

Manchester City Council

Report for Resolution

Report to: [Schools Forum](#)

Subject: Schools Funding Settlement

Report of: Directorate Finance Lead – Children’s and Education

Summary

Included in this report is a summary of the recently announced three year school funding settlement and an outline of the potential impact on Manchester. The three year settlement includes funding for pupil growth, inflation, high needs funding and cash increases for schools which currently receive core funding below the national minimum funding levels.

Recommendations

School Forum members are asked to:

- Note school funding settlement headlines.
- Note that Manchester has yet not received the confirmed settlement and at this stage the estimates of grant increases are based on interpretation of recent announcements.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

1.1 In early September 2019, a number of school funding settlements were announced. The three year settlement includes funding for pupil growth, inflation, high needs funding and increases where core funding is below the national minimum funding levels. This report provides an outline of the recent announcements and potential impact for Manchester.

2. SCHOOL FUNDING SETTLEMENT (ENGLAND)

2.1 The three year school funding settlement totals £14.5bn nationally, table one below sets out the core funding settlement and Teachers' Pension grant settlement.

Table one: School Funding Increase

	2020/21	2021/22	2022/23	Total
	£bn Cumulative			
Schools and High Needs Block	2.6	4.8	7.1	14.5
Teachers' Pension Grant	1.5	1.5	1.5	4.5

National key headlines

Schools Block

- The schools' national funding formula for 2020/21 will continue to have the same factors.
- Primary minimum funding levels will be: £3,750 per pupil in 2020/21 and £4,000 per pupil in 2021/22.
- Secondary minimum funding levels will be £5,000 per pupil from 2020/21.
- 1.84% funding floor (protection) on a per pupil basis to Local Authority area schools block national funding formula allocation.
- 4% increase to all factors of National Funding Formula, except Free Schools Meal (cost of meal 1.8% to be applied), and premises.
- No cap on gains.
- Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2020/21 must be between +0.5% and +1.84%.
- Confirmation that a hard national funding formula for schools will be introduced, but not in 2020/21.
- The Department for Education will publish provisional allocations in October, including local authorities' final primary and secondary units of funding for the schools block.

High Needs Block

- £0.7bn of the £14.5bn will be allocated to high needs.

Early Years Block

- Early years to be allocated an additional £66m to increase hourly rates for two, three and four year olds.

Other Grants

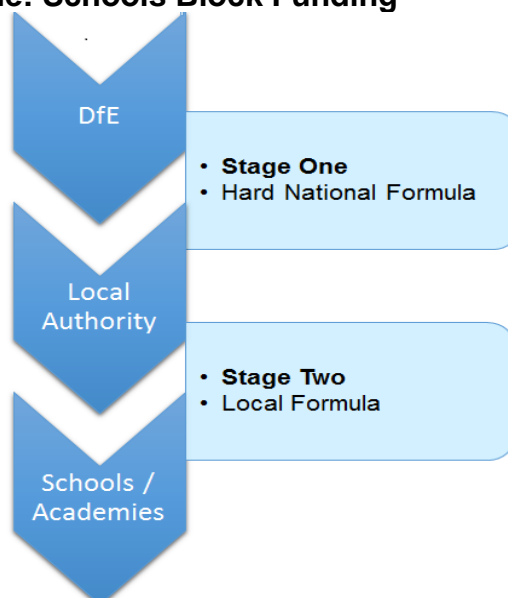
- Teachers' Pension Grant will continue 2020-2023. This is estimated to cost £1.5bn across England.
- Teachers' Pay Grant will continue.
- Both Pension and Pay grant for teachers to be transferred to Dedicated Schools Grant funding, likely to be in 2021/22.
- Pupil Premium and PE and Sports grant are part of current school baseline budget. The recent announcements focus on increase to current baseline and therefore at this stage it is assumed that these grants will continue - pending confirmation from the Department for Education to be provided at a later date.

3. POTENTIAL IMPACT FOR MANCHESTER

Primary and Secondary Schools Core Funding

- 3.1 DSG funding is provided in two stages. First stage is the government's grant to a local authority area, and then the local authority determines the grant distribution to the local educational establishments. There is a national funding formula (NFF) at local authority level, which was introduced in 2018/19.

Illustration one: Schools Block Funding



- 3.2 Stage one - funding allocated to local authority areas from Department for Education. Funding is based on pupil characteristics, premises characteristics and pupil numbers. Alongside funding as per national formula, funding floor

protection is provided if a minimum increase on a per pupil basis is not allocated through the funding formula.

- 3.3 In 2020/21 Manchester will see an increase in total cash terms due to changes in individual school's pupil characteristics (Ever 6 Free School Meals, IDACI, Prior Attainment) or as a result of funding floor protection to bring up the of the 1.84% per pupil funding floor protection. The national funding formula rates are provided in Appendix one of this report.
- 3.4 If there were no change to Manchester's pupil numbers or pupil characteristics, it is estimated that Manchester's additional allocation under the National Funding Formula at local authority area level could be around £6m compared to 2019/20 due to the 1.84% funding floor protection.
- 3.5 Stage two - The school formula allocation is the distribution of the grant received from the Department for Education across educational establishments in the local authority area. Manchester local formula factors are different to the national funding formula rates, please see Appendix one. At this stage, the per pupil increase to Manchester schools under the local formula is not known. Updates on this will be provided when settlement information is received from the Department for Education.

High Needs

- 3.6 Local Authorities will receive an increase of at least 8% per head for 2 to 18 year old population through the funding floor. This minimum increase in 2020/21 allocations will be based on local authorities' high needs allocations in 2019/20, including the additional £125 million announced in December 2018. Above this minimum increase, the formula will allow local authorities to see increases of up to 17%, again calculated on the basis of per head of population. Based on this, it is estimated that Manchester's additional allocation will be in the range of £6m-£7m.
- 3.7 The high needs block forecast overspend is estimated to be £3.3m and £2.9m in 2019/20 and 2020/21 respectively based on current trends and before taking account of the additional funding in the settlement. Demographic growth for special school places, EHCP and post 16 SEND growth is estimated to total £2m in both 2020/21 and 2021/22 respectively. Special schools heads have requested consideration is given to recognise inflationary pressures as their top-up values have not been uplifted for a number of years. Primary and secondary mainstream schools saw 0.5% uplift in 2018/19 and 1% in 2019/20. The special schools formula is currently being reviewed and the inflation pressures will be considered as part of the review.
- 3.8 Local authorities will continue to be able to transfer up to 0.5% from their schools block funding, with agreement from their Schools Forum and schools to the high needs block. Local authorities are expected to demonstrate to Schools Forum that they have consulted locally with all maintained schools and academies when seeking approval to transfer funds from the schools block. The Council would want to avoid any reduction from school budgets and based on the

estimated position as this stage does not propose to consult on a request a transfer 0.5% from the schools block funding to the high needs block next year in 2020/21.

- 3.9 However if actual additional allocations are lower than estimated to be and the projected deficit increases during the autumn term, the Council may need to consider a proposal transfer from the schools to high needs blocks. A further report will be brought to Schools Forum in November as it is expected that more information regarding the settlement will be provided by the Department for Education by this date.

Early Years Block

- 3.10 The basis of allocation has not been confirmed but it is estimated that Manchester's increase will total £0.6m and will be primarily used to increase the hourly rates paid to schools and private, voluntary and independent providers. Funding of the nursery school supplementary grant beyond March 2020 is not yet confirmed, however updates on the grant are expected to be announced shortly. In 2019/20, Manchester's grant totals £338k.

Teachers' Pension Grant and Pay Grants

- 3.11 Both the Teachers' Pension Grant and Pay Grants will continue to be paid separately from the National Funding Formula in 2020/21. The DfE will publish the rates that determine the 2020/21 allocations in due course.

4. CONCLUSIONS AND RECOMMENDATIONS

- 4.1 The estimated allocations provided in the report are based on an interpretation of the detail provided in the schools' settlement announcements. Further information will be provided by the Government in October 2019. DSG allocations for next year will be provided in December 2019.
- 4.2 Where actual DSG additional allocations are lower than forecast and the projected deficit 2019/20 increases in this term, the Council may need to seek a 0.5% transfer from the schools to high needs block.
- 4.3 Further updates on the budget settlement will be reported to Schools Forum over the next few months.

All School Forum members are asked to:

- Note school funding settlement headlines.
- Note that Manchester has yet not received the confirmed settlement and at this stage the estimates of grant increases are based on interpretation of recent announcements.

Appendix One - Schools Block National and Local Formula Funding

		Manchester's Local Funding Formula	National Funding Formula	National Funding Formula	Increase
		2019/20	2019/20	2020/21	
Per Pupil Factors		£	£	£	
Basic Entitlement	Pri	3,151	2,747	2,857	4%
	KS3	4,171	3,863	4,017	4%
	KS4	4,793	4,386	4,561	4%
FSM	Pri		440	448	1.8%
	Sec		440	448	1.8%
FSM Ever 6	Pri	498	540	550	4%
	Sec	478	785	799	4%
IDACI Primary	Band A	576	575	598	4%
	Band B	493	420	437	4%
	Band C	439	390	406	4%
	Band D	387	360	374	4%
	Band E	357	240	250	4%
	Band F	299	200	208	4%
IDACI Secondary	Band A	504	810	842	4%
	Band B	443	600	624	4%
	Band C	379	560	582	4%
	Band D	237	515	536	4%
	Band E	201	390	406	4%
	Band F	143	290	302	4%
EAL	Pri	384	515	536	4%
	Sec	2,085	1,385	1,440	4%
Mobility	Pri	529	1*	*	
	Sec	1,508	*	*	
Prior Attainment	Pri	661	1,022	1,063	4%
	Sec	2,829	1,550	1,612	4%
Minimum Funding Level	Pri		3,500	3,750	7%
	Sec		4,800	5,000	4%
School Led Factors		£	£	£	
Split Site			*	*	
Rates			*	*	
Exceptional			*	*	
PFI			2**	**	
Lump Sum	Pri. & Sec.	155,000	110,000	110,000	
Funding Floor (per pupil)	Pri. & Sec.		1%	1.84%	0.84%

1* Historic allocations based on 2018-19 allocations to school (from APT for maintained, and GAG for academies).

2**Historic allocations based on 2018-19 allocations to schools, multiplied by RPIX factor for FY 2017-18.

