

## 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 Education Health & Care Plans (EHCPs) in special schools and special provision and mainstream schools in Harrow and out of borough. The DSG is split into four blocks: schools block, central services block, early years block and high needs block.

## School Funding for 2019-20

2. In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools Services Block. For the Schools Block this meant that LAs are funded on the basis of the total of the national funding formula for all schools, academies and free schools in its area. However the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
3. This will be a transitional NFF in up to 2021. 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, subject to prescribed limits, following consultation with schools and Schools Forums.
4. The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19. 76% of schools responded to the consultation and 89% voted in favour of introducing the National Funding Formula from 2018-19. This was approved by Cabinet in February 2018 and school budgets were set for 2018-19 based on the National Funding Formula.
5. There are no proposed changes to the structure of the formula for 2019-20.
6. In 2021 the Government intends to implement the NFF formula in full which means that school allocations will be determined by the DfE rather than LAs. This is a year later than originally planned.

**Table 1 – Funding Formula Factors**

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

7. 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.
8. All the funding in the schools block has to be passed to schools apart from some limited flexibility which allows local authorities to transfer up to 0.5% of the schools block funding into another block with the approval of schools forum following consultation with all local maintained schools and academies.

### **Transitional Protection**

9. 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 plus 0.5% and minus 1.5% per pupil. This is subject to consultation but the level the LA will set will ultimately depend on the overall affordability of the formula.

### **Consultation**

10. The LA undertook a consultation with all schools, academies and free schools in Harrow to seek views on aspects of school funding for 2019-20. The consultation closed on Friday 19<sup>th</sup> October 2018. There was a 44% (26/59 schools) response rate.
11. The full outcome of the consultation, proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2019 for approval.

### **Central Services**

12. The Central Services Block funds the following services:
  - 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**

13. 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

14. 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:
- Harrow special schools & special academies
  - Additional resourced provision in Harrow mainstream schools & academies
  - Places in out of borough special schools and independent special schools
  - Education Health & Care Plans (EHCPs) 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
15. The Government introduced 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.
16. In 2018-19 the schools block is ring-fenced and transfers to the High Needs block are limited to 0.5% of the overall Schools Block. For Harrow this equates to around £850k. This decision is still the responsibility of Schools Forum and Schools Forum agreed to the transfer in 2018-19.
17. 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	
	KS4 low attainment	
Deprivation Factors	Free school meals	Hospital education factor
	IDACI	
Historic spend factor – 50% of 2017-18 baseline funding		

18. The implication for Harrow is that there is a shortfall in funding compared with the 2017-18 budget of approximately £2.9m. This is because there was an overall shortfall in the DSG in 2017-18 which was funded by the use of a schools brought forward contingency.

This means that the funding baseline on which 50% of the allocation in 2018-19 is based is lower than the actual budget available to spend in 2017-18. Schools Forum agreed in November 2018 to fund the 2018-19 deficit from remaining schools forum reserve. The pressure on the High Needs Block in 2018-19 estimated at £2.1m

19. Under the revised regulations the LA is still permitted to transfer 0.5% of the overall Schools Block into the High Needs Block for 2019-20. This is subject to Schools Forum approval. In November 2018 Schools Forum, informed by the outcome of the consultation with local maintained schools and academies, did not agree a transfer from the Schools Block to the High Needs Block for 2019-20. The LA will therefore make an application to the Secretary of State to override the Schools Forum decision.
  
20. 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.
  
21. 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.
  
22. Once the final DSG allocations are announced in December 2018 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. The DfE is currently consulting on the treatment of DSG deficits in local authority accounts.

### **Early Years Funding**

23. 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.
  
24. 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 are no proposed changes in respect of Early Years funding for 2019-20.