The national funding formulae for schools and high needs
2019 to 2020

July 2018
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Introduction

1. In September 2017, we confirmed the introduction of national funding formulae for schools, high needs and central school services from 2018-19 and set out the details of the formulae for 2018-19 and 2019-20. Resources are now being distributed according to a formula based on the individual needs and characteristics of every school in the country.

2. We also confirmed the investment of an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, in addition to the schools budget set at Spending Review 2015. This means that real terms per pupil funding will be maintained in 2018-19 and 2019-20, and will be more than 50% higher in 2020 than it was in 2000.

3. As we announced last year, we are updating elements of the formulae for 2019-20. We are also making some small technical improvements: in particular, we have introduced a new approach for allocating funding to local authorities to support schools with significant in-year pupil growth, which brings this funding into the formula rather than allocating it on a historical basis. This document sets out the details of changes in 2019-20.

4. We recognise that the introduction of the national funding formula represents a significant change. To provide stability for local authorities and schools through the transition, we have previously confirmed that in 2018-19 and 2019-20 each local authority will continue to set a local schools formula, in consultation with local schools. These local formulae determine individual schools’ budgets in their areas.

5. In 2018-19, we have seen considerable movement in local formulae towards the schools national funding formula. 73 local authorities have moved every one of their factor values in their local formulae closer to the national funding formula, with 41 mirroring the national funding formula factor values almost exactly. 62 local authorities have set their minimum funding guarantee at 0.5%, meaning all schools in that area will gain in cash terms per pupil compared to 2017-18, and 112 local authorities have brought in a minimum per pupil funding factor, mirroring its introduction in the national funding formula. We are pleased to see the significant progress across the system in moving towards the national funding formula in its first year.

6. In light of this progress, and in order to continue to support a smooth transition, we are confirming that local authorities will continue to determine local formulae in 2020-21. Given the steps that local authorities have already taken in their local formulae towards the national funding formula, we are confident that we will continue to see progress towards fairer funding for all schools, in every part of the country.

7. In parallel with this document, we have published illustrative local authority and school level allocations for the schools block, high needs block and central school
services block. These include the actual Primary Units of Funding and Secondary Units of Funding that we will use to calculate local authorities’ actual schools block allocations in December 2018. The provisional allocations for the high needs and central school services blocks will be updated in December 2018.

8. Comprehensive policy details on the national funding formulae can be found in the policy document published in September 2017.
The schools national funding formula in 2019-20

9. The structure of the schools national funding formula in 2019-20 is not changing. Figure 1 shows the 14 factors that comprise the formula. Figure 3 (at the end of this section) shows the unit values, total funding and proportion of spend through each factor in the 2019-20 formula.

Figure 1: Factors in the schools national funding formula

Figure 1: This shows the factors that are used when calculating schools block funding allocations through the national funding formula. It is not to scale. Funding for factors in italics will be allocated to local authorities in 2019-20 on the basis of historic spend (further details below).

Updating the schools national funding formula in 2019-20

10. The updated allocations we have published are based on the latest available pupil characteristics data. By updating the data driving the formula on an annual basis, we are ensuring that the school funding system is responsive to changing levels of need across different areas.

11. We are also updating three key areas of the formula in 2019-20, in line with the approach and commitments set out last year. These are:

- **The minimum per pupil funding levels** – the minimum per pupil funding level for secondary schools will increase to £4,800 and the minimum per pupil funding level for primary schools will increase to £3,500.

- **The funding floor** – the funding floor will increase to ensure that all schools will attract at least a 1% gain per pupil against their 2017-18 baselines.

- **The gains cap** – the gains cap will increase to 6.09% per pupil against 2017-18 baselines. We have used a compounded figure so that underfunded schools can gain a further 3% on top of the 3% they gained in 2018-19.
These updates will ensure that the formula continues to deliver rapid gains for the most underfunded while ensuring that all schools will have attracted some gains by 2019-20, compared to 2017-18.

**Growth funding from 2019-20**

12. Growth funding enables local authorities to support schools with significant in-year pupil growth, which is not otherwise immediately recognised by the lagged funding system. Local authorities may also retain a small fund to support schools with temporarily falling rolls. Local authorities will continue to manage their growth funding locally in 2019-20 as they did in 2018-19.

13. In 2018-19, we allocated £282m of growth funding to local authorities based on what they had planned to spend on growth and falling rolls in 2017-18. Allocating growth funding on the basis of historic spending is not a long-term solution, because it assumes future growth will follow the same pattern as past growth. It also means funding is decided by local authorities’ own spending decisions, which vary widely. We committed to introducing a fairer and more consistent method of funding growth when we launched the national funding formulae last September.

14. In 2019-20, we are introducing a formulaic approach to allocating growth funding to local authorities to ensure that this funding is distributed fairly and consistently. The new growth factor is fairer because it will distribute funding based on the actual growth that local authorities experience, rather than the amount they have historically chosen to spend.

15. Growth allocations for 2019-20 will be based on pupil data from the October 2018 census. Therefore, we have not reflected the new growth approach in the updated illustrative allocations published alongside this document. Instead, to give local authorities the best understanding of the impact of the national funding formula in 2019-20 compared to 2018-19, we have included the amount that local authorities were allocated for growth funding in 2018-19 in our illustrative allocations.

16. We will calculate actual growth allocations for 2019-20 after the October census and provide local authorities with the details of their growth allocation as part of their dedicated schools grant (DSG) allocation in December 2018. We will provide local authorities with further information in the autumn to support them in predicting what their growth allocation for 2019-20 is likely to be. Technical details on the new growth methodology are set out in the 2019-20 schools national funding formula technical note, which will be published shortly.

**Measuring growth using pupil number data**

17. We will allocate funding to local authorities based on the actual growth in pupil numbers they experienced the previous year. This will ensure that over time local
authorities are funded on the basis of the actual growth they experience (albeit on a lagged basis), rather than historic spending decisions.

18. We will be measuring growth within local authorities at middle layer super output area (MSOA)\(^1\) level. We are using MSOAs as these are small enough geographical areas to detect ‘pockets’ of growth within local authorities. We will measure growth by counting the increase in pupil numbers in each MSOA in the local authority between the two most recent October censuses. Only positive increases in pupil numbers will be included, so a local authority with positive growth in one area, and negative growth in another, will not be denied growth funding.

**Allocating funding for growth**

19. For each local authority, the growth factor will allocate:

- £1,370 for each primary ‘growth’ pupil,
- £2,050 for each secondary ‘growth’ pupil, and
- £65,000 for each brand new school that opened in the previous year (that is, any school not appearing on the October 2017 census but appearing on the October 2018 census)

20. We set these values by looking at the amount spent on growth across all local authorities in 2017-18. We have also listened to feedback from stakeholders about the specific additional costs associated with new schools.

21. We do not expect local authorities to use these rates in their local arrangements for funding growth. Local authorities will generally allocate growth funding for a smaller number of pupils (where additional pupils have required an additional class), and will use higher factor values. The growth factor in the national funding formula is a proxy for overall growth costs at local authority level, and not at the level of individual schools. We are not illustrating allocations of growth at school level and do not expect local authorities to necessarily use this methodology to decide how much growth funding to allocate to individual schools. Local authorities should continue to make decisions about growth funding locally as they do now. We not do anticipate that local authorities’ spending on growth will necessarily match precisely the sum allocated to them for growth, and they will continue to have the ability to ‘top slice’ their overall schools block funding to fund pupil number growth.

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\(^1\) MSOAs are areas used by the Office for National Statistics, based on population data. Further details on MSOAs can be found here: [https://www.ons.gov.uk/methodology/geography/ukgeographies/censusgeography](https://www.ons.gov.uk/methodology/geography/ukgeographies/censusgeography)
22. In line with other elements of the national funding formula, the hybrid area cost adjustment (ACA) will be applied to growth allocations to reflect the variation in labour market costs across the country.

**Protections and gains for growth funding**

23. There is currently a very wide variation in per pupil spend on growth. We recognise that some of these costs will take time to change. We will therefore apply protection so that no local authority’s growth allocation will fall by more than -0.5% of their overall 2018-19 schools block funding.

24. In order to make this affordable, we will scale growth gains above a threshold. Local authorities will gain in full up to a maximum increase of 50% compared to their 2018-19 growth allocation, with gains above this scaled by a factor of 50%.

**Figure 2: Summary of new growth methodology**

- Calculate positive growth between October 2018 and October 2017 censuses at MSOA level
- Secondary growth x £2,050
- Primary growth x £1,370
- + Additional £65,000 for each new school
- Multiply allocation by the ACA
- Apply protection to prevent decreases of greater than -0.5% of total 2018-19 schools block
- Apply scaling of 50% to gains above 50% of 2018-19 growth allocations
- Allocate 2019-20 growth funding in December 2018

**Minor changes to the 2019-20 schools formula**

**Protecting new schools**

25. The 2019-20 schools national funding formula will contain new schools that were not in the 2018-19 formula. To ensure these schools are funded on a fair basis compared to other schools in the same local authority, we will apply the funding floor to these schools as if they had been open in 2017-18. To achieve this, we have created theoretical 2017-18 baselines for these schools by looking at the average baselines in each local authority. These baselines ensure that new schools are neither advantaged nor disadvantaged by their opening date. Further details on how we have calculated these baselines are set out in the 2019-20 schools block technical note, which will be published shortly.

**Adjusting the Primary Low Prior Attainment factor value**

26. We have slightly reduced the primary low prior attainment (LPA) factor value from £1,050 in 2018-19 to £1,022. The LPA cohort in primary schools that we measure for school funding purposes has been increasing over the past six years, because
of changes made to the Early Years Foundation Stage Profile in 2013. This increase comes from changes to the assessment, rather than changes to the underlying level of need. Therefore, we are maintaining the total proportion of spend on primary LPA through the formula by balancing the increase in the eligible cohort with a reduction in the factor value.

Changing the minimum per pupil funding levels for middle schools, Key Stage 3-only and Key Stage 4-only schools

27. We have reflected on the minimum per pupil funding levels for schools with some but not all secondary year groups. From 2019-20 we will:

- Introduce a new minimum per pupil level for Key Stage 4-only schools of £5,100;
- Increase the minimum used for the Key Stage 3 year groups in middle schools to £4,600 and use this minimum for Key Stage 3-only schools.

This change responds to feedback from relevant schools, and we believe it is a fairer approach that also maintains the simplicity necessary for the formula.

Premises and mobility factors in 2019-20

28. In 2018-19, we funded premises and mobility factors based on the amount that local authorities planned to spend in 2017-18.

29. Premises factors in 2019-20 will be calculated using the same approach as in 2018-19. This applies to the four premises factors: rates, split-sites, private finance initiative (PFI) and exceptional circumstances. We will use local authorities’ spend through their local factors in 2018-19, plus an RPIX uplift for PFI. We are continuing to consider the long-term approach to premises factors in the NFF.

30. The mobility factor in 2019-20 will be calculated using the same approach as in 2018-19. We will use local authorities’ spend through their mobility factor in 2018-19. We intend to introduce a consistent, national method for funding mobility in 2020-21, following further discussion with stakeholders.
### Figure 3 - The final National Funding Formula

<table>
<thead>
<tr>
<th>Funding Factors</th>
<th>Unit values</th>
<th>Total Funding (including ACA)</th>
<th>Proportion of core total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic per-pupil funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Weighted Pupil Unit (AWPU): Primary</td>
<td>£2,747</td>
<td>£12,722m</td>
<td>37.9%</td>
</tr>
<tr>
<td>Age Weighted Pupil Unit (AWPU): Secondary - KS3</td>
<td>£3,863</td>
<td>£6,823m</td>
<td>20.3%</td>
</tr>
<tr>
<td>Age Weighted Pupil Unit (AWPU): Secondary - KS4</td>
<td>£4,386</td>
<td>£4,793m</td>
<td>14.3%</td>
</tr>
<tr>
<td>Minimum per pupil funding level</td>
<td>NA</td>
<td>£187m</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Additional needs funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current FSM top up (Pupils currently claiming FSM at the last census): Primary</td>
<td>£440</td>
<td>£287m</td>
<td>0.9%</td>
</tr>
<tr>
<td>Current FSM top up (Pupils currently claiming FSM at the last census): Secondary</td>
<td>£440</td>
<td>£171m</td>
<td>0.5%</td>
</tr>
<tr>
<td>FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary</td>
<td>£540</td>
<td>£608m</td>
<td>1.8%</td>
</tr>
<tr>
<td>FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary</td>
<td>£785</td>
<td>£646m</td>
<td>1.9%</td>
</tr>
<tr>
<td>IDACI band F: Primary</td>
<td>£200</td>
<td>£95m</td>
<td>0.3%</td>
</tr>
<tr>
<td>IDACI band F: Secondary</td>
<td>£290</td>
<td>£82m</td>
<td>0.2%</td>
</tr>
<tr>
<td>IDACI band E: Primary</td>
<td>£240</td>
<td>£102m</td>
<td>0.3%</td>
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<tr>
<td>IDACI band E: Secondary</td>
<td>£390</td>
<td>£98m</td>
<td>0.3%</td>
</tr>
<tr>
<td>IDACI band D: Primary</td>
<td>£360</td>
<td>£131m</td>
<td>0.4%</td>
</tr>
<tr>
<td>IDACI band D: Secondary</td>
<td>£515</td>
<td>£110m</td>
<td>0.3%</td>
</tr>
<tr>
<td>IDACI band C: Primary</td>
<td>£390</td>
<td>£123m</td>
<td>0.4%</td>
</tr>
<tr>
<td>IDACI band C: Secondary</td>
<td>£560</td>
<td>£104m</td>
<td>0.3%</td>
</tr>
<tr>
<td>IDACI band B: Primary</td>
<td>£420</td>
<td>£166m</td>
<td>0.5%</td>
</tr>
<tr>
<td>IDACI band B: Secondary</td>
<td>£600</td>
<td>£139m</td>
<td>0.4%</td>
</tr>
<tr>
<td>IDACI band A: Primary</td>
<td>£575</td>
<td>£89m</td>
<td>0.3%</td>
</tr>
<tr>
<td>IDACI band A: Secondary</td>
<td>£810</td>
<td>£70m</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Low prior attainment</strong></td>
<td></td>
<td>£2,472m</td>
<td>7.4%</td>
</tr>
<tr>
<td>Low prior attainment: Primary</td>
<td>£1,022</td>
<td>£1,548m</td>
<td>4.6%</td>
</tr>
<tr>
<td>Low prior attainment: Secondary</td>
<td>£1,550</td>
<td>£924m</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>English as an additional language</strong></td>
<td></td>
<td>£407m</td>
<td>1.2%</td>
</tr>
<tr>
<td>English as an additional language: Primary</td>
<td>£515</td>
<td>£301m</td>
<td>0.9%</td>
</tr>
<tr>
<td>English as an additional language: Secondary</td>
<td>£1,385</td>
<td>£106m</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Mobility</strong></td>
<td></td>
<td>£21m</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>School led funding</strong></td>
<td></td>
<td>£2,933m</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Lump sum</strong></td>
<td></td>
<td>£2,266m</td>
<td>6.8%</td>
</tr>
<tr>
<td>Lump sum: Primary</td>
<td>£110,000</td>
<td>£1,884m</td>
<td>5.6%</td>
</tr>
<tr>
<td>Lump sum: Secondary</td>
<td>£110,000</td>
<td>£383m</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Sparsity</strong></td>
<td></td>
<td>£25m</td>
<td>0.1%</td>
</tr>
<tr>
<td>Sparsity: Primary</td>
<td>£25,000</td>
<td>£21m</td>
<td>0.1%</td>
</tr>
<tr>
<td>Sparsity: Secondary</td>
<td>£65,000</td>
<td>£5m</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Premises</strong></td>
<td></td>
<td>£641m</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Area Cost Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A multiplier that is applied to basic per pupil, additional needs and school led funding (ACA is already included in each of the factor subtotals)</td>
<td></td>
<td>£831m</td>
<td></td>
</tr>
<tr>
<td><strong>Core Total (Excluding funding floor)</strong></td>
<td></td>
<td>£33,380m</td>
<td></td>
</tr>
<tr>
<td><strong>Funding Floor</strong></td>
<td></td>
<td>£681m</td>
<td></td>
</tr>
<tr>
<td><strong>Total (including funding floor)</strong></td>
<td></td>
<td>£34,061m</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: This shows the unit values, total funding and proportion of funding for each factor in the formula. To note, total funding is rounded to the nearest £1m. Proportion of core total funding is rounded to the nearest 0.1%. The total funding and proportion of core total funding columns are based on implementing the formula in full, without transition, using 2018-19 authority proforma tool data and 2017/18 general annual grant data. To note, we have excluded growth funding from this table as we are changing the way we allocate growth funding in 2019-20 and will confirm growth spend in December.
The high needs national funding formula in 2019-20

31. The basic structure of the high needs national funding formula in 2019-20 is not changing. Figure 4 sets out the factors and adjustments that comprise the formula.

Figure 4: The factors and calculations in the national funding formula

This diagram shows how the factors are added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

Updating the high needs national funding formula in 2019-20

32. Last year, we set out the details of the high needs national funding formula for 2018-19 and 2019-20. We explained that, as well as including relevant data updates, two key aspects of the formula would enable local authorities to see further increases in their high needs funding allocations in 2019-20, subject to changes in pupil and student numbers and their movement between local authorities (captured by the basic entitlement factor update and import/export adjustment). These two elements in the formula are:

- **The funding floor** – the funding floor will increase so all authorities will attract at least a 1% gain against their 2017-18 baselines.

- **Gains under the formula** – the gains cap will increase to 6.09% compared to 2017-18 baselines. We have used compounded figures so that underfunded local authorities can gain a further 3% on top of the 3% they gained in 2018-19.

Further details on the methodology used for the high needs formula are set out in the 2019-20 high needs technical note, which will be published shortly.
Other changes to high needs funding from 2019-20

33. We are taking forward a number of further, technical changes to high needs funding, some of which have implications for the high needs national funding formula. Changes for 2019-20 will be incorporated into the high needs allocations through the formula as part of the updates and adjustments to the provisional high needs allocations. We will share relevant data on the changes in advance so local authorities can understand the impact on their allocations.

Special free schools’ place funding

34. We consulted on bringing the handling of place funding for special free schools in line with that for special academies. We will now channel special free schools’ funding through the high needs national funding formula rather than holding a central pot of funding for special free schools.

35. The change will bring the funding process for these schools more in line with local authorities’ statutory duty to secure provision for pupils with special educational needs (SEN) and those who are disabled, particularly children with education, health and care (EHC) plans. It will also simplify data collections.

36. From 2019-20 onwards, funding for special free school places will be included in local authorities’ high needs allocations. We will use the basic entitlement factor, the import/export adjustment and associated adjustments in the national funding formula to make sure that this change will be cost neutral for local authorities.

37. The number of places that a free school receives funding for will be determined as a result of a data collection from local authorities, with the expectation that they will reach agreement with schools2. Funding for these places will then be deducted from local authorities’ high needs allocations by ESFA, and paid directly to schools. We will provide further details of these changes to the relevant local authorities in the ‘High needs funding 2019 to 2020: Operational guide’ in September 2018.

38. In our consultations on this change, the main area of concern was how local authorities would be able to fund growth in place numbers at these schools, including at new schools opening in future years. We will use the formula adjustments referred to above to ensure that the relevant local authorities are allocated the costs of significant growth in new and growing special free schools. More detail on this will be provided in September 2018.

2 As now with special academies, where a local authority plans to change the number of funded places without the free school’s agreement, the ESFA will decide on the number of places, taking account of data on actual pupils on roll.
Hospital education

39. In 2018-19, we have funded local authorities for hospital education on the basis of their planned spending in 2017-18, plus a 0.5% uplift. The provisional high needs allocations for 2019-20 will increase that uplift to 1.0%, over 2017-18 baselines. Although there is a process operated by the ESFA whereby local authorities can report changes in hospital provision (e.g. new hospital wards for children) that also require changes to the education provided to hospital patients, the allocations of funding for this provision are currently otherwise unresponsive to changing circumstances, and are based on outdated spending levels.

40. We have collected updated and more detailed information from local authorities on their planned spend on hospital education in 2018-19. We are also obtaining NHS data on patients in hospital settings. Our intention is to combine local authority spending data with NHS data to develop a new, formulaic hospital education factor in the high needs national funding formula, which better responds to the number of patients needing education. We will consult on options in the autumn and, subject to the outcome of the consultation, could introduce changes to the final high needs allocations for 2019-20. Any changes would not result in local authorities seeing a reduction in the hospital education factor amounts included in the provisional high needs allocations for 2019-20.

Post-16 high needs funding

41. Having reviewed the most recent post-16 high needs allocations cycle that has recently concluded, we are considering the following changes.

Allowing local authorities more flexibility to develop bespoke arrangements with schools and colleges for funding students with special needs

42. Currently all post-16 providers making special provision for students with high needs receive an amount of funding based on the post-16 national formula, and £6,000 per high needs place funded from local authorities’ high needs allocation. Some local authorities have asked if they can have more flexibility to allocate the £6,000 per place funding, either more in line with the way their pre-16 schools formula allocates funding for the additional support required by pupils with SEN, or in accordance with an alternative funding approach.

43. Subject to consideration of the implications for the ESFA’s operational processes, and the need to make sure that such local flexibility does not unhelpfully reduce the transparency and consistency of the arrangements across the country, we anticipate allowing such flexibility in 2019-20, if the funding mechanism has been agreed locally with schools, colleges and other institutions. We will provide further details of this change in the ‘High needs funding 2019 to 2020: Operational guide’ in September 2018.
Possible use of a flat rate to replace some elements of post-16 funding

44. We are also considering whether we could simplify the post-16 high needs funding arrangements for some institutions by introducing a flat rate for the element of funding normally calculated through the post-16 national funding formula. This could help to reduce the data collection requirements. We will consult further with the relevant institutions and their representative organisations, in the autumn.
The national funding formula for central school services in 2019-20

45. The central school services block within the DSG will continue to provide funding for local authorities to carry out central functions on behalf of compulsory school age pupils in state-funded and maintained schools and academies in England.

46. The block will continue to cover the two distinct elements of ongoing responsibilities and historic commitments.

47. As previously, funding for ongoing responsibilities to local authorities will be distributed using a simple formula that allocates 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements will be adjusted for area costs.

48. The 2019-20 ongoing responsibilities element remains broadly the same as 2018-19 with the following differences: the baselines will be updated in line with the 2018-19 DSG allocations published in December 2017 and the permitted gain rate in 2019-20 will be 2.18%, which represents the highest level possible commensurate with ensuring that total central school services funding does not exceed the available budget. The maximum per-pupil reduction will be the same as in 2018-19 (-2.5%).

49. Funding for historic commitments will be allocated at the same level as in 2018-19. Our expectation remains that commitments will unwind over time as contracts reach their end points.

50. Further details on the methodology used for the central school services formula are set out in the 2019-20 central school services technical note, which will be published shortly.
Block movements in 2019-20

51. In 2018-19, we introduced a ring-fence around the schools block of 99.5%. We will be retaining this ring-fence in 2019-20 to ensure that the vast majority of schools block funding allocated to local authorities is passed directly to schools.

52. We will continue to give local authorities some flexibility to transfer funding to other areas, particularly high needs, where there is a strong local rationale for doing so. These transfers will continue to be limited to 0.5% of local authorities’ total schools block and will require the agreement of the schools forum and consultation with all local schools. We made it clear that movements approved for 2018-19 were for one year only, so it is important that there are fresh local conversations for any planned movements in 2019-20.

53. It is important that mainstream schools are fully engaged in these discussions, and understand their role in making special provision for children and young people with special educational needs and disabilities, and how their actions can have an impact on the costs that local authorities have to meet from their high needs budget.

54. Similar arrangements will apply to the process for considering reasonable requests for exceptions to these rules. These are set out in the ‘Schools revenue funding 2019 to 2020’ operational guide, which will be published shortly. Where we have previously approved a request to move more than 0.5%, and where there is continuing schools forum agreement to the transfer, the local authority will not need to submit a further request this year, up to the level previously approved.

Overall deficits on local authorities’ DSG accounts

55. With effect from 2019-20, the department intends to tighten the rules governing deficits in local authorities’ overall DSG accounts, under which local authorities have to explain to us their plans for bringing DSG account back into balance. We intend to require a report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019. This report will need to be discussed with the schools forum. We will consult local authority representatives during the autumn of 2018 about the detailed implementation of these new rules.
Next steps

56. The formulae set out here will determine allocations in 2019-20. Spending plans beyond 2019-20 for all blocks will be subject to the next spending review.

Next steps on the schools national funding formula

57. Local authorities will continue to determine local formulae in 2020-21.

58. As set out in our original announcement of the national funding formulae in September 2017, we know that there are elements of the formula where data and indicators could be further improved. In particular, we will continue to work with stakeholders and experts to consider technical improvements to the following factors:

- **Growth** – we are making significant progress in 2019-20 in moving to a consistent way of allocating growth across local authorities. However, we recognise the concerns raised by some stakeholders about the lagged nature of this funding. We will continue to explore options for developing our approach to growth in the future including the potential use of projections and in-year adjustments;

- **Mobility** – we will continue working with stakeholders on developing an accurate and robust indicator of mobility to replace the use of historic spending patterns for this factor in 2020-21;

- **Premises including PFI** – we will continue to explore how funding for these factors could be allocated according to a formula in the future;

- **Low prior attainment** – we will consider further longer term changes to improve targeting of funding to need, including the possibility of tiering the secondary low prior attainment factor;

- **Sparsity** – we will continue to consider how the distance measures used in sparsity funding could be refined in the future.

Next steps on high needs funding

59. The high needs section above provides details on our plans for a number of changes to high needs funding that will be taken forward over the coming year. We will continue to engage with local authorities to support them in managing high needs costs.

Next steps on central school services funding

60. We have already confirmed that funding for historic commitments in 2019-20 will be allocated at the same level as in 2018-19, with the expectation that spending on historic commitments will continue to reduce over time.
61. From 2020-21, we expect to start to reduce the historic commitments element of the central school services funding block where authorities’ expenditure has not reduced. We do not believe it is fair to maintain significant differences in funding indefinitely between local authorities, where these differences reflect historic decisions.