

## Schools Budgets 2018-19

### Introduction

1. The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Special Educational Needs (SEN) statements and Education Health & Care Plans (EHCPs) in special schools and special provision in Harrow and out of borough.

### School Funding for 2018-19

2. There are significant changes to school funding in 2018-19. In March and December 2016 the Government issued a two phase consultation which proposed the introduction of a National Funding Formula (NFF) for schools and High Needs funding. The outcome of these consultations was announced in the summer.
3. The Government will introduce a National Funding Formula from 2018-19. This will be a 'soft' NFF in 2018-19 and 2019-20. This means that LAs will be funded on the basis of the aggregate of the NFF for all schools, academies and free schools in its area but the final formula for distribution will be determined by each LA following consultation with schools and Schools Forums. This will come to Cabinet in February 2018 for approval.
4. In 2020 the Government intends to implement the NFF 'hard' formula which means that school allocations will be determined by the DfE rather than LAs.

**Table 1 – Funding Formula Factors**

<b>National Funding Formula Factors</b>	<b>Harrow Funding Formula Factors</b>
Basic per pupil entitlement	Basic per pupil entitlement
Deprivation Free School Meals	Deprivation Free School Meals
Deprivation Free School Meals Ever 6	
Deprivation Income Deprivation Affecting Children Index (IDACI)	Deprivation Income Deprivation Affecting Children Index (IDACI)
	Looked After Children
English as an Additional Language	English as an Additional Language
Mobility	Mobility
Low Prior Attainment	Low Prior Attainment
Lump Sum	Lump Sum
Business Rates	Business Rates

5. Formula Factors

Whilst the formula factors remain broadly the same in both formulae, the £ values are, in some cases, significantly different.

6. Free School Meals

The NFF uses both Free School Meals and Ever 6 and whilst the proposed factor values are lower in the NFF compared with the current Harrow formula, the cohort of young people on which the funding will be based, increases.

7. English as an Additional Language (EAL)

The current Harrow formula uses EAL2 for primary and EAL1 for secondary schools. This means that funding is allocated for the first and second year a child, whose first language is not English, is in the state education system for primaries and only the first year in secondary schools. The NFF uses EAL3 for both primary and secondary schools so that funding will be allocated for the first 3 years that a child enters the education system. In addition the factor value is higher than the Harrow factor and it is distributed over a larger cohort of young people.

8. Low Prior Attainment (LPA)

The current Harrow formula uses Early Years Foundation Stage Profile (EYFSP) below 73. The NFF uses EYFSP 78. In addition the factor value is higher than the Harrow factor and it is distributed over a larger cohort of young people.

9. Looked After Children (LAC)

There will not be a LAC factor in the new NFF. Instead, Pupil Premium Plus rates for 2018-19 will increase.

10. The NFF maximises the proportion of funding allocated to pupil-led factors compared to the current system and increases the total spend on the additional needs factors in the NFF. Whilst the base factor rates are standard across the country LAs will receive an Area Cost Adjustment (ACA) to recognise the higher salary costs faced by some schools especially in London. This uses the hybrid ACA methodology which takes into account variation in both general and teaching labour markets.

### **Transitional Protection**

11. The NFF builds in an overall funding floor so that no school would face a reduction of more than 3% per pupil (over two years) as a result of the NFF. LAs may also set a minimum funding guarantee for schools between 0% and minus 1.5% per pupil. The level the LA will set will depend on the overall affordability of the formula.

### **Consultation**

12. The LA is currently undertaking a consultation with all schools, academies and free schools in Harrow to seek views on the structure of the Harrow schools funding formula in 2018-20. The consultation asks whether schools think the LA should use the existing Harrow schools funding formula or to introduce the national funding

formula for the distribution of budgets to schools. The consultation closes on Friday 1<sup>st</sup> December 2017.

13. The outcome of the consultation, proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2018.

### **Central Services**

14. 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**

15. 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 Funding**

16. High Needs funding 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:
  - 1) Harrow special schools & special academies
  - 2) Additional resourced provision in Harrow mainstream schools & academies
  - 3) Places in out of borough special schools and independent special schools
  - 4) Statements/Education Health & Care Plans (EHCPs) in mainstream schools & academies
  - 5) Post 16 SEN expenditure including Further Education settings
  - 6) SEN Support services and support for inclusion
  - 7) Alternative provision including Pupil Referral Units and Education Other than at school
17. The Government will introduce a National Funding Formula for High Needs from 2018-19. High Needs funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity annual funding transfers from the schools block into the high needs block have been approved by Schools Forum. In 2018-19 the schools block

will be ring-fenced and transfers to the High Needs block will be limited to 0.5% of the overall Schools Block. For Harrow this would equate to around £600k. This decision is still the responsibility of Schools Forum.

18. Table 2 shows the formula factors for the high needs NFF.

**Table 2 – High Needs National Funding Formula Factors**

Formula Factors		Other factors & adjustments
Basic entitlement: basic unit of funding for pupils and students in specialist SEN institutions		Area Cost Adjustment (ACA)
Population Factor		
Health and disability factors	Disability living allowance	Import/export adjustments
	Children in bad health	
Low Attainment factors	KS2 low attainment	Funding floor factor
	KS4 low attainment	
Deprivation Factors	Free school meals	Hospital education factor
	IDACI	
Historic spend factor – 50% of 2017-18 baseline funding		

19. The notional implication for Harrow is that there will likely be a shortfall in funding compared with the 2017-18 budget. This is because there is an overall shortfall in the DSG in 2017-18 which is being funded by the use of a schools brought forward contingency which will be fully spent by the end of this financial year. This means that the funding baseline on which 50% of the allocation in 2018-19 will be based is lower than the budget in 2017-18. This could equate to a pressure on high needs funding of £1m - £1.5m. This will be closely monitored and every effort to mitigate pressures will be taken.

20. The LA will formally request Schools Forum agree a transfer of funding from the schools block which could equate to around £600k in January 2018 once the October 2017 census data is available and the final high needs funding allocation is announced. If Schools Forum does not agree a transfer then the LA must make an application to the Secretary of State.

21. The DfE guidance states that at the end of the financial year the central expenditure element of the schools budget may be under or overspent. If the local authority overspends on the central expenditure component of the schools budget there are three options:

- 1) The local authority may decide to fund all the overspend from its general resources in the year in question;

- 2) The local authority may decide to fund part of the overspend from its general resources in the year in question and carry forward part to the schools budget in the next or subsequent year; or
  - 3) The local authority may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the schools budget in the next or subsequent year.
22. Where a local authority decides it wishes to carry all or some of the overspend forward it needs to obtain the consent of the schools forum, or failing that the Secretary of State, to fund this deficit from the schools budget.
23. Once the final DSG allocations are announced in December 2017 the LA will be in a better position to understand any financial implications for future years. In the meantime the LA will continue to drive down costs and improve efficiencies to minimise future pressures.

### **Early Years Funding**

24. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 and 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent providers (PVI). From September 2017 this was extended to 30 hour nursery entitlement for eligible 3 and 4 year olds. It also funds free 15 hour nursery entitlement for disadvantage 2 year olds.
25. A national funding formula for Early Years was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2018. At this stage there have been no further announcements about Early Years funding for 2018-19.