

SCHOOLS BUDGET 2018-19

Appendix 6

Introduction

1. 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 as well as provision for 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.

DSG settlement 2018-19

2. The 2018-19 DSG settlement is based on the number of pupils on the October 2017 schools census for schools, as well as a lump sum for some historical items, the January 2017 Early Years census for early years and a combination of a historical lump sum and pupil . The total indicative DSG for 2018-19 is £210.9m.

Table 1 – 2018-19 DSG allocation

Block	Per Pupil Funding		Pupil No.s		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,164.56	£5,833.91	21,343	11,265	£154,603,200
Schools Block – lump sum					£7,342,648
Total Schools Block					£161,945,848
Central Schools Block	£36.67		32,608		£1,195,735
High Needs Block					£30,598,585
Early Years Block					£17,180,458
Total DSG Allocation 2018-19					£210,920,627

Schools Block

3. The Schools Block is funded on two different methodologies. Firstly there is a per pupil funding rate for both primary and secondary pupils which have been derived using the total of all schools and academies 2017-18 issued budgets by the LA and dividing by the adjusted number of pupils on roll on the October 2016 census. These funding rates are then multiplied by the October 2017 numbers on roll on the October 2017 census.
4. Secondly there is a lump sum which is based on the actual values distributed in 2017-18 for business rates, pupil mobility (those starting school outside of the normal August or September (or January for reception pupils)) admission periods, and growth funding for new and expanding schools.

5. The Government will introduce a new National Funding Formula (NFF) 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 national funding formula for all schools, academies and free schools in its area but the final formula for distribution will be determined by each Council following consultation with schools and Schools Forums.
6. The LA carried out a consultation which opened on Friday 3rd November and closed on Friday 1st December 2017. The consultation sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19.
7. There were a total of 45 (76%) responses received as shown in Table 1

Table 2 – summary of consultation responses

Phase	Number of Schools	Responses Received	%
All Through	1	1	100%
Primary	42	32	76%
Secondary	12	8	67%
Special	4	4	100%
Total	59	45	76%

8. Question 1 asked: which formula do you support to distribute funding to Harrow schools for 2018-20? A summary of the responses is shown at Table 2 where:

- Option A is a preference to continue with Harrow Funding Formula
- Option B is a preference to introduce the National Funding Formula

Table 3 – consultation question 1 summary of responses

Phase	Number of responses	Option a) Harrow		Option b) NFF	
		Number	%	Number	%
All Through	1	0	0%	1	100%
Primary	32	5	16%	27	84%
Secondary	8	0	0%	8	100%
Special	4	0	0%	4	100%
Total	45	5	11%	40	89%

9. As shown in Table 3 89% of respondents support the introduction of the National Funding Formula in 2018-19. The consultation also provided schools with an opportunity to make any comments. Most schools provided additional comments. The main theme of the comments:

- Those in favour expressed the need to move to a National Funding Formula in the next two years as this would help financial planning for the future.
- Those in favour of the Harrow Funding Formula expressed the need for transitional years whereby they could plan for the impact of the NFF over a longer period.
- a number of respondents requested an MFG set at -1.5%
- a number of respondents noted the importance of transitional protection over the next two years

10. As a result of this consultation and the overwhelming majority of respondents being in favour of introducing the NFF **Cabinet is asked to approve the introduction of the National Funding Formula from 1st April 2018 as set out at Table 4 below.** This means that school budgets will be prepared on the basis of the NFF in 2018-19 and 2019-20.

Table 4 – proposed funding formula rates 2018-19

Category	Description	Amount per pupil	
		Primary	Secondary
Basic entitlement	Primary	£3,016.28	
	KS3		£4,241.31
	KS4		£4,815.75
Deprivation	Free School Meals	£483.13	£483.13
	FSM 6	£592.94	£861.95
	IDACI Band F	£219.61	£318.43
	IDACI Band E	£263.53	£428.23
	IDACI Band D	£395.29	£565.49
	IDACI Band C	£428.23	£614.90
	IDACI Band B	£461.17	£658.82
	IDACI Band A	£631.37	£889.40
EAL	English as an Additional Language	£565.49	£1,520.77
Mobility	Pupils starting outside of normal entry dates	£2,980.90	£2,668.82
Prior attainment	Low prior attainment	£1,152.93	£1,701.95
Lump Sum	Lump Sum per school	£132,783.30	

Minimum Funding Guarantee

11. In 2018-19 the Minimum Funding Guarantee (MFG) will continue to protect schools from per pupil losses between years. It is proposed to set an MFG of -1.5% in line with previous years and in response to a number of comments from the consultation. This means that schools which are at the MFG will be protected from losing more than -1.5% per pupil compared with the previous

year's budget. This is to ensure that schools move as near to the NFF as possible in advance of the introduction of the hard NFF in 2020-21.

12. In addition to the MFG protection from losses, it is possible for LAs to allow overall gains for individual schools to be capped. However it is not proposed to set a cap on gains, since it is affordable within the overall formula, and therefore schools who are due to benefit from the hard NFF and whose gains have been capped in previous years to fund MFG protection for schools facing losses, will gain fully.

13. These approaches to caps and MFG protection were approved by Schools Forum on 16th January 2018.

Additional Funding

14. In 2018-19, as a one-off only, there is an additional £3m of funding in the ring-fenced Schools Block due to the introduction of the NFF and the methodology used to calculate primary and secondary units of funding. As it is a one-off it has been allocated to schools via the schools funding formula but adjusted so that it does not impact on MFG baselines in future years.

High Needs Block

15. In 2018-19 the Government will also introduce a NFF for High Needs. The breakdown of the High Needs Block allocation is shown in Table 5.

Table 5 – 2018-19 High Needs Block

Factor	Pupil No.s	Rate/proportion	Value £
Basic entitlement	525	£4,446	£2,334,388
Historic spend factor			£14,670,609
Population factor	61,693	(0.53% of national total)	£7,212,483
FSM factor	3,847	(0.34% of national total)	£911,567
IDACI factor	17,507	(0.29% of national total)	£785,769
Bad health factor	367	(0.55% of national total)	£1,112,854
Disability factor	1,434	(0.38% of national total)	£760,604
KS2 low attainment factor	535	(0.42% of national total)	£849,704
KS4 low attainment factor	488	(0.29% of national total)	£642,760
Funding floor factor	54,726	£53	£2,957,815
Hospital education			£92,460
Import/export adjustment	-12	-£6,000	-£72,000
Other			£35,572
High Needs NFF 2018-19 Allocation			£32,294,585
Less: recoupment for academies			-£1,696,000
Net High Needs Block 2018-19			£30,598,585

16. The NFF contains the following factors:

- Basic entitlement factor for each pupil in a special school or special post 16 institution
- Historic lump sum equal to 50% of each LAs current spend
- Proxy factors for population, deprivation, health and disability, and low attainment.

17. In addition there is a funding floor to protect LAs from reductions in high needs funding through formula. Harrow's funding floor in 2018-19 is £539 per 2-18yo recorded on the 2017 ONS population but the NFF only generates £486 so the LA is protected at £53 per child.

Funding shortfall for High Needs

18. As reported to Cabinet in December 2017 there is a risk to the LA through the introduction of the High Needs NFF for 2018-19. 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.

19. The 2018-19 High Needs Block funding allocation is approx. £380k lower than the budget in 2017-18. In previous years, funding could be transferred from the Schools Block without limit, subject to Schools Forum agreement, to fund known and anticipated commitments in high needs expenditure. However, from 2018-19 the transfer from the Schools Block is limited to 0.5% of the total Schools Block. In 2018-19 this equates to approx. £810k.

20. As part of the consultation with schools in the Autumn Term, the consultation also sought views on whether Schools Forum should agree a transfer of 0.5% of the Schools Block into the High Needs Block to support an anticipated shortfall in funding and increase in demand. The outcome of the consultation is shown at Table 6.

Table 6 – consultation question 2 summary of responses

Phase	Number of responses	Yes		No		Not answered	
		Number	%	Number	%	Number	%
All Through	1	1	100	0	0%	0	0%
Primary	32	28	88%	3	9%	1	3%
Secondary	8	6	75%	2	25%	0	0%
Special	4	4	100	0	0%	0	0%
Total	45	39	87%	5	11%	1	2%

21. As shown in Table 6 87% of responses support the transfer of 0.5% of the schools block into the High Needs block in 2018-19. The consultation also provided schools with an opportunity to make any comments. The main theme of the comments:

- This decision should be limited to one financial year
- LA review of high needs spend must be undertaken/continued – this was expressed as a concern regarding both lack of progress and the need to plan for the future
- The need to support vulnerable children

22. As a result of the consultation, at its meeting on 12th December 2017, Schools Forum approved the transfer of 0.5% the schools block allocation into the High Needs Block in 2018-19.

23. In order to mitigate any pressures, the LA is employing specialist capacity to undertake a series of tasks that will inform the future development of SEND provision in Harrow. The first phase will be a review of the High Needs' Block expenditure. This will be followed by reviewing pupil cohorts and needs, including early years and post 16.

24. These reviews will then inform a series of short, medium and long term activities. In the short term there is an immediate need to secure sufficient places in September 2018. In the medium term there will be a need to plan for sufficient capacity and reshape in-borough provision. Long term plans will include new provision. In summary the scope of this work is as follows:

- Reviewing areas of high needs spend and volumes
- Map current in-borough provision including vacant places and gaps
- Identify cohorts of children with similar need who are currently out of borough
- Review FE and post 16 provision
- Reviewing tribunal outcomes
- Developing proposals for extended and new in-borough provision.

Early Years Block

25. The Government introduced a new National Funding Formula for Early Years from April 2017. In October 2016 and December 2016 the LA consulted on the proposed formula for 2017-18 for Harrow providers and the new Early Years Single Funding Formula (EYSFF) was approved by Cabinet in January 2017 and was introduced on 1st April 2017.

26. In 2018-19 the hourly rate per part time pupil on the January Early Years census that the LA receives will change. This means that the LA was required to conduct a consultation on the proposed change to the EYSFF for 2018-19. The consultation opened on 15th December 2017 and closed on 12th January 2018.

27. In December 2017 the Government announced the new hourly funding rates for 2018-19. The indicative total hourly funding rate available to providers in Harrow is £5.30 compared with £4.76 in 2017-18. However an SEN Inclusion Fund needs to be established from within this allocation and therefore the hourly funding rate through the formula will be lower than this.

28. The 2017-18 current EYSFF and the proposed 2018-19 EYSFF set out in the consultation is shown at Table 7.

Table 7 – current and proposed EYSFF

Description	Current	Proposed
	2017-18	2018-19
	Hourly £	Hourly £*
Funding available to providers	£4.76	£5.30
Top-slice SEN inclusion fund 5%		
Funding available to providers through formula	£4.52	£5.04
Base rate minimum 90%	£4.07	£4.53
Supplements 10%	£0.45	£0.51
Funding available to providers through formula	£4.52	£5.04
Breakdown of supplements		
- Deprivation (IDACI) 10%	£0.05	£0.05
- Flexibility 45%	£0.20	£0.23
- Quality 45%	£0.20	£0.23
Total Supplements at 10% of overall allocation	£0.45	£0.51
Annual maximum sum per child (15h/wk over 38wks)	£2,578.41	£2,872.80

**hourly rates will not automatically calculate as figures have been adjusted for rounding*

29. The consultation proposed to retain the structure of the current EYSFF but to increase each of the factor values proportionately to reflect the increase in funding to the LA.

30. There were 11 responses received in the consultation all of which supported the proposals in the consultation. Therefore for 2018-19 the LA will retain the

same EYSFF structure and increase the values as set out in the final column of Table 7 above.

Other School Budgets

Capital

31. The DfE have yet to confirm the 2018-19 capital allocation. This is expected later in January and any Devolved Formula Capital will be included in the final school budgets.

Pupil Premium

32. Schools will continue to receive the Pupil Premium. Eligibility and funding rates are shown at Table 8.

Table 8 – Pupil Premium rates 2018-19

Category	Per pupil value
Pupils in year groups reception to year 6 recorded as Ever 6 FSM	£1,320
Pupils in years 7 to 11 recorded as Ever 6 FSM	£935
Looked-after children (LAC) defined in the Children Act 1989 as one who is in the care of, or provided with accommodation by, an English LA	£2,300
Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order	£2,300
Pupils in year groups reception to year 11 recorded as Ever 6 service child or in receipt of a child pension from the Ministry of Defence	£300

Universal Infants Free School Meals (UIFSM)

33. It is anticipated that the grant for universal infant free school meals (UIFSM) will continue at a meal rate of £2.30 for the 2018 to 2019 academic year although no further details have been announced to date.

Year 7 Catch Up

34. There have been no announcements in respect of these beyond the 2017 to 2018 academic year.

Primary PE and Sports Premium

35. There have been no announcements in respect of these beyond the 2017 to 2018 academic year