

## 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 2016-17

There are minimal changes proposed to how local authorities can fund schools through their individual funding formulae. However, in 2015-16 former non recoupment academies (NRAs) were brought into local authorities' dedicated schools grant schools block funding allocations. This was done by adding a cash amount to each local authority's 2015-16 DSG allocation to ensure they had sufficient funding to include the budgets for the NRAs within overall funding. For 2016-17 the Schools Block Unit of Funding (SBUF) has been adjusted and has reduced to £4,915 per pupil, a reduction of around £5 per pupil. This represents a potential reduction of approximately £150k in DSG across some 30,000 pupil numbers because the funding allocated to Harrow's former NRA is lower per pupil than the funding generated from the SBUF. It is hoped that the funding gained between the differential of that received and that distributed will offset the loss in funding through the SBUF.

## 3. Setting 2016-17 Budgets

In 2014-15 and 2015-16 the schools funding formula has been set at a deficit of £1.2m and £1.6m respectively. In 2014-15 this deficit was offset by a significant underspend primarily in relation to Early Years funding for 2 year old nursery education places where the funding allocation was based on estimated numbers of eligible 2 year olds, not participation. In 2015-16 it is proposed to fund the deficit from the schools brought forward contingency totalling £8m. Beyond 2015-16 it will not be prudent to continue 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.

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 2016-17.

In order to reduce the amount of funding distributed through the formula, to enable a balanced budget to be set, the factor values would need to be reduced. This can either be done on one, some or all of the factors.

However, it is not as simple as just reducing the factor values and reducing the overall funding to be distributed because of the MFG. Schools which are already at MFG, ie receiving protection from losing no more than -1.5% of the previous years' *per pupil* budget will not see reductions in their budgets of anything more than -1.5% which would have happened anyway so no funding would be clawed back from their budgets to reduce the deficit. Schools which

will see an impact are those which are not currently at MFG – some of these could end up at MFG and others will see lower increases than in previous years.

In order to fund the MFG lump sum protections in 2015-16, schools which gain have been capped at 0.8%. This means that the *per pupil* budget compared with the previous year cannot increase by more than 0.8%. In 2015-16, 20 of the 55 schools funded through the Harrow Schools Funding Formula are receiving protection through MFG and 19 schools are capped at 0.8%. Therefore, the schools which will be more significantly impacted are those which currently gain through the formula.

Schools Forum established a working group to review the current funding formula and consider options to take the formula forward into future years. The working group came up with the following principles:

- Any changes to factor values would need to impact on all factor values. (The factor for Looked After Children has been excepted from this by the Local Authority in order to support LAC in schools).
- The contingency can continue to be used to support the formula for as long as is sustainable before the balance reaches a “minimum” limit, suggested to be £2m.

#### 4. Consultation

The Council issued a consultation document on Friday 25<sup>th</sup> September 2015 to include all maintained schools and academies with the following options.

- **Do nothing.** Continue to set a formula at a deficit and continue to use the schools contingency until it reaches a reduced, but prudent limit, say £2m. This would allow a maximum of two years before any local changes needed to be made in respect of the formula factor values. However, this is potentially putting off a bigger problem in future years and without a contingency, there will be no capacity to manage. In addition, if there were to be a change to the MFG regulations, schools may feel a significant loss from one year to the next and have to take the hit in one go.
- **Implement a reduction in factor values.** This would allow some funding to be clawed back through the formula to contribute to the deficit but would still maintain a number of schools above MFG and the remainder of the deficit to be funded through the contingency. It would still place a pressure on the contingency, but at a slower rate. It would also allow for greater formula stability for a longer period, possibly 3-4 years (subject to any national changes) and could put the contingency in a stronger position to manage any transitional arrangements as a result of any central government changes. This would include:
  - Reduce all formula factor values by -1.5%, but;
  - Retain current value for Looked After Children factor
  - Cap gains at 1% so that schools which gain do not gain more than 1% of last year's per pupil budget.

The consultation closed on 23<sup>rd</sup> October 2015. A total of 16 responses to the consultation were received (31%). A summary of the responses is shown at the following table.

## Consultation responses

Phase	TOTAL	Do Nothing	Reduce by 1.5%	Alternative
Primary	10	1	9	
Secondary	6	0	3	3
<b>TOTAL</b>	<b>16</b>	<b>1</b>	<b>12</b>	<b>3</b>

The majority of respondents were in favour of a reduction in factor values. However three respondents, whilst broadly in support of a reduction, felt that a more modest reduction would be more appropriate, ranging from 0.5% to 1%.

As a result of the outcome of the consultation it is proposed to implement a factor value reduction in 2016-17 and it is suggested that the final cash values of each formula factor be set following consultation with Schools Forum in January 2016 after the 2016-17 Schools Block funding has been announced which will be based on October 2015 census data.

Cabinet is required to approve the structure of the funding formula for 2016-17 in relation to the factors applied within the formula. The values attached to each factor will be decided in consultation with Schools Forum. There are no changes proposed for the funding formula structure from the current 2015-16 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

In addition, the following services will be delegated to schools:

- Behaviour Support Services
- Support to underperforming ethnic minority groups and bilingual learners
- Trade Union Facilities Time

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

### **Additional Class Funding**

At its meeting in November 2015 Schools Forum will consider a requires 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 2015-16 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. The 2016-17 DfE guidance states, before the DfE budgets have been set for future years, LAs should assume that the 2016-17 allocations of high needs place funding and other high needs funding, will remain as they were in 2015-16. Unlike last year, there will be no process which allows LAs to apply to the EFA for additional high needs funding. High Needs pupils in special schools, specialist provision and pupil referral units do not attract funding through a census, unlike pupils in mainstream settings.

### **Early Years Block**

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

Since 2004 all three and four year olds have been entitled to a free part time early education place. As in 2015-16 the funding for three and four year olds will be based on a per pupil amount which will be confirmed in December 2015. Unlike school funding this is based on

January 2016 Early Years Census and January 2017 Early Years Census and funding is adjusted to reflect any change between the two dates.

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

In addition to the funding through the funding formula a new Early Years Pupil Premium Grant (EYPPG) was introduced from April 2015. In 2015-16 this is £300 per year for each eligible child that takes up the full 570 hours with them. The eligible groups for the EYPPG will be 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 2015-16 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 2015.