or interview with Finance Business Partner staff (where you subscribe to this service), and for the final production of your school’s spending plan for the financial year 2018/19.

Over the past two years the Education & Skills Funding Agency (ESFA) has been consulting on moving towards a National Funding Formula (NFF). For the next two years (2018/19 & 2019/20 “soft NFF”) national funding regulations allow local authorities to continue to use the local funding formula and have the option to move towards the national funding formula. The current proposal is to introduce the “Hard NFF” in 2020/21.

In 2018-19 the funding allocation to Sheffield was based on implementation of the ‘soft’ formula, whereas local authorities received the Schools Block Dedicated Schools Grant (DSG) settlement in the form of aggregated amounts of individual schools budget shares, based on NFF amounts per pupil, plus elements of fixed costs such as PFI, Rates and Mobility.

Sheffield has benefitted from the ‘soft’ formula implementation and has received approximately a further £6m of DSG settlement in the Schools Block, over and above pupil growth. This increase has been in recognition of Sheffield having a historical low funding settlement. The following three elements of the NFF will have a significant impact for Sheffield schools and in particular primary schools:

1. The sector ratio will move from 1:1.24 in the Sheffield formula to 1:1.29 (for every £1 in primary there is £1.24 for secondary and it will change to £1.29). This will mean funding moving from primary schools to secondary.
2. The lump sum will reduce from £150k in the Sheffield formula to £110k in the national formula.
3. The funding for prior attainment will reduce from 9% to 8% in the national formula.

The Sheffield Schools Forum considered the impact and rate of change and the impact this will have on school budgets. After careful consideration, it was agreed that we should move towards a transitional model to allow sufficient time for schools to prepare and move towards the NFF in 2020/21.

From these discussions and agreements at the Schools Forum, we are now able to provide the financial information that your school needs to plan your budget for 2018/19. Details of all the funding that your school can expect to receive are included in the spreadsheet files accompanying this letter.

To prepare for transition and implementation of NFF, modelling has been produced and is published on the Schools Forum website (www.sheffield.gov.uk/schoolsforum - February meeting papers – Paper 7C) showing the estimated impact from 2018-19 to 2020-21.

The key aspects of the budget figures and other useful information to note are:

**Pay and Price**
The national 2018/19 settlement for the Schools Block Budget is based on the implementation of the ‘soft’ National Funding Formula, equating to an increase of approx. £6m. The amount of per pupil funding received by Sheffield from the DfE has increased by £82 due to the fairer funding method rather than funding for increased costs such as pay award or inflation. Therefore, the increased funding is not due to the DfE recognising the increased costs such as pay award or pay inflation.

**Pupil Numbers**
The pupil numbers are based on the October 2017 pupil census. Sheffield’s population continues to grow. Births have been increasing and as a result there is an expectation that there will be an increased demand for places in both the primary and secondary sector in the next few years. The figures for primary have increased by 319 and growth in secondary is starting to rise, as the peak in primary starts to move into secondary. Secondary numbers have now risen by 685, this includes the two new schools opening in September 2018. The number of secondary pupils is expected to continue to increase in future years as the growth in primary continues to transition into the secondary sector.

**Significant Growth in Mainstream Pupil Numbers**
On 15 February 2018 the Schools Forum agreed that for the financial year 2018/19, growth will be paid in the way described below. This method has continued from 2017/18, but please note that the Age Weighted Pupil Units (AWPU) rates have increased to reflect the 2018/19 rates:

1. All planned growth will be funded at the relevant key stage AWPU
   - Primary = £2,844 x pupil numbers x 7/12
   - KS3 = £3,476 x pupil numbers x 7/12
   - KS4 = £4,237 x pupil numbers x 7/12
   - Academies will be funded for a further 5/12 in the next financial year to cover the period April to August 2019 due to their lagged funding arrangements.

2. All other in-year growth will be based on an incremental cost model as appropriate and calculations will be based upon:
1. 1 x teacher at main scale 5; and
2. 1 x teaching assistant at spinal point 18

3. Additional growth funding will be applied on an incremental cost basis for English as a second language (EAL).
   - If required, we will fund for an additional language support assistant over and above the growth in pupil numbers.

All of the above are based on multiples of 30 or proportionately funded.

Nursery Age Funding
The funding that comes into the Authority for 2, 3 and 4 years olds is still measured through the January census and it is not until July in the following financial year when the DfE finally determines the actual total pupil numbers to be used. However, schools budget shares are determined on actual participation headcount, which takes place each term.

The Sheffield Schools Forum, approved recommendations that from April 2018:
- The base hourly rate for 3 and 4 year olds should remain the same. The rate will continue at £4.07 per pupil hour. This rate will apply to both the first 15 hours of provision and the additional 15 hours for working parents.
- We continue to have a deprivation factor for 3 and 4 year olds of up to 30p per pupil hour.
- EYPP will continue to be funded at 53p per pupil hour to all eligible 3 & 4 year old pupils. Current advice is that this is funded on the first 15 hours universal FEL only.
- The hourly rate for 2 year old providers shall remain at £4.94 per pupil hour.
- To passport income received for Disability Living Allowance (£615 per year) to eligible providers.

Funding Formula Factors – School Block
Sheffield has used the simplified formula to reflect the National School Funding Reform.

Pupil numbers used to calculate the budget share now include pupils that are in the Integrated Resource Unit. Previously these pupil numbers were removed and these pupils were funded through the High Needs Block. Further information regarding changes to Integrated Resource Units can be found under the Integrated Resource heading later in this letter.

There have been no other significant changes in the formula factors in comparison to 2017/18, with the exception of the introduction of the Minimum Funding Level for both primary and secondary schools. Primary schools will now receive no less than £3,300 per pupil and secondary schools £4,600 per pupil.

There were slight amendments to the de-delegated items, approved at the Schools Forum:
- ESCAL would cease at 31st July 2018, a reduced amount of £1.53 per pupil de-delegation over the full financial year would be applied
- EMTAS would have revised arrangements and an amount of £1.90 per pupil to be de-delegated to fund the Community Cohesion post to support this.

There has been no redistribution of funding between formula factors. However, in line with the discussion and agreement at Schools Forum, we have pegged our total investment at a
city level for Social Deprivation and Prior Attainment at the same level as 2017/18 in preparation for transition towards National Funding Formula.

**Minimum Funding Guarantee (MFG) and Cap on Gains**
The DfE has changed the parameters to set the national Minimum Funding Guarantee in 2018-19 at local discretion of between **minus 1.5%** and **plus 0.5%** depending on local affordability. For 2018/19 Sheffield aims to ensure that each school has a “like for like” increase in its pupil-led budget of at least 0.5% per pupil. It has been calculated for 2018/19 using 2017/18 as the comparable year. Where the formula has resulted in less than an increase of 0.5% per pupil, the MFG has provided a top-up to this minimum level.

Funding for the MFG is provided by applying a cap on the level of gains. In 2018/19 the gains cap has been set at 2.50%.

**Dedicated Schools Grant and Cost Pressures**
Overall 2018/19 DSG settlement has increased in £ per pupil funding. However, schools will still have to absorb cost increases including:

- Equal pay liabilities – these will vary in line with individual claims, primary schools have been allocated £400k and secondary £500k, in delegated budgets since 2008/09 to assist with building up a provision to meet these costs (this funding is now incorporated in the basic £ per pupil entitlement).
- Living Wage – these are costs that will need to be absorbed, to ensure that the Living Wage new grading structure continues for all employees.
- Utility contracts price inflation, Gas +10%, Electricity +8%, Water +3%
- Rates bills – these are variable, but are funded in delegated budgets at 100% of the estimated cost for 2018-19 plus any applicable adjustment for the previous financial year. This could be positive or negative, due to the adjustment of the Rateable Value for 2017/18.
- Pay – pay awards are currently proposed at 2%, but where governors agree to meet increments, this will have to be absorbed within each school’s budget.
- General price inflation – this increased by 1.6% in January.
- Pension Employer Contribution – remains at 26.65% for support staff.
- The Apprenticeship Levy of 0.5% of a schools pay bill.

**National Pupil Premium Grant**
The Pupil Premium is calculated by ESFA and notified to local authorities for maintained schools and paid directly to academies.

It is calculated using pupils on the January 2018 School Census, known to have been eligible for Free School Meals (FSM) in any of the previous six years, as well as those first known to be eligible at January 2018. These are known as, “Ever 6 FSM” pupils.

This means those pupils recorded on the January 2018 School Census who were recorded as known to be eligible for Free School Meals (FSM) on any of the termly censuses since Summer 2012.

As per the December 2017 Schools Forum Paper 7, on automatic award for free school meals, we again expect further increases in pupil premium now the information is being captured through the census process.
Provisional budget figures for the national Pupil Premium Grant have been calculated using the DfE illustrative data based on October 2017 census information. The looked after child (LAC) rate has increased from £1,900 to £2,300 due to the ESFA removing the LAC factor from the funding formula. **This information will be updated in September 2018 and revised funding figures will be issued after the release of this information.**

**The PPG rates for 2018/19 are:**
- £1,320 per Primary FSM ‘Ever 6’ pupils
- £935 for Secondary FSM ‘Ever 6’ pupils
- £2,300 for looked after children
- £300 for service children

**Early Years**
- The Early Years Pupil Premium (EYPP) for 3 and 4 year olds will continue to be paid at a rate of £0.53 per pupil hour for eligible pupils or £300 for the year.

**Universal Infant Free School Meals (UIFSM)**
All primary schools with infant age pupils will receive their 2018/19 academic year funding based on an average of meal uptake on their October 2018 and January 2019 census. The final allocations will be adjusted in June 2019.

**Sixth Form Funding**
We are awaiting notification from the ESFA for the budget information for sixth forms for the 2018/2019 academic year.

**High Needs Pupils and Students**
High Needs funding is intended to support the most appropriate provision for each individual, taking account of parental and student choices, providing appropriate provision in a range of settings, and avoiding perverse incentives. It is also intended to fund good quality alternative provision for pupils who cannot receive their education in school.

**Funding Arrangements for High Needs**
High Needs funding is to be based upon a “place plus” basis with three elements making up the funding for each High Needs pupil.

1. Core funding per pupil which will be approximately £4,000 per pupil.
2. Additional support which is funded from the school’s notional delegated SEN budget. The DfE used a national study of schools budgets to define the additional support as £6,000 per pupil. It should be noted that not every pupil who needs additional support will require £6,000, but differing amounts between the level of £4,000 and £10,000.
3. The ‘Top-Up’ element is provided through the localities budget.

It was agreed at the Schools Forum that for the financial year 2018/19 the method for schools to provide support for high needs will continue to come from their localities.

**Special Schools**
A sub-group of the Schools Forum has been established to look at the commissioned places in special schools and integrated resources for 2018/19 and 2019/20. We will continue to use the historical funding arrangements for special school and integrated resources places in
2018/19. A Minimum Funding Guarantee (MFG) of minus1.5% has been applied to the historical per place funding.

The number of places in special schools has risen throughout 2017/18. For the financial year 2018/19 we will be funding an average of 1,149 places at a total cost of £21.5m. In addition to the 1,149, provision is being made for 14 additional places at September 2018 and a further 20 at January 2019. The costs of these additional places in the financial year 2018/19 are estimated at £250k and these additional places may be commissioned at a special school or an integrated resource.

The increase in demand for special education provision has been underpinned by a combination of key factors including population growth matched to increasing complexity. We are progressing a strategic review of provision and a business case to enable delivery of better support for pupils, driving shared accountability and effective demand management.

Integrated Resources
There are 12 mainstream schools with integrated resources in addition to those who serve children with hearing or visual impairments. These 12 schools will be funded at the same levels as in 2017/18.

When the ESFA reviewed the High Needs funding formula they changed the way devolved integrated resources are to be funded. Previously, the pupils in the resource were deducted from the pupil number count and were funded from the High Needs Block. From 2018/19 the pupils will no longer be deducted, and only element 2 and 3 will be funded from the High Needs Block.

The total cost of integrated resource places in 2018/19 is £2.4m. £767,802 of this funding has been allocated through the Schools Block with the remaining £1,653,694 coming from the High Needs Block. It should be noted that the ESFA have made an adjustment to our Schools Block and High Needs Block in recognition of this change in allocation method.

Schools having Difficulty Setting a Balanced Spending Plan
Despite the acknowledged financial challenges schools will face in 2018/19, School Financial Regulations preclude schools from setting a deficit budget and require all schools to set a balanced in-year budget. In exceptional circumstances schools may be allowed to plan for a deficit budget and apply for a licenced deficit. The cash flow to allow such deficit budgets are provided from the collective surpluses of schools balances, but the authority would require a recovery plan showing how the school would recover the deficit over a two-year period before the cash flow loan can be authorised. This year it is particularly important for individual schools to set an in-year balanced budget, as it appears likely that the authority may not be able to authorise all requested licensed deficits for the first time. Full details of the circumstances behind this were reviewed by the Schools Forum on 22 September 2016 (9 Paper F – School Balances). As in previous years, a number of schools may initially encounter difficulties in setting a balanced spending plan. Schools should ensure that all available sources of funding have been included in their spending plan. If you require assistance in updating your spending plan then please contact the Finance Business Partner Schools Helpline on 2736270.

Budget Plan
Schools are requested to submit their governor approved spending plans to Finance Business Partner at the earliest opportunity, but at the latest by 1 May 2018.
As ever, a great deal of complex work and discussion between representative head teachers, governors and officers has taken place during the year to achieve this agreed budget position. We are meeting the challenges of operating with, in effect, flat cash settlements in recent years, and even with the increase in next year’s funding, it is not keeping up with rising costs. We will continue to work together through the Schools Forum and its working groups. This includes ensuring we have a focus on getting the best from our resources available and achieve value for money and the best outcomes for children. Planning for 19/20 and beyond will continue during the year through the Schools Forum and the working groups it has commissioned.

Through working together and maintaining strong and successful relationships, we will be ready for future challenges including the introduction of, and transition towards, a new National Funding Formula in 2020/21.

I would like to thank you all for the continued positive and constructive approach, and I would like to thank members of the Schools Forum and various Schools Forum working groups for their particular contributions.

If you have any queries, please feel free to contact Jacky Beatson jacky.beatson@sheffield.gov.uk, Helen Mansfield helen.mansfield@sheffield.gov.uk or Lorraine Fox for FEL queries – lorraine.fox@sheffield.gov.uk

Yours sincerely

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