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Your ref:

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Dear Colleague

### **Revenue Budget 2018/2019**

School revenue budgets for 2018/19 have been issued today via anycomms.

There are a number of key changes to the main school funding formula for 2018/19. These changes relate to:

- The implementation of the National Funding Formula (NFF), and the associated transitional arrangements, to distribute school funding in North Yorkshire for 2018/19.
- The application of the 0.5% top-slice transfer of funding from the Schools Block to the High Needs Block.
- The introduction of the Central School Services Block funding for 2018/19 by the DfE.

### 2018/19 School Budgets

In autumn 2017 the DfE announced national changes to the school funding formula where in the longer term all school budgets will be set using a new national funding formula. However, for the 2018/19 and 2019/20 financial years a 'soft' approach will be undertaken where the funding which local authorities receive will be based on the new formula with transitional arrangements. For these two years, local authorities have the discretion to continue to determine the formula arrangements for the distribution of funding to schools. A local consultation was undertaken with schools and academies in North Yorkshire in the second half of the autumn 2017 term in order to obtain school views on the preferred methodology for the distribution of school funding for 2018/19 and 2019/20. North Yorkshire County Council, in conjunction with school representatives on the North Yorkshire Education Partnership, decided to use the NFF with the associated transitional arrangements as the basis for distributing funding to schools in 2018/19.

At this stage, the DfE has not yet stated when the national funding formula will be fully implemented and the transitional arrangements will cease. The transitional funding arrangements guarantee a minimum level of funding for schools but they also cap the level of funding gain

which a school can experience. North Yorkshire gains funding through the NFF and in 2018/19 an additional £8.1 million has been received compared to the 2017/18 funding baseline. This additional funding relates to both the NFF transitional arrangements and an increase in the number of pupils in the County between October 2016 and October 2017 of approximately 200 pupils.

Overall, it is estimated that North Yorkshire will receive approx. £14 million more in school funding when the NFF is fully implemented (compared with the 2017/18 funding baseline).

In relation to the preparation of the 2018/19 school budgets this means that the NFF formula factors will be used along with the same transitional funding arrangements as those used by the DfE in the published notional budgets, within the constraints of the final agreed Dedicated Schools Grant – Schools Block funding envelope.

As part of the transitional funding, the formula will continue to use a Minimum Funding Guarantee (MFG) and members of the North Yorkshire Education Partnership endorsed using an MFG of 0% where possible. This is consistent with the principle of no schools losing under the NFF. Funding gains under the NFF transitional arrangements are capped to 3%. However in applying an MFG of 0% it has been possible to provide additional funding on a scaled basis (30.1%) for any gains over 3% e.g. a school with a gain of 5% would receive a gain of  $3\% + (30.1\% \times 2\%) = 3.60\%$  gain. In addition to the capping and MFG arrangements a minimum per pupil funding level is also applied for 2018/19 which is £3,300 per pupil for primary pupils and £4,600 per pupil for secondary pupils. The minimum per pupil funding level increases by £200 per pupil for each school phase in 2019/20.

The National Funding Formula also introduces new arrangements for funding children with High Needs. In this regard, the impact on the county is less favourable than the impact on the Schools Block funding allocation. North Yorkshire has received a very small increase in the High Needs Block funding – of around 0.7% in 2018-19, or £334k on a budget of approximately £48 million.

In North Yorkshire, as elsewhere in the country, the pressures on High Needs budgets continue to grow. The rate of change in the number of Education, Health and Care (EHC) plans funded by North Yorkshire has increased steadily since the implementation of the new SEND reforms from September 2014. There are currently (September 2017) 2,424 Statements or EHC plans funded by North Yorkshire County Council. In the year to January 2017, North Yorkshire had a 15.7% increase in the number of plans and if the current trend continues, North Yorkshire will have approximately 2,550 statements/plans in 2018. The impact of significant increases in funded EHC Plans and demands for special school placements places a recurring pressure on the local authority High Needs Block of £4 million. This needs a system-wide review of the whole High Needs Block to ensure that spending delivers financially sustainable and high-quality provision.

The DfE has acknowledged the pressures faced across the country and has allowed LAs, with the permission on their School Forums, to use up to 0.5% of the increased Schools Block to support High Needs in 2018-19. This may be replicated in 2019-20, but any continuation of such support for that year would need to be agreed separately. After that the funding will be passed back to the Schools Block for distribution to schools through the NFF. This is a temporary measure to enable Local Authorities to work with schools and others to try and manage the High Needs financial issues. The North Yorkshire Education Partnership agreed a proposal to use 0.5% (or £1.6m) of the Schools Block funding for this purpose in 2018-19.

The NFF transitional arrangements and the 0.5% High Needs top slice are reflected in the funding formula factor rates used in the calculation of the school budgets in North Yorkshire for 2018/19. The 2018/19 funding rates are detailed in the table below along with the NFF published rates for comparative purposes:

Factor	Phase	NFF Funding Value (Full Implementation)	NYCC Funding Values (Including NFF Transitional Funding Arrangements & 0.5% High Needs Top Slice)
AWPU	Primary	£2,747	£2,712
	Secondary KS3	£3,863	£3,814
	Secondary KS4	£4,386	£4,330
Deprivation - FSM	Primary	£440	£434
	Secondary	£440	£434
Deprivation - Ever 6 FSM	Primary	£540	£533
	Secondary	£785	£775
Deprivation (IDACI - Primary)	Band F	£200	£197
	Band E	£240	£237
	Band D	£360	£355
	Band C	£390	£385
	Band B	£420	£415
	Band A	£575	£568
Deprivation (IDACI - Secondary)	Band 1 (f)	£290	£286
	Band 2 ( e )	£390	£385
	Band 3 (d)	£515	£508
	Band 4 ( c )	£560	£553
	Band 5 (b)	£600	£592
	Band 6 (a)	£810	£800
LAC*	All	£0	£0
Low attainment	Primary	£1,050	£1,037
	Secondary	£1,550	£1,530
EAL	Primary	£515	£508
	Secondary	£1,385	£1,367
Mobility	Primary	Subject to historic spend	£986 (NYCC historic value)
	Secondary		£18,826 (NYCC historic value)
Lump Sum	Primary	£110,000	£108,606
	Secondary	£110,000	£108,606
Sparsity	Primary	£0 - £25,000	£0 - £25,000
	Secondary	£0 - £65,000	£0 - £65,000
Other – Growth, Rates, Split Sites, Rents		Varies	Individual school value

\*2018/19 LAC Pupil Premium increased from £1,900 to £2,300.

The North Yorkshire Education Partnership approved the continuation of de-delegation for 2018/19 based on the 2017/18 levels except for EAL where the NFF funding level is less than the 2017/18 NYCC de-delegated rate so a proportionate scaled down rate has been applied for this element. The de-delegated services and associated 2018/19 budgets are as follows:

	£k
Schools in Financial Difficulty	565
Unreasonable School Expenditure	73
Behaviour Support Services	184
Ethnic Minority	602

Free School Meals Eligibility	16
Trade Union Costs	69

### Central Schools Services Block (CSSB)

This is a new funding block and covers the following services which are not delegated school responsibilities. These services support LA-maintained schools and academies alike and have previously been funded from council (non-Dedicated Schools Grant (DSG)) budgets, which have now been top-sliced and allocated back to each authority in this new DSG block. The Council has decided not top-slice school budgets to fund any central services for LA-maintained schools – although this is allowed under regulations.

The following services are funded from the CSSB:

- Strategic Management Costs, including planning for the education service as a whole
- Revenue budget preparation, monitoring, internal and external audit, funding to schools
- Consultation costs
- Plans involving other LA services
- SACRE
- School attendance and exclusion issues
- Employment of children
- Capital programme
- Landlord responsibilities
- School Admissions
- Places in independent schools (non-SEN)
- Servicing of Schools Forum
- Back-pay for equal pay claims
- Contribution to combined budgets

### **High Needs Funding**

The High Needs funding allocations which form part of your budget (sometimes known as RAS/CANDO or Element 3) are expected to be finalised by mid March.

### **Early Years Funding**

The North Yorkshire Education Partnership has considered and approved the early years funding rates for 2018/19. The funding rates are as follows:

Funding Category:	Amount
3 & 4 Year Old Funding – Universal & Extended Entitlement	£3.98 per hour
Disadvantaged 2 Year Old Funding	£5.20 per hour
Deprivation Funding Supplement: Band A – IMD Score >34.17 Band B – IMD Score >20<34.17 Band C – IMD Score >10<20 Band D – IMD Score <10 (IMD score based on the postcode of the child)	£0.57 per hour £0.10 per hour £0.07 per hour £0.03 per hour

Early Years Pupil Premium (applicable to Universal hours only)	£0.53 per hour
Disability Access Funding (children in receipt of child disability living allowance)	£615 per year
Sparsity funding supplement	On application

The increase in the 3 & 4 year old funding rate for 2018/19 reflects the DfE requirement that the level of funding which local authorities can retain for centrally managed service provision related to early years reduces from 7% of the 3 & 4 year old funding rate in 2017/18 to 5% in 2018/19

The Early Years 2018/19 indicative funding statements will be issued to schools by the end of March 2018.

### **Preparation of your School's Start Budget**

In preparing your 2018/19 Start Budget and future financial forecasts schools are advised to consider the following:

- The implementation of the NFF is subject to known transitional arrangements for 2018/19 and 2019/20. At this stage, the DfE have indicated that the NFF will be fully implemented at some stage after April 2020 however no definite timescale has yet been provided for the full implementation.
- The relative funding weighting of the formula factors has changed under the NFF and there is now an increased weighting in relation to prior attainment and deprivation. Schools are advised that any changes in the numbers of pupils related to these factors can result in a relatively significant change in funding levels.
- The impact of pay award and inflationary pressures on budget projections.
- The requirement for schools to repay any accumulated budget deficits.

Your FMS Support Officer will be able to provide advice and assistance in preparing your 2018/19 Start Budget and future financial forecast. If you are in the position where you are considering setting a budget for 2018/19 with a cumulative revenue deficit, please be aware that this will require approval which will be conditional upon the receipt of an appropriate recovery plan.

If you require any clarification or advice about how your school budget has been calculated please contact the Finance Enquiry Service by completing the on line form available at <http://cyps.northyorks.gov.uk/finance-enquiry-service-fes> or by ringing 01609 797601.

Yours sincerely

Howard Emmett  
Assistant Director – Strategic Resources

**Additional Information re 2018/19 Budget Allocations**

**Budget Statements**

**Part 1** – this shows the following:

- your delegated budget, detailed by each funding factor.
- the amount calculated by the funding formula before any MFG or Cap is applied
- your funding allocation net of MFG and Capping
- de-delegated funding and which activities this is funding
- the amount of delegated funding which relates to Element 2
- the ORACLE codes for the delegated funding and de-delegated amounts

It does not include Element 3 High Needs Funding, Early Years Funding or Sixth Form Funding.

**Part 2** – this shows how the MFG and Cap has been calculated.

**Part 3** – Pupil Premium indicative allocation

**Part 4** – To Follow - Element 3 Top up funding for individual pupils with an EHCP/Statement

**Part 5** – To Follow - Summary of Element 2 and Element 3 funding including exceptional funding

Early Years indicative budget statements will be issued separately via Anycomms before the end of March 2018.

**Other Information**

**Pupil Premium**

Pupil Premium is based on the January census.

In 2018/19, schools will receive the following funding for each child registered as eligible for free school meals at any point in the last 6 years:

- £1,320 for primary-aged pupils
- £935 for secondary-aged pupils

The Service Premium remains unchanged at £300 and is payable for each child recorded on the latest January census either as:

- a Service Child for the first time; or
- that was eligible for the Service Child Premium in the previous five years (Ever6).
- is in receipt of pensions under the Armed Forces Compensation Scheme (AFCS) and the War Pensions Scheme (WPS); or
- was previously eligible but whose parents are either no longer in the armed forces or who are divorced.

Schools will receive an increased rate of £2,300 for each child who:

- has been adopted from care ; or
- has left care under:
  - a special guardianship order

- a child arrangement order (previously known as a residence order)

The Looked After Children (LAC) Premium is managed by the Head of the Virtual School and schools will receive up to £2,300 for each child who has been looked after for 1 day or more. Further information can be found in the ELAC Virtual School Guide for Schools. Any looked after child attracting the premium, will not be eligible to receive the FSM element as well. If you have any looked after children on roll that are the responsibility of another LA, the funding will come from the home LA rather than NYCC.

Initial allocations have been calculated as follows:

- Free School Meals Ever 6, Service Pupil Ever 6 and Post LAC are based on the January 2017 census multiplied by the 2018/19 unit rate. **These figures will be adjusted later in the summer term once the January 2018 data is made available by the DfE.**
- No data is included for Looked After Children, which will continue to be a termly allocation.

### **Early Years Funding**

Early Years funding is based on each term's headcount. These allocations contained within the indicative budget will be updated following the headcount in May 2018, October 2018 and January 2019. It is therefore important that when you prepare your start budget for 2018/19 it is done on the basis of anticipated funded hours for Summer 2018, Autumn 2018 and Spring 2019. The indicative funding will be updated during the year following each termly headcount.

Children eligible to the Early Years Pupil Premium will attract funding of 53p per hour; this funding will be paid towards the end of each term.

### **Rent Funding**

The restrictions imposed by the DfE mean that it is not possible to provide all schools with funding to match the costs they incur on unavoidable rent expenditure. The rules only allow us to fund schools where the rent funding equates to more than 1% of their delegated budget and we can only fund above 1% if it does not exceed 5% of schools in the local authority. In order to meet the 5% of schools requirement in 2018/19 we have had to reduce the numbers of schools who receive rent funding compared to those that received it in 2017/18. The criteria used to scale back the number of schools is an impact level of over £10,000 or an impact level of greater than 1.5% of budget and greater than £4,500. For any school that meets this criteria their rent funding will show on Part 1 under item 11. Unfortunately schools where the impact is between 1% of their budget and the levels mentioned above will no longer receive any additional rent funding.

### **Other Funding Streams**

The DfE have indicated that Year 7 Catch Up Premium will continue for 2018/19

The Primary PE & Sport Premium will continue for the 2018/19 academic year at the 2017/18 academic year funding rate.

Universal Free School Meals funding will continue at £2.30 per meal

### **Inflation and Pay Awards**

Attached to this letter are projected inflation rates for 2018/19 which you will need to apply to your 2017/18 budgets in order to retain the same spending power in 2018/19.