

**1. Introduction**

The Dedicated Schools Grant (DSG) is a ring fenced grant of which the majority is used to fund individual school budgets. It also funds certain central services provided by the local authority such as Early Years (private and voluntary sector and maintained nurseries) and Special Educational Needs (SEN) including fees for out of borough pupils at independent special schools.

**2. School Funding for 2017-18**

There are minimal changes proposed to how local authorities can fund schools through their individual funding formulae. However, in July 2016 the EFA carried out an exercise to 're-baseline' the blocks of the DSG for each local authority to make sure that the starting point is the pattern of planned spending by local authorities within their annual DSG allocation rather than how central government has allocated funding since 2013. The new 2016-17 baselines have then been used to calculate allocations for the schools block and high needs block in 2017-18.

As a result of this exercise, the Schools Block Unit of Funding (SBUF) which is the funding generated per pupil on the October census has been reduced for 2017-18 to reflect the actual funding allocated through the Schools Block in 2016-17. The revised SBUF will be £4,845.80. This is a reduction of £68.82 per pupil. This therefore limits the amount of funding which can be top-sliced from the Schools Block to fund pressures in High Needs.

**3. Setting 2017-18 Budgets**

In 2015-16 and 2016-17 the schools funding formula has been set at a deficit of £1.6m and £2.07m respectively. In 2016-17 it is proposed to fund the deficit from the schools brought forward contingency totalling £5.5m. Beyond 2016-17 there will be limited funds to set a school funding formula with a deficit position. The schools brought forward contingency is a one off sum of money and therefore it is not sustainable to continue to use this to support a budget gap.

In March 2016 the DfE launched a first stage consultation with proposals for a new National Funding Formula (NFF) for Schools and High Needs to be introduced from April 2017. On 21<sup>st</sup> July 2016 the government announced that the full response to the first stage of the consultations will be published in autumn 2016. At the same time the proposals for a second stage consultation will also be published and decisions made in the new year. Therefore the new system will be delayed and instead apply from April 2018. With limited information as to how a NFF will impact on school funding and school budgets there are few changes proposed to the 2017-18 schools funding formula.

Schools are protected annually by the Minimum Funding Guarantee (MFG) from *per pupil* losses capped at -1.5% of the per pupil budget from the previous financial year. This means that schools cannot lose more than -1.5% of their previous years' per pupil budget. This will continue into 2017-18.

Cabinet is required to approve the structure of the funding formula for 2017-18 in relation to the factors applied within the formula. The values attached to each factor will be decided in consultation with Schools Forum in January 2017 in order to minimise the formula deficit. There are no changes proposed for the funding formula structure from the current 2016-17 formula. The current factors in the school funding formula are:

- Basic per pupil entitlement (Age Weighted Pupil Unit)
- Free School Meals
- Income Deprivation Affecting Children Index (IDACI)
- Looked After Children
- English as an Additional Language (EAL)
- Mobility
- Prior Attainment
- Lump Sum
- Rates
- Private Finance Initiative (PFI) Funding

Schools will also receive the Pupil Premium Grant in respect of pupils who have ever been eligible for Free School Meals (FSM) in the last six years.

### **Central Services**

Services currently funded from centrally retained DSG are included in either the High Needs Block or Early Years Block where appropriate, with the remaining falling into the Schools Block. All the funding in the schools block has to be passed to schools apart from the following named exceptions which can still be retained but are frozen at 2012-13 levels:

- Co-ordinated Admissions
- Servicing of Schools Forum

Schools Forum has agreed to continue to de-delegate funding in respect of Trade Union Facilities Time.

### **Additional Class Funding**

At its meeting in October 2016 Schools Forum agreed to continue to maintain a ring fenced Growth Fund from the DSG in order to fund in year pupil growth in relation to additional classes in both maintained and academy schools but not Free Schools, which create additional classes at the request of the local authority.

### **High Needs Block**

In line with the SEND Reforms being introduced from September 2014, the high needs funding system is designed to support a continuum of provision for pupils and students with special educational needs (SEN), learning difficulties and disabilities, from their early years to age 25. The following are funded from the High Needs Block:

- Harrow special schools & special academies
- Additional resourced provision in Harrow mainstream schools & academies
- Places in out of borough special schools and independent special schools

- High value costed statements in mainstream schools & academies
- Post 16 SEN expenditure including Further Education settings
- SEN Support services and support for inclusion
- Alternative provision including Pupil Referral Units and Education Other than at school

In 2016-17 high needs pupils are funded on a mixture of places and pupils, the “place-plus” approach. This will continue in 2016-17. There are continued concerns about the financial risks posed by the changes to the funding for SEN provision. Harrow has seen significant growth in the number of places through the expansion of the three special schools and the addition of three SEN units at mainstream schools from Sept 2015. There was no additional DSG funding awarded for these places and therefore they have been funded from a top slice from the Schools Block, which limits the funding available to distribute to schools. High Needs pupils in special schools, specialist provision and pupil referral units do not attract funding through a census, unlike pupils in mainstream settings. The DfE have also carried out a ‘re-baseline’ exercise on the High Needs Block and confirmed that no local authority will see a reduction in 2017-18, based on its 2016-17 baseline.

## **Early Years Block**

### **3 and 4 year old nursery entitlement**

The DfE launched its Early Years National Funding Formula consultation in August 2016.

The main principles of the funding reform are to:

- Maximise funding to early years providers
- Allocate funding fairly to Local Authorities and different types of providers
- Distribute funding efficiently and effectively to ensure value for money
- Allocate funding transparently so LAs and providers can understand how their funding rates were derived.
- Target effectively additional funding to those children who need it
- Allow adequate time to transition to the new funding arrangements

As the implementation date is proposed to be 1<sup>st</sup> April 2017 local authorities have to consult on its local Early Years Single Funding Formula in advance of the outcome of the DfE consultation. Harrow launched its consultation on 14<sup>th</sup> October 2016, which closes on 30<sup>th</sup> November 2016. The outcome of the consultation and proposed new funding formula will be reported to Cabinet for approval in January 2017.

### **Early Years Pupil Premium Grant**

In addition to the funding through the funding formula settings also receive Early Years Pupil Premium Grant (EYPPG) for eligible children. In 2016-17 this is £302 per year for each eligible child that takes up the full 570 hours (pro rata for children who take up fewer hours). The eligible groups for the EYPPG are children from low income families (defined as meeting the criteria for free school meals); children that have been looked after by the local authority for at least one day; have been adopted from care; have left care through special guardianship; and children subject to a child arrangement order setting out with whom the child is to live (formerly known as residence orders).

## **2 year old nursery entitlement**

From September 2013 free entitlement became a statutory requirement for eligible two year olds. In 2016-17 the funding is based on participation being 5/12ths of the January 2015 census and updated for 7/12ths of the January 2016 census. Harrow currently receives £5.53 per hour per eligible child. The hourly rate for 2016-17 will be confirmed after the spending review in December 2016.