



Department  
for Education

# **Central school services block national funding formula: technical note**

**December 2016**

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## Introduction

1. This technical note provides the detailed methodology for the proposed central school services block (CSSB) national funding formula that has been used to generate the local authority illustrative funding allocations for the financial year 2018 to 2019 (denoted “2018-19” for the remainder of this note, with other financial years denoted in similar shorthand).
2. The CSSB covers funding allocated to local authorities to carry out central functions on behalf of pupils in both maintained schools and academies in England. CSSB funding will cover two distinct elements which will be handled separately within the formula: ongoing responsibilities and historic commitments. Funding for local authority ongoing responsibilities will be allocated using a simple formula which distributes an element of funding according to a per-pupil factor and an element according to a deprivation factor.
3. Funding for historic commitments will continue where there is evidence of ongoing costs. Our CSSB illustrations show 2016-17 spend on historic commitments (using data from the 2016-17 baselines exercise and 2016-17 local authority S251 returns). The Education Funding Agency (EFA) has published guidance to support local authorities and school forums to ensure that historic commitments are only funded on an ongoing basis where there is evidence that the commitment is continuing, and that it was entered into before 2013<sup>1</sup>. Funding for historic commitments in 2018-19 will be on the basis of local authorities spend on historic commitments in 2017-18.
4. The CSSB has been created from two different funding streams: the schools block funding that is held centrally by local authorities and the retained duties element of the Education Services Grant (ESG). The total amount of funding that will be distributed through this block will be calculated by adding the funding available for ESG retained duties (£15 per ESG pupil in 2016-17) and the dedicated schools grant (DSG) funding held centrally by local authorities for both ongoing and historic commitments.
5. The Isles of Scilly and City of London have been excluded from these allocations, as these local authorities will receive a central grant from the government which will include funding for central schools services.

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<sup>1</sup> Education Funding Agency, [‘Establishing local authority dedicated schools grant baselines’](#), March 2016

## Baseline funding for ongoing responsibilities and historic commitments

6. Each section 251 central provision budget line is assumed to represent ongoing responsibilities or historic commitments (or neither) as follows:

Section 251 budget line			Currently funded from
1.4.1	Contribution to combined budgets	historic commitments	DSG
1.4.2	School admissions	ongoing responsibilities	DSG
1.4.3	Servicing of schools forums	ongoing responsibilities	DSG
1.4.4	Termination of employment costs	historic commitments	DSG
1.4.5	Falling Rolls Fund	neither; funding for falling rolls will be allocated to local authorities through the schools block	DSG
1.4.6	Capital expenditure from revenue (CERA)	historic commitments	DSG
1.4.7	Prudential borrowing costs	historic commitments	DSG
1.4.8	Fees to independent schools without SEN	ongoing responsibilities	DSG
1.4.9	Equal pay - back pay	historic commitments	DSG
1.4.10	Pupil growth / Infant class sizes	neither; funding for pupil growth will be allocated to local authorities through the schools block	DSG
1.4.11	SEN transport	neither; funding for special educational needs (SEN) transport will be allocated to local	DSG

Section 251 budget line			Currently funded from
		authorities through the high needs block	
1.4.12	Exceptions agreed by Secretary of State	historic commitments	DSG
1.4.13	Other Items	ongoing responsibilities	DSG
1.5.1	Other Specific Grants	historic commitments	DSG
2.0.3	Education welfare service	ongoing responsibilities	ESG
2.0.5	Asset management – education	ongoing responsibilities	ESG
2.0.6	Statutory/Regulatory duties – education	ongoing responsibilities	ESG

7. In April 2016, the EFA conducted an exercise to collect 2016-17 funding baselines from local authorities for each block of the DSG. **This gave us a baseline for the element of the CSSB currently funded by centrally retained DSG.** The baselines exercise did not separate out this baseline into historic commitments and ongoing responsibilities.
8. The split between historic commitments and ongoing responsibilities has been calculated by using local authority S251 data to take the percentage split between spend on ongoing responsibilities and historic commitments<sup>2</sup>. These percentages are then applied to each local authority's total 2016-17 DSG CSSB baseline as collected by the EFA's exercise. This gives each local authority's initial 2016-17 DSG baseline for:
- Funding for ongoing responsibilities
  - Funding for historic commitments
9. So, for example, if a local authority's section 251 data indicates that 60% of the DSG CSSB spend is on ongoing responsibilities and 40% on historic commitments, then

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<sup>2</sup> Education Funding Agency, '[Section 251: 2016 to 2017](#)', September 2016

the initial 2016-17 baseline funding for DSG ongoing responsibilities is set as 60% of the local authority's stated 2016-17 DSG CSSB baseline.

10. Funding previously allocated to local authorities for ESG retained duties will also be allocated to local authorities through the CSSB. Authorities received ESG retained duties funding at a rate of £15 per pupil in 2016-17. Each local authority's total retained duties allocation, as calculated and published by the EFA in 2016-17, is added to the ongoing responsibilities funded by centrally retained DSG (as above), to create the **total baseline for ongoing responsibilities**.
11. The **total baseline for the whole CSSB** is created by summing the baselines for ongoing responsibilities (as currently funded by both centrally retained DSG and retained duties ESG) and historic commitments across all local authorities<sup>3</sup>.

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<sup>3</sup> This calculation is set out in Impact of the proposed central school services NFF table, published on the consultation site: <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

## Funding for ongoing local authority responsibilities

12. This section explains how each local authority's illustrative allocations for ongoing responsibilities has been calculated. The next section discusses funding for historic commitments. Each local authority's total illustrative CSSB allocation is the sum of these two. The illustrative allocations for the first year of the national funding formula also reflect any transitional protections affecting local authorities' funding for ongoing responsibilities, the calculation of which is explained in the final section of this note.
13. Having calculated each local authority's 2016-17 funding baseline for ongoing responsibilities in the previous section, the next step is to convert that into per-pupil funding baselines.
14. The pupil counts used to calculate CSSB allocations for ongoing responsibilities are local authorities' schools block pupil counts. That is, pupils in mainstream schools in year groups reception to year 11 inclusive, including pupils occupying places in SEN units. The CSSB responsibilities for which this funding is provided relate to all pupils in maintained schools and academies in the local authority area, including those in special schools and other non-mainstream institutions. However, the national funding formula proposal is that local authorities' allocations for the CSSB are derived on the basis of the mainstream school pupil count.
15. The proposed CSSB national funding formula allocates funding to local authorities for ongoing responsibilities using a pupil-led formula. The formula uses two factors: a basic per-pupil factor, through which local authorities receive the majority of funding, and a deprivation factor.

## Basic per pupil funding

16. Local authorities will receive the majority of their funding for ongoing responsibilities through a basic per-pupil rate. This subsection explains how local authorities' illustrative allocations through this factor have been calculated. This calculation uses, for each local authority, a general labour market (GLM) area cost adjustment (ACA). More information about the ACAs, including the ACA figure for each local authority, is provided in the annex.
17. Having calculated the national baseline for ongoing responsibilities, as explained in the previous section, the total budget is £233 million. 90% of this (£210 million) forms the budget to be allocated to local authorities through the basic per-pupil factor. The remaining 10% (£23 million) will be allocated through the deprivation factor, as explained in the next subsection.
18. Next a national pupil-weighted GLM ACA is calculated. For each local authority, we calculate:

- the local authority's schools block pupil count as given by the October 2015 school census

multiplied by

- the local authority's GLM ACA.

19. This is summed up across all local authorities, and the result is divided by their national total October 2015 schools block pupil count. This gives the national pupil-weighted GLM ACA of 1.04.

20. The total budget for the basic per-pupil factor is then divided by the national pupil-weighted GLM ACA to give a 'deflated basic per-pupil factor budget'. That budget is then divided by the national total October 2015 schools block pupil count: this gives the 'national basic per-pupil funding rate pre-ACA'. The budget is deflated to ensure affordability and prevents overspend when inflating the national basic per-pupil rate in line with each local authority's ACA.

21. Each local authority's CSSB national funding formula funding rate for the basic per-pupil factor is this national rate multiplied by their ACA, and their resulting allocation for the basic per-pupil factor is then calculated as:

- the local authority's funding rate for the basic per-pupil factor

multiplied by

- the local authority's schools block pupil count as given by the October 2015 school census.

## Deprivation factor funding

22. The remaining 10% of the national baseline for ongoing responsibilities constitutes the total budget to be allocated to local authorities through the deprivation factor (£23 million).

23. The pupil counts used for this factor are the free school meal ever 6 (FSM6) pupils in mainstream schools as indicated on local authorities' 2016-17 authority proforma tool (APT) returns. For each school in a local authority, the primary and secondary FSM6 proportions are multiplied by the primary and secondary schools block pupil counts respectively, and the results summed across all schools in the local authority to derive a total FSM6 pupil count.

24. In a similar approach to the basic per pupil factor, a national deprivation pupil-weighted GLM ACA is calculated. For each local authority, we calculate:

- the local authority's FSM6 pupil count as given by their 2016-17 APT

multiplied by

- the local authority's GLM ACA.

25. This is summed up across all local authorities, and the result is divided by their national total 2016-17 APT FSM6 pupil count. This gives the national deprivation pupil-weighted GLM ACA of 1.04.

26. The total budget for the deprivation factor is then divided by the national deprivation pupil-weighted GLM ACA to give a 'deflated deprivation factor budget'. That budget is then divided by the national total FSM6 pupil count: this gives the 'national deprivation funding rate pre-ACA'. The budget is deflated to ensure affordability and prevents overspend when inflating the national deprivation per-pupil rate in line with each local authority's ACA.

27. Each local authority's CSSB national funding formula funding rate for the deprivation factor is this national rate multiplied by their ACA, and their resulting allocation for the deprivation factor is then calculated as:

- the local authority's funding rate for the deprivation factor

multiplied by

- the local authority's FSM6 pupil count as given by their 2016-17 APT.

28. For each local authority, the total funding for ongoing responsibilities is calculated as:

- the local authority's total funding through their basic per-pupil factor

plus

- the local authority's total funding through their deprivation per-pupil factor.

29. The national funding formula per-pupil rate for ongoing responsibilities is then calculated as:

- the local authority's total funding through ongoing responsibilities

divided by

- the local authority's schools block pupil count as given by the October 2015 school census.

## **Transitional protections**

30. Local authorities that, compared to their 2016-17 baseline, are set to face reductions in per-pupil funding for ongoing responsibilities as a result of the proposed formula

will be protected against large losses year-on-year. This year-on-year protection is paid for by placing a maximum limit on the amount that local authorities can gain year-on-year under the formula. The transitional protections operate on local authorities' overall ongoing responsibilities funding rate: total ongoing functions funding divided by their schools block pupil count.

31. The maximum per-pupil reduction in funding for ongoing responsibilities is 2.5% a year, in each of 2018-19 and 2019-20. Permitted gains in per-pupil funding will be set at the highest level possible that ensures the total CSSB funding does not exceed the available budget. If local authorities' pupil counts in these first two years were the same as the 2016-17 figures used in the illustrative allocations, local authorities would be allowed to gain a maximum of 2.4% on a per-pupil basis in each of 2018-19 and 2019-20.

## Funding for historic commitments

32. We estimate that local authorities planned to spend £286 million of their 2016-17 DSG allocation on historic commitments. We are assuming that the level of funding for historic commitments will reduce over time, but for illustrative purposes we have held historic commitments funding for each local authority at flat cash.
33. Local authorities' funding for historic commitments under the CSSB national funding formula will be allocated on the basis of their spend in the previous year.
34. The level of funding for historic commitments is expected to reduce over time as these commitments end. The EFA will monitor historic spend year-on-year and will challenge section 251 returns where funding is not reducing as expected.
35. Funding for historic commitments will be based on the lagged actual cost of the commitment, and will reduce as commitments cease. There will therefore be no protection for historic commitments in the CSSB.

## Annex – Area cost adjustment (ACA)

36. As explained above, the central school services block (CSSB) national funding formula calculation applies ACAs to take account of the relative difference in costs in different areas of the country. The ACA used is the General Labour Market (GLM) ACA for 2013/14 produced by the Department for Communities and Local Government and used for local government settlements. The ACA value for each local authority is given in the table below.
37. For the five local authorities with part of their area on the London fringe (Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex), the GLM ACAs for the fringe and non-fringe parts of the authority have been weighted together based on their schools block pupil count in October 2015 to produce a single ACA for the local authority.

LA code	LA name	GLM ACA
202	Camden	1.237923
203	Greenwich	1.237923
204	Hackney	1.237923
205	Hammersmith and Fulham	1.237923
206	Islington	1.237923
207	Kensington and Chelsea	1.237923
208	Lambeth	1.237923
209	Lewisham	1.237923
210	Southwark	1.237923
211	Tower Hamlets	1.237923
212	Wandsworth	1.237923
213	Westminster	1.237923
301	Barking and Dagenham	1.084803
302	Barnet	1.131019
303	Bexley	1.084803
304	Brent	1.131019
305	Bromley	1.084803
306	Croydon	1.084803
307	Ealing	1.131019
308	Enfield	1.084803
309	Haringey	1.084803
310	Harrow	1.131019

LA code	LA name	GLM ACA
311	Havering	1.084803
312	Hillingdon	1.131019
313	Hounslow	1.131019
314	Kingston upon Thames	1.131019
315	Merton	1.131019
316	Newham	1.084803
317	Redbridge	1.084803
318	Richmond upon Thames	1.131019
319	Sutton	1.131019
320	Waltham Forest	1.084803
330	Birmingham	1.009570
331	Coventry	1.009570
332	Dudley	1.009570
333	Sandwell	1.009570
334	Solihull	1.009570
335	Walsall	1.009570
336	Wolverhampton	1.009570
340	Knowsley	1.003174
341	Liverpool	1.003174
342	St. Helens	1.003174
343	Sefton	1.003174
344	Wirral	1.003174
350	Bolton	1.015462
351	Bury	1.015462
352	Manchester	1.015462
353	Oldham	1.015462
354	Rochdale	1.015462
355	Salford	1.015462
356	Stockport	1.015462
357	Tameside	1.015462
358	Trafford	1.015462
359	Wigan	1.015462
370	Barnsley	1.000000
371	Doncaster	1.000000

LA code	LA name	GLM ACA
372	Rotherham	1.000000
373	Sheffield	1.000000
380	Bradford	1.000458
381	Calderdale	1.000458
382	Kirklees	1.000458
383	Leeds	1.000458
384	Wakefield	1.000458
390	Gateshead	1.000000
391	Newcastle upon Tyne	1.000000
392	North Tyneside	1.000000
393	South Tyneside	1.000000
394	Sunderland	1.000000
800	Bath and North East Somerset	1.041401
801	Bristol, City of	1.041401
802	North Somerset	1.041401
803	South Gloucestershire	1.041401
805	Hartlepool	1.000000
806	Middlesbrough	1.000000
807	Redcar and Cleveland	1.000000
808	Stockton-on-Tees	1.000000
810	Kingston upon Hull, City of	1.000000
811	East Riding of Yorkshire	1.000000
812	North East Lincolnshire	1.000000
813	North Lincolnshire	1.000000
815	North Yorkshire	1.000000
816	York	1.000000
821	Luton	1.044406
822	Bedford	1.044406
823	Central Bedfordshire	1.044406
825	Buckinghamshire	1.083145
826	Milton Keynes	1.081238
830	Derbyshire	1.000000
831	Derby	1.000000
835	Dorset	1.000000

LA code	LA name	GLM ACA
836	Poole	1.000000
837	Bournemouth	1.000000
840	County Durham	1.000000
841	Darlington	1.000000
845	East Sussex	1.004792
846	Brighton and Hove	1.004792
850	Hampshire	1.040178
851	Portsmouth	1.040178
852	Southampton	1.040178
855	Leicestershire	1.000000
856	Leicester	1.000000
857	Rutland	1.000000
860	Staffordshire	1.000000
861	Stoke-on-Trent	1.000000
865	Wiltshire	1.020314
866	Swindon	1.020314
867	Bracknell Forest	1.116400
868	Windsor and Maidenhead	1.116400
869	West Berkshire	1.098410
870	Reading	1.098410
871	Slough	1.116400
872	Wokingham	1.098410
873	Cambridgeshire	1.036365
874	Peterborough	1.036365
876	Halton	1.010277
877	Warrington	1.010277
878	Devon	1.000000
879	Plymouth	1.000000
880	Torbay	1.000000
881	Essex	1.027422
882	Southend-on-Sea	1.010030
883	Thurrock	1.061421
884	Herefordshire	1.000000
885	Worcestershire	1.000000

LA code	LA name	GLM ACA
886	Kent	1.010382
887	Medway	1.002000
888	Lancashire	1.000000
889	Blackburn with Darwen	1.000000
890	Blackpool	1.000000
891	Nottinghamshire	1.007834
892	Nottingham	1.007834
893	Shropshire	1.000000
894	Telford and Wrekin	1.000000
895	Cheshire East	1.010277
896	Cheshire West and Chester	1.010277
908	Cornwall	1.000000
909	Cumbria	1.000000
916	Gloucestershire	1.017840
919	Hertfordshire	1.079459
921	Isle of Wight	1.040178
925	Lincolnshire	1.000000
926	Norfolk	1.000000
928	Northamptonshire	1.009304
929	Northumberland	1.000000
931	Oxfordshire	1.062866
933	Somerset	1.000000
935	Suffolk	1.000068
936	Surrey	1.116400
937	Warwickshire	1.019848
938	West Sussex	1.018647



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