



SCHOOLS FORUM

Finance Update

26 November 2018

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	x	Pre School	x
Academies	x	Foundation Stage	x
PVI Settings	x	Primary	x
Special Schools / Academies	x	Secondary	x
Local Authority	x	Post 16	x
		High Needs	x

Purpose of Report

Content Requires;		By;	
Noting	x	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	x

1. This report sets out for Schools Forum's information a number of financial issues including the basis for the 2019/20 School Funding Formula.

Recommendations

2. That Schools Forum notes the content of this report and disseminate the information within it to represented groups.

2019/20 Dedicated Schools Grant

3. The basis for the 2019/20 Dedicated Schools Grant (DSG) is unchanged by the Department for Education with the exception of a new methodology for funding local authorities for school growth.

Schools Block		
National Funding Formula (NFF) Schools Allocations	Settlement is aggregated from nationally set funding rates attached to pupil characteristics recorded on the October 2018 school census	<p>Unchanged from 2018/19. Fully passported to schools in line with DfE allocation methodology with the exception of sparsity. Sparsity funding used to adjust the ceiling. Some changes to the national funding rates are set out in following paragraphs</p> <p>Will provide for at least a 1% per pupil increase for each school in 2019 /2020 through the NFF compared to their 2017 to 2018 baseline</p> <p>The ceiling on gains will be 3% higher than 2018/19 and 6.09% greater than the 2017/18 baseline</p>
School Premises	Set at the 2018/19 expenditure levels being the aggregated value of rates and rent payments to schools	Unchanged from 2018/19. Schools will be fully funded for rates and allowable rent payments. Any balancing adjustment required as a result of increased or decreased costs will be made against the growth allocation
Growth	<p>Provides local authorities with revenue funding to support the basic need for school places.</p> <p>Allocation methodology changed for 2019/20 with funding based on pupil growth at middle super output areas</p>	<p>The use is unchanged from 2018/19. Retained by local authority with the approval of the Schools Forum to;</p> <ul style="list-style-type: none"> • fund future growth in new schools • meet the cost of funding protection for schools impacted by age range change in other schools in line with the approved funding mechanism

High Needs	<p>Provides local authorities with funding to support pupils with high needs.</p> <p>Protection funding of c£4m is received and 43% of the allocation is based on historic costs</p>	<p>The funding floor factor in the high needs national funding formula for 2019 to 2020 provides for every local authority to receive an underlying increase of at least 1.0% per head of 218 population, compared to the amount of its DSG that it had planned to spend on high needs in the 2017 to 2018 baseline.</p> <p>All allocated to high needs expenditure and insufficient to meet need. A report setting out the position on high needs expenditure and proposed recovery plan is the subject of a separate agenda item</p>
Early Years	<p>Provides local authorities with funding to meet its duties in relation to the provision of childcare to disadvantaged two year olds and 3 & 4 year olds</p>	<p>Allocated to childcare providers by local formula, 5% retained by the local authority in line with national guidance to support the early years' service</p>
Central Schools Services Block	<p>To meet the local authorities statutory responsibilities that remain for all schools, meet historic costs such as past early retirement & pensions commitments triggered by redundancy and costs met centrally on behalf of all schools such as the national contract for copyright</p>	<p>Held and managed centrally by the local authority</p>

4. The DfE have made some changes to the 2019/20 NFF funding rates;
- Primary Prior Attainment – nationally the rate per eligible pupil has reduced from £1,055 in 2018/19 to £1,022 in 2019/20. The DfE cite an increased cohort of eligible pupils as the reason for the decrease. Overall the impact is thought to be minimal as increased eligibility is likely to offset the rate reduction.
 - Minimum per Pupil Funding – rates are confirmed as;

- Primary £3,500, incorporating the planned £200 per pupil increase compared to 2018-19
- Key Stage 3 only schools £4,600, set for the first time but unchanged from the 2018/19 secondary rate
- Key Stage 4 only schools £5,100, new rate for 2019/20
- All though secondary schools £4,800, incorporating the planned £200 per pupil increase compared to 2018-19

This per pupil increase is not capped by the ceiling on gains.

5. It should be recognised that all guarantees relate to per pupil funding, as such schools may not see an overall increase in budget of this level. Schools with falling rolls will see a reduction in their overall budget and should plan accordingly.
6. Whilst the DfE have issued provisional DSG allocations for the Schools, High Needs and Central Schools Services Blocks these will be updated for the October 2018 census and revised allocations released in December. Local authorities are required to submit their funding formula to the Education and Skills Funding Agency (ESFA) by 21 January 2019 and issue budget to maintained schools by 28 February.
7. Other than the national rate changes referred to in previous paragraphs there are no changes to the Leicestershire school funding formula which will continue to mirror the NFF. There is no top slice to school budgets in order to move the 0.5% from the schools to high needs blocks, Leicestershire is one of just a few local authorities not to do so in 2018/19. Should high needs cost continue to increase a topslice cannot be ruled out in future years.

Growth Funding

8. Growth funding is allocated to local authorities in order to meet the cost of commissioning additional school places required to fulfil its sufficiency duty. The DfE specify that the growth fund can only be used only to:
 - support growth in pre-16 pupil numbers to meet basic need
 - support additional classes needed to meet the infant class size regulation (this funding was delegated to Leicestershire schools following consultation and as such is not payable under the Leicestershire growth policy)
 - meet the costs of new schools
9. Local authorities are required to adjust pupil numbers where there is significant reorganisation and / or age range changes. The school funding system makes no funding available for demographic growth or growth arising from popularity changes within schools.
10. The baseline for the 2018/19 growth allocation included the cost of age range protection; as such this will remain funded from this area. The revenue cost of commissioning a new school ranges from £0.5m to £0.76m for a primary and £2.25m to £2.5m for a secondary depending upon size and opening arrangements. 23 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term.

11. A budget for school growth will remain in place for 2019/20, the value of which cannot be determined until the growth allocation is confirmed. An underspend in the 2018/19 school growth budget will transfer to the DSG reserve at the end of the financial year.
12. A revision to the Leicestershire policy for funding growth will be completed in the spring term and will be presented to Schools Forum for approval following consultation with schools.

Teacher Pay and Pension

13. Following the teacher pay award the following rates have been set by the DfE for the teachers' pay grant based upon the October 2017 school census;

Per Pupil Rate	2018/19	2019/20
Primary	£16.40	£28.29
Secondary	£26.54	£45.56
Special per place*	£65.65	£113.46

* The grant for special schools was allocated to the local authority in a lump sum based upon the number of specialist places commissioned as set out in the place commissioning submission to the DfE, we are proposing to pass this on to special schools using the same allocation basis.

14. The ESFA have indicated that the teacher's pay grant will continue into 2020/21 but is likely to be absorbed into the NFF. There is no expectation of a further grant for any 2019/20 pay award.
15. A significant increase in the employer's contribution to the Teachers' Pension Scheme is expected in September 2019, the DfE have committed to providing funding to schools to meet the additional costs. It is unclear what this will be but the expectation is for a grant mechanism in line with that for the pay grant with the same future expectations.
16. A number of local authority staff are employed on teachers' pay and conditions, largely within the Specialist Teaching Services and Early Years. Whilst schools will receive grants to meet the additional costs no such grant is made available to the local authority, the cost increases the pressure on the high needs block and is required to be met from within the maximum retention of 5% of the early years block.

Support Staff Pay Structure

17. Leicestershire County Council has its own locally agreed pay scales but follows the recommendations arising from national pay bargaining. Over the period of time, largely because of pay awards aiming to lift lower pay grades and the impact of the National Living Wage, the differentials between grades at the lower end of the pay spine have reduced and grades have become squashed. In considering the implementation of the 2019/20 pay award it has been necessary to address these issues.

18. A new salary structure is subject to consultation. The structure is based upon a number of key principles;
- Must meet the Design Principles described below in an affordable way;
 - Follow the national guidance as far as possible and where local decisions have had to be made, have a clear rationale in place.
 - Avoid moving away from national pay bargaining.
 - Minimise any disruption to the Hay Job Evaluation scheme, but review as necessary.
 - Take into account recruitment & retention challenges where possible.
 - Undertake an EHRIA and equal pay audit to assess how changes could impact all affected employees.
 - Maintain reasonable and appropriate differentials between pay points and grades, to include the effect of compression in Grades 2 and 3 and take a logical approach to grade structures and incremental progression.
 - Be of no detriment to any grade
 - Ensure more than one pay point in the lowest grades
19. The implications will differ between schools and the academies that adopt the Leicestershire pay structure but are estimated, including on-cost increases, to be between 4% and 7% of support staff pay.

Other Grants

20. The Chancellor announced £400m of additional funding in the October budget which was labelled for 'Little Extras'. No further information has been made available on the amount which has been quoted to be £10,000 per primary school and £50,000 per secondary school. The announcement suggests that this will be a one off grant for 2018/19 and is a capital grant.
21. Local authorities will receive post 16 bursary funding to support students at maintained special schools using the data submitted in the annual place submission, the funding is aggregated and paid as a lump sum to each local authority. This funding will be paid to maintained special school as an amount per pupil of £94.14.
22. The local authority received a capital grant of £0.2m for maintained schools from the Healthy Pupils Fund, this has been allocated in equal amounts of £2,223 for primary, secondary and special schools and £1,000 for nurseries. Academies can access this funding through their Multi Academy Trust if the trust has opted to receive a school condition capital allocation. Voluntary Aided schools access funding through the Locally Coordinated Voluntary Aided Programme (LCVAP) through the Diocese.

Resource Implications

23. There are no specific financial implications within this report for the local authority. It does contain a number of items that schools need to consider within their 2019/20 budget planning. Finance briefings have been available for business managers.

Background Papers

Report to Schools Forum 28 February 2018 – 2018/19 Schools Budget

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=5391&Ver=4>

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