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26 February 2020

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

Dear Colleague

# **School Budget Shares and Spending Plans 2020/21**

**For Action**

This letter sets out the schools budget settlement for the financial year 2020/21, including early estimates of funding being made available by the Government through its Pupil Premium Grant, Teachers’ Pay Grant and Teachers’ Pension 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 2020/21.

The financial year 2020/21 is the third 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 is no clear indication from central government of when the NFF will be fully implemented – ‘hard’ NFF. Like many other local authorities, our Schools Forum has approved a local formula which moves towards the national formula.

The following principles have been used to prepare these budgets. These were approved at the December 2019 Schools Forum:

* + - Achieving the minimum per pupil funding levels and increasing primary AWPU by 4% and secondary by 6%.
		- Implementing the 1:1.29 primary : secondary sector ratios.
		- Reducing the Lump Sum from £130k to £120k.
		- Reviewing additional needs including English as an Additional Language, Social Deprivation and Prior Attainment to more closely align with the NFF.
		- Adopting the Ever6 factor for deprivation which ensures support for just managing families and transitions into secondary.

The decision to change the primary to secondary ratio to 1:1.29 and the Lump Sum to £120k has resulted in an overall cash percentage split of 35% for primary and 65% for secondary schools. This ensures stability in the system whilst preparing us for full implementation of NFF in future years.

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 School Block allocated to Sheffield. While the overall funding has increased, funding for growth has reduced. As a result of the Comprehensive Spending Review, and the decision nationally to move closer to the National Funding Formula, the allocation to Sheffield has increased. The funding available for schools through the ISB (Individual Schools Budget) has increased by £22.5m

|  |  |  |
| --- | --- | --- |
|  | 19/20 School Budgets £m | 20/21 School Budgets £m |
| School Block - Income | 332.47 | 354.68 |
| Growth | -2.73 | -2.28 |
| Transfer from Growth to School Block | 0.3 |   |
| Other adjustments \*\* | -0.15 |   |
| Transfer to High Needs Block | -1.5 | -1.5 |
|  | **328.39** | **350.90** |
|  |  |  |
| Increase in funding through the ISB |  | **22.51** |
|  |  |  |
| Increase |  | **6.85%** |

**Funding Formula 2020/21**

The Department for Education (DfE) has issued revised guidance for the 2020/21 Revenue Funding Arrangements and we have used this framework for resource allocation.

Pupil-led Factors must be at least 80% of the delegated Schools Block with funding allocated through an appropriate and locally determined combination of the pupil-led factors. These factors include Age Weighted Pupil Unit (AWPU), Minimum Funding Level, Deprivation, Prior Attainment, English as an Additional Language and Pupil Mobility. In 2020/21 Sheffield has delegated at least 90.5% through pupil-led factors.

**Minimum Funding Level** **(Compulsory Factor)** - from 2020/21 the DfE has changed the methodology for this factor in a move towards introducing a ‘hard’ NFF.

Previously the Local Authority could have the flexibility to either include or exclude premises factors (PFI, Rates, Split Site), dependant on affordability, when calculating the Minimum Funding Level.

The DfE has now made it mandatory to exclude the premises factors, meaning all premises factors must be removed prior to calculating the Minimum Funding Level a school should receive; Sheffield had previously included them.

The Minimum Funding Level applies to both primary and secondary schools and levels have increased for 2020/21. This ensures that all primary schools receive a minimum of £3,750 per pupil and that secondary schools, with all year groups present, receive a minimum of £5,000 per pupil, for all pupils.

Due to the change in methodology, there are now a number of primary and secondary schools that have qualified for this funding. 13 primary and eight secondary schools now gain from this factor.

**Minimum Funding Guarantee**

The DfE has increased the threshold meaning that local authorities can set a local MFG of between +0.5% and up to +1.84%, again this funding will be based on the previous years comparable per pupil amount. The MFG for 2020/21 in Sheffield is +1.84%.

**Additional Grants**

Teachers’ Pay Grant

Teachers’ Pay Grant came into effect from September 2018. The DfE provides an additional grant on an academic year basis to cover the teachers’ pay award, less the first 1% which schools are expected to stand to. This is allocated and paid on an academic year basis. The total grant for 2019-20 financial year was £4.1m to include nursery schools, mainstream and special schools:

| April 2019 to August 2019 | September 2019 to March 2020 |
| --- | --- |
| Primary/nursery - £12.87 per pupil | Primary/nursery - £27.43 per pupil |
| Secondary - £18.95 per pupil | Secondary - £40.37 per pupil |
| Special - £47.92 per pupil | Special - £102.08 per pupil |

The allocation for the 2020/21 academic year has not yet been published. The remaining 2019-20 academic year allocation (April 2020 to August 2020) will be based on an updated rate to be published in the spring term; along with information regarding which headcounts will be used to calculate the grant.

**Teachers’ Pension Employer Contribution Grant**

The DfE has provided this grant to cover the cost to schools of the increase in employer contributions to the Teachers’ Pension Scheme (TPS) from 2020 to 2021 through to 2022 to 2023 academic years. The funded rates are based on the employer contribution rate of the Teachers’ Pension Scheme (TPS) increasing from 16.48% to 23.68% from September 2019.

There is also a supplementary fund for which schools can claim additional costs over and above the grant they have received. The claim window for 2020/21 financial year has now closed for mainstream schools (17 January), so all schools should have completed the online claim form. The window for specialist providers and centrally employed teachers opens in April, for which the LA claims on their behalf.

Schools/specialist providers would be eligible to apply to the fund if their grant allocation falls short of their actual pension cost increase between September 2019 and March 2020 by more than 0.05% of their overall budget for this period, and they will be reimbursed for costs above that threshold.

Initial allocations covering September 2019 to March 2020 were released and the amounts per pupil for this period are shown below:

| **Academic Year 2019/20** | **Rate per pupil £** |
| --- | --- |
| Primary  | 77.50 |
| Secondary  | 114.08 |
| Special  | 282.89 |

This rate will continue for the April 2020 to August 2020 period. The DfE has not yet published rates for the 2020/21 academic year.

**National Pupil Premium Grant**

The Pupil Premium is calculated by the Education and Skills Funding Agency (ESFA) and is notified to local authorities for maintained schools and paid directly to academies.

It is calculated using pupils on the January 2020 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 2020. 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 Censuswho were recorded as known to be eligible for Free School Meals (FSM) on any termly Census since summer 2013.

Provisional budget figures for the national Pupil Premium Grant (PPG) have been calculated. **This information will be updated in June 2020 and revised funding figures will be issued after the release of this information.**

**The PPG rates for 2020/21 are**:

* £1,345 per Primary FSM ‘Ever 6’ pupils
* £955 for Secondary FSM ‘Ever 6’ pupils
* £2,345 for looked after children
* £310 for service children
* £302 for Early Years

**Free School Meals Supplementary Grant**

The roll-out of Universal Credit has generated changes to Free School Meal (FSM) eligibility, resulting in an increase in the number of pupils eligible for 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 FSM is included in your school budget, however due to the lagged nature of school funding, the ESFA has introduced an additional grant for the financial years 2018/19 and 2019/20. At the current time we don’t know if this grant will continue.

**Pupil Numbers**

Pupil numbers are based on the October 2019 Census. Sheffield’s population is stabilising, however the peak of pupil number increases is now moving from primary into secondary and 2020/21 is the first year to see a drop in primary pupil numbers. Our pupil numbers overall at mainstream schools have increased from 72,331 to 73,007 – an increase of 676 (0.9%) pupils. However, primary numbers have fallen by 59 (-0.1%) and secondary increased by 736 (+2.6%).

**Significant Growth in Mainstream Pupil Numbers**

The new national growth funding methodology uses a formulaic approach to calculating growth funding in 2020/21. Local authorities are still expected to apply local policy. Our policy remains the same as last year in 2019/20, but please note that Age Weighted Pupil Unit (AWPU) rates have increased to reflect the 2020/21 rates:

1. All planned growth will be funded at the relevant key stage AWPU:
	* Primary = £3,057 x pupil numbers x 7/12
	* KS3 = £3,894 x pupil numbers x 7/12
	* KS4 = £4,747 x pupil numbers x 7/12
	* Where appropriate i.e. academies, 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 calculated using a combination of the two January Census’ over two years (January 2019 x 5/12 plus January 2020 x 7/12) and it is not until July in the following financial year when the ESFA finally determines the actual total pupil numbers used to calculate funding and the actual budget allocation to LAs. However, school budget shares are determined on actual participation headcount, which takes place each term.

As a result of national changes, Sheffield’s hourly rate received from ESFA will increase by 8p per hour for both 3 and 4-year olds and 2-year olds.

The Sheffield Schools Forum approved the recommendation that the full increase should be passed on directly to providers - with effect from April 2020:

* The base hourly rate for 3 and 4-year olds increases from £4.14 to £4.20. This rate applies to both the first 15 hours of provision and the additional 15 hours for working parents.
* To continue using the mandatory deprivation factor for 3 and 4-year olds and to increase the funding from 40p to 44p.
* Early Years Pupil Premium (EYPP) will be funded at 53p per pupil hour to all eligible 3 and 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 olds will increase from £4.94 per hour to £5.02.

**Dedicated Schools Grant (DSG) and Cost Pressures**

## Overall, 2020/21 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 -13%, Electricity +8%, Water +4%
* Rates bills – these are variable, but are funded in delegated budgets at 100% of the estimated cost for 2020-21 plus any applicable adjustment for the previous financial year. This could be positive or negative, due to the adjustment of the Rateable Value for 2019/20.
* Pay – pay awards are currently proposed at 2%, for non-teaching staff.
* Teachers’ pay and pension costs not wholly covered by the grants.

**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 other inflationary costs.

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. The procurement process has started and some school-based colleagues are part of the evaluation panels. The outcome of the tender process will be known by mid-May, so at this stage it is not possible to tell how this will affect schools’ subscription charges.

**Universal Infant Free School Meals (UIFSM)**

All primary schools with infant age pupils will receive their 2020/21 academic year funding based on an average meal uptake on their October 2020 and January 2021 Census. The final allocations will be adjusted in June 2021. 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 School Point. 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 2020/21 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. For the financial year 2020/21 the localities budget has been increased from £2.1m to £3.37m

It was agreed at the Schools Forum that support for high needs will continue to be provided by localities for the 2020/21 financial year.

**Special Schools**

For 2020/21 we will continue to use the historical funding arrangements for special school and integrated resource places. There has been an increase in funding of £350 per place for both special schools and integrated resources.

The number of places in special schools has followed the trend in the previous years and continued to rise in-year. A provision of £3.7m has been identified to fund additional specialist provision. Some provision is funded from April, while the majority of the funding is for provision from September 2020.

**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 a £350 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 elements 2 and 3 are funded from the High Needs Block.

The total cost of integrated resource places in 2020/21 is £2.9m. £988k of this funding has been allocated through the Schools Block with the remaining funding coming from the High Needs Block.

## Schools having Difficulty Setting a Balanced Spending Plan

Despite the acknowledged financial challenges schools will face in 2020/21, 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 1May 2020**.

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 this year’s allocation, funding is not keeping up with rising costs.

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 2021/22 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 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