

## **Matters Arising - Education Budgets – Rough outline of the ‘real terms’ position 2018/19 & 2019/20**

*The purpose of this report is, as requested, to highlight the position of the potential further erosion in the real terms value of DSG funding over the next 2 financial years, in the context of National Funding Formula, for the Forum’s discussion.*

### Main Parameters – Expenditure

- The National Audit Office (NAO) has calculated that the reduction in the real terms value of school funding, when funding is kept on cash flat basis, between 2014-2020 is 8.7%, with a reduction of 1.5% in 2018/19 and a further 1.9% in 2019/20. The 8% is roughly split as follows: National Insurance + 1.8%; Teacher Pensions + 0.4%; Pay Award + 4.4%; Apprenticeship Levy + 0.4%; Prices + 1.3%.
- The NAO’s figures do not include locally-driven pressures nor pressure that comes into school budgets due to the increasing need of pupils or the impact of pupil number changes nor capital budget pressures. It is also assumed that the NAO’s figures of 1.5% in 2018/19 and a further 1.9% in 2019/20 do not take account of the following:
  - The lifting of the public sector pay cap above 1% for teachers and non-teaching staff.
  - Further increases in employer’s contributions to pension costs both for teachers and non-teaching staff.
  - The growth in inflation since the NAO’s report was published (impacting on prices).
- It is quite possible then that the spending pressure increase felt generally by school budgets in 2018/19 and 2019/20, assuming some lifting from the 1% cap, could exceed the figures calculated by the NAO, quite possibly exceeding 2% in 2018/19 and 2.5% in 2019/20. 2% is £20,000 for every £1m of budget (2% and then 2.5% would equal £45,000 for every £1m over the next 2 years). For example, a further 1% pay award for teachers from September 2018 in itself would represent a further cost pressure of approximately 0.4% (1% of 65% of spending for 7 months) in 2018/19.

### Main Parameters - Funding:

- Following National Funding Formula, on a very simple estimated basis, per pupil funding (main primary & secondary schools formula funding) may be between 0% and an increase of 3% in 2018/19 and between 0% and 0.5% in 2019/20 for all but a small number of outlier schools, depending on the levels of the MFG and ceiling we can afford to set. This assumes that we are able to set the MFG at 0% in both years and have a ceiling of 3%. So, the view that individual schools will have of real terms value erosion over the next 2 years will vary due to NFF but also their ‘local’ factors. However, the majority of primary schools under NFF are calculated to be on the MFG in 2018/19 and as such, set at 0%, these schools would need to absorb the full extent of cost pressure growth. An MFG set at a value towards or at minus 1.5% would increase the pressure on these schools further e.g. 2% + 1.5% = 3.5% pressure.
- Following National Funding Formula, early years funding will reduce significantly for the PVI sector in Bradford in 2018/19, will reduce less so for nursery classes and will remain cash flat for nursery schools. Funding rates for all providers are likely, at best, to be cash flat in 2019/20. Therefore, the early years sector will feel significant cost pressure over the next 2 financial years (cost pressure +).
- Under the Place-Plus system, the value of the place-element for high needs providers will remain cash flat at £10,000 in 2018/19. The values of the plus elements are to be determined but are likely, at best, to remain cash flat in 2018/19 and 2019/20 and may well be reduced by up to 1.5% a year. Therefore, the high needs sector is likely to need to absorb the full extent of cost pressure increase.
- On a general basis, it is anticipated that the vast majority of other significant grants e.g. Pupil Premium will remain cash flat compared with 2017/18 levels. The DfE has announced an increase in the Pupil Premium Plus funding and has also signalled an increase in the PE & Sports Grant for the primary sector. Academies have already needed to absorb the loss of the Education Services Grant.