26 February 2019

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

Dear Colleague

**School Budget Shares and Spending Plans 2019/20**

<table>
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<th>For Action</th>
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<tbody>
<tr>
<td>This letter sets out the schools budget settlement for the financial year 2019/20, including early estimates of funding being made available by the Government through its Pupil Premium grant.</td>
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<td>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 2019/20.</td>
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The financial year 2019/20 is the second year of the transition towards the National Funding Formula (NFF). The attached budgets have been prepared using the local Sheffield funding formula. At the current time there isn’t any clear indication of when the NFF will be fully implemented – ‘hard’ NFF - this is subject to the next national Spending Review. However, like many other local authorities, our Schools Forum has approved a local formula which moves towards the current proposed national formula.

The following principles have been used to prepare these budgets. These were approved at the December 2018 Schools Forum:

- Ensure all schools receive a minimum of 0.5% increase in 2019/20 on pupil-led funding (as per the national announcement).
- Maintain stability in the system by maintaining Age Weighted Pupil Unit (AWPU) levels.
- Achieve minimum per pupil funding levels of £3,500 in primary and £4,800 in secondary (five secondary schools and one primary will receive minimum per pupil funding levels in 2019/20).
- Use new funding to ensure a stable transition towards NFF.

As agreed by the Forum, the primary to secondary ratio has changed to 1:1.255 and the lump sum has been reduced to £130k. This results in an overall percentage split of 40% for primary and 60% for secondary schools, and ensures stability in the system whilst preparing us for full implementation in future years.

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Additional income coming into Sheffield through the Schools Block (£11.25m) has been used to fund the increased numbers of pupils in mainstream and the increase in the secondary funding ratio. In 2019/20 primary funding has increased by at least 0.5%.

In line with the outcome of the consultation, the Schools Forum agreed to a redirection of £1.5m from the Schools Block to the High Needs Block to contribute towards the costs of remodelling provision for pupils at risk of exclusion and those permanently excluded.

The table below shows the Dedicated School Grant (DSG) allocated to Sheffield. To avoid the Age Weighted Pupil Unit (AWPU) being diluted due to additional pupils in September 2019, £300k has been added to the mainstream schools’ control total from the growth pot.

<table>
<thead>
<tr>
<th></th>
<th>School Budgets £m</th>
<th>Growth £m</th>
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<tbody>
<tr>
<td>School Block - Income</td>
<td>332.46</td>
<td></td>
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<tr>
<td>Growth</td>
<td>-2.73</td>
<td>2.73</td>
</tr>
<tr>
<td>Transfer from Growth to School Block</td>
<td>0.30</td>
<td>-0.30</td>
</tr>
<tr>
<td>Other adjustments **</td>
<td>-0.15</td>
<td></td>
</tr>
<tr>
<td>Transfer to High Needs Block</td>
<td>-1.50</td>
<td></td>
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<td>**</td>
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**Pay and Price**
The national 2019/20 settlement for the Schools Block Budget is based on the implementation of the ‘soft’ National Funding Formula, equating to an increase of approximately £6.5m. The average £ per pupil Sheffield receives from the DfE has increased by £99 due to the fairer funding method rather than being in recognition of increased costs such as pay award or inflation.

**Teachers’ Pay Grant**
The Government has already announced the teachers’ pay grant for the financial year 2019/20. This funding is included with the budget information shared with this letter. Details of allocations can be found at:


**Pupil Numbers**
The pupil numbers are based on the October 2018 pupil Census. Sheffield’s population continues to grow in secondary. 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 increase for primary has slowed down in comparison to previous years with an increase of only 151, while growth in secondary is starting to rise, as the peak in primary starts to move into secondary. Secondary numbers have now risen by 853, this includes the two new schools which opened 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**
The new national growth funding methodology uses a formulaic approach to calculating growth funding in 2019/20. Local authorities are still expected to apply local policy and on 4 February 2019, the Schools Forum agreed that for the financial year 2019/20, growth will be paid in the way described below. (Please note that the changes in national policy may have negative implications for growth funding in 2020/21.) This is the same method as was used last year in 2018/19, but please note that AWPU rates have increased to reflect the 2019/20 rates:

1. All planned growth will be funded at the relevant key stage AWPU:
   - Primary = £2,940 x pupil numbers x 7/12
   - KS3 = £3,673 x pupil numbers x 7/12
   - KS4 = £4,478 x pupil numbers x 7/12
   - Where appropriate the funding will continue for the remaining 5/12ths of the academic year.

2. All other in-year growth will be based on an incremental cost model as appropriate and calculations will be based upon:
   - 1 x teacher at main scale 5; and
   - 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 Education and Skills Funding Agency (ESFA) finally determines the actual total pupil numbers used to be funded on and the actual budget allocation to LAs. However, schools budget shares are determined on actual participation headcount, which takes place each term.

In September 2018, the Sheffield Schools Forum approved the following recommendations with effect from April 2018:

- The base hourly rate for 3 and 4 year olds remains the same at £4.10. This hourly rate was increased as agreed in September 2018 and was backdated to the summer term which had already been paid. This rate applies 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.
- Early Years Pupil Premium (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 Free Early Learning (FEL) only.
- To passport income received for Disability Living Allowance (£615 per year) to eligible providers.
- The hourly rate for 2 year old providers shall remain at £4.94 per pupil hour.

The 2019-20 funding rate for Early Years will be reviewed when the DSG budgets for 2018/19 are confirmed in July 2019.
Funding Formula Factors – Schools Block

Pupil numbers used to calculate the budget share include pupils that are in the integrated resource unit.

There have been no other significant changes in the formula factors in comparison to 2018/19, with the exception of the Lump Sum being reduced from £150k to £130k and the change in the Minimum Funding Level for both primary and secondary schools, which was introduced in 2018/19. For 2019/20 the rate for primary schools has increased to £3,500 per pupil and secondary schools £4,800 per pupil.

There has been no redistribution of funding between formula factors, apart from funding released from the reduction of the lump sum which is, in effect, allowing the AWPU to increase significantly. However, in line with the discussion and agreement at the Schools Forum, we have ‘pegged’ our total investment at a city level for Social Deprivation and Prior Attainment at the same level as 2018/19 in preparation for transition towards the National Funding Formula.

Minimum Funding Guarantee (MFG) and Cap on Gains
The funding regulations continue to allow local discretion setting the national Minimum Funding Guarantee for 2019/20 of between minus 1.5% and plus 0.5% depending on local affordability. For 2019/20 Sheffield ensures 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 2019/20 using 2018/19 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 2019/20 the gains cap has been set at 4%.

Dedicated Schools Grant and Cost Pressures
Overall 2019/20 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 +15%, Electricity +10%, Water +4%
- Rates bills – these are variable, but are funded in delegated budgets at 100% of the estimated cost for 2019-20 plus any applicable adjustment for the previous financial year. This could be positive or negative, due to the adjustment of the Rateable Value for 2018/19.
- Pay – pay awards are currently proposed at 2%, for non-teaching staff.
For teaching staff, new pay arrangements began in September 2018. The Government introduced the Teachers’ Pay Grant in 2018/19 and intend to continue this grant for the financial year 2019/20. The assumption behind the grant is that the school fund the first 1% of teacher pay with a grant to meet the remaining cost. The grant allocation is based on pupil numbers. The allocations in 2019/20 are:

<table>
<thead>
<tr>
<th></th>
<th>£ per Pupil</th>
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<tbody>
<tr>
<td>Primary</td>
<td>28.29</td>
</tr>
<tr>
<td>Secondary</td>
<td>45.56</td>
</tr>
<tr>
<td>Special</td>
<td>113.46</td>
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- General price inflation – this increased by 1.6% in January.
- Pension Employer Contribution – reduces from at 26.5% for support staff to 26%.
- Teacher pension costs will increase from 16.4% to 23.6%. The government has committed to funding this additional cost in full for 2019/20. At the current time the Government hasn’t confirmed the funding mechanism or whether it will continue beyond 2019/20.
- The Apprenticeship Levy of 0.5% of a school’s pay bill.

**Free School Meals**

The roll-out of Universal Credit has generated changes to free school meal eligibility, resulting in an increase in the number of pupils eligible for free school meals (FSM). Part of this increase will be because of the transitional protections that have been put in place, which mean that pupils who were eligible for free school meals on 1 April 2018, and those who become eligible during the Universal Credit rollout period, will retain eligibility until the end of this rollout period. For those still in education at this point, protections will continue until the end of their current phase of education; this covers until at least summer 2023. This means that you should not remove FSM eligibility for pupils over this period; unless the pupil’s parent requests that you do so.

Funding for free school meals is included in your school budget, however due to the lagged nature of school funding, the ESFA have introduced an additional grant for the financial years 2018/19 and 2019/20. We haven’t yet been notified of the 2018/19 funding, but the intended calculation method is shown below.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>What we will measure</th>
<th>What schools will receive</th>
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<tbody>
<tr>
<td>2018-19</td>
<td>School-level FSM increase between October 2018 and October 2017 census</td>
<td>Measured increase in number of pupils x £440</td>
</tr>
<tr>
<td>2019-20</td>
<td>School-level FSM increase between October 2019 and October 2018 census</td>
<td>Measured increase in number of pupils x £440</td>
</tr>
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**Schools Catering Contract**

All the projections point to a rise in FSM because of the protection period, and these will be reflected in the forthcoming School Catering Contract charges. Work is underway to minimise any charge to the Council by the contractor to help offset rises in food inflation (CPI) and the Foundation Living Wage.
A new School Catering Contract is being prepared, commencing on 1 August 2020, following consultation with school colleagues. It will seek to offer a high quality, flexible service so that Heads and Governors can discharge their statutory duty regarding meals, with the minimum exposure to financial risk and minimal hands-on school management time. Information about the next phase of the procurement process has been shared with colleagues at recent locality meetings including the proposed timetable and process. More information will be sent to schools in the coming weeks with updates posted on SchoolPoint 365.

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

It is calculated using pupils on the January 2019 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 2019. These are known as, “Ever 6 FSM” pupils. Pupils receiving protected free school meals will continue to generate Pupil Premium funding.

This means those pupils recorded on the January 2019 School Census who were recorded as known to be eligible for Free School Meals (FSM) on any termly Census since summer 2013.

As per the February 2019 Schools Forum Paper 10 - 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. The rates for pupil premium remain the same as in 2018/19. This information will be updated in September 2019 and revised funding figures will be issued after the release of this information.

The PPG rates for 2019/20 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 £302 for the year.

**Universal Infant Free School Meals (UIFSM)**
All primary schools with infant age pupils will receive their 2019/20 academic year funding based on an average of meal uptake on their October 2019 and January 2020 Census. The final allocations will be adjusted in June 2020. In order to generate sufficient funding to pay for these meals, it is essential that schools take steps to maximise the number of pupils taking these meals on the two Census dates.

**Services to Schools**
Please note that the sign-up for the integrated Services to Schools Offer, which includes Finance Support, is currently open. You can view the range of high quality and value for money services available to your school via SchoolPoint. If you have any queries please contact Diane Favell or Ian Ashforth on 0114 2736395 or servicestoschools@sheffield.gov.uk
Sixth Form Funding
We are awaiting notification from the ESFA for the budget information for sixth forms for the 2019/20 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 schools' 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 2019/20, 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 2019/20. We will continue to use the historical funding arrangements for special school and integrated resource places in 2019/20. A Minimum Funding Guarantee (MFG) of +1% has been applied to the historical per place funding for both special schools and integrated resources.

The number of places in special schools has risen throughout 2017/18 and 2018/19. For the financial year 2019/20 we will be funding an average of 1,227 places at a total cost of £23.1m. In addition to the 1,227, provision is being made for 20 additional places for the period April to August with a further 10 additional places from September 2019. The cost of these additional places in the financial year 2019/20 is estimated at £480k and these additional places may be commissioned at a special school or an integrated resource. Provision has also been made for 10 additional places at Mossbrook which are anticipated to be filled after Easter 2019, with a further growth of 10 places anticipated in September.

There has been an increase in demand for special education provision, and a combination of key factors including population growth and 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 have received 1% increase for each place they have been funded for.

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 were no longer deducted, and only element 2 and 3 are funded from the High Needs Block.

The total cost of integrated resource places in 2019/20 is £2.7m. £913k of this funding has been allocated through the Schools Block with the remaining £1.8m coming from the High Needs Block. It should be noted that the ESFA made an adjustment to our Schools Block and High Needs Block in recognition of this change in the allocation method in 2018/19.

**Schools having Difficulty Setting a Balanced Spending Plan**

Despite the acknowledged financial challenges schools will face in 2019/20, School Financial Regulations preclude schools from setting a deficit budget and require all schools to set a balanced in-year budget. In exceptional circumstances, maintained 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 surplus of maintained schools’ balances. 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.

Again 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. 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 please contact the Finance Business Partner Schools Helpline on 2736270.

**Budget Plan**

Schools are requested to submit their governor approved spending plans to the Finance Business Partner at the earliest opportunity, but no later than 1 May 2019.

As ever, a great deal of complex work and discussion between representative head teachers, localities, 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, which is not keeping up with rising costs.

The second year of transition towards the National Funding Formula has provided additional DSG which is very welcome. However, we continue to be underfunded as a local authority, by the government’s own figures, and will continue to raise this issue with the ESFA and request an increase the pace of implementation of the new funding levels.

We will continue to work together to ensure that 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 2020/21 and beyond will continue during the year through the Schools Forum and the working groups it has commissioned.

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

John Doyle
Director of Business Strategy
People Services