

Introduction

1. The Dedicated Schools Grant (DSG) is a ring fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Harrow. It also funds Early Years nursery entitlement 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 Plan (EHCPs) in special schools, special provision and mainstream schools in Harrow and out of borough. The DSG is split into four blocks: Schools block, Central School Services Block, Early Years Block and High Needs Block.

DSG Settlement 2019-20

2. The 2019-20 DSG settlement is based on the number of pupils on the October 2018 schools census for the Central School Services Block and Schools Block as well has a lump sum for historical items related to premises and mobility, the January 2018 Early Years census for the Early Years Block a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2019-20 is £216.525m.

Table 1 – 2019-20 DSG allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,137.79	£5,637.69	21,574	11,863	£156,145,779
Schools Block – lump sum premises & mobility					£3,508,503
Schools Block – growth fund formula					£3,235,390
Schools Block – growth fund ONE OFF					£2,905,196
Total Schools Block					£165,794,767
Central Schools Block	£36.64		33,437		£1,225,132
High Needs Block					£32,006,781
Early Years Block					£17,498,814
Total Dedicated Schools Grant Allocation 2019-20					£216,525,494

Schools Block

3. 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 means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its area but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forums.
4. This is a transitional arrangement up to 2021, beyond which the Government intends to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. This is a year later than planned.

5. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. There are no proposed changes to the structure of the formula for 2019-20. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2019-20

Category	Description	Amount per pupil	
		Primary	Secondary
Basic entitlement	Primary	£3,016.28	
	KS3		£4,241.31
	KS4		£4,815.75
Deprivation (IDACI – Income Deprivation Affecting Children Index)	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	£1,122.19	£1,701.95
Lump Sum	Lump Sum per school	£120,783.30	

Minimum Funding Guarantee

6. In 2019-20 the Minimum Funding Guarantee (MFG) will continue to protect schools from per pupil losses between years. Within the regulations it is possible to set a MFG of between -1.5% and +0.5%. The LA undertook a consultation with all schools in the Autumn Term and the majority of respondents were in favour of setting a MFG of -1.5%. This means that schools cannot lose more than -1.5% per pupil of their previous year's budget.
7. The Government has made no commitments to continue the MFG beyond 2021 and at this point, those schools protected by MFG could face significant reductions in funding. Setting a negative MFG enables schools to align with funding generated through the NFF and aims to prevent large funding drops if MFG no longer applies in the future.
8. In order to fund the MFG it is possible for LAs to cap schools which gain through the formula. However it is not proposed to set a cap since it is affordable within the overall formula. This is consistent with 2018-19.

Additional Funding

9. In 2019-20 there is capacity in the overall Schools Block of £5.7m. £4.2m is as a result of one off funding to reflect an ESFA technical adjustment in 2018-19 as well as one off funding in a brought forward contingency managed by Schools Forum. The remainder of capacity is as a result of setting a MFG at -1.5%. It is proposed to treat all of this funding as one off so that it does not inflate MFG baselines in future years. This funding will be distributed on a per pupil basis with differential rates for primary, Key Stage 3 and Key Stage 4, which mirrors the NFF.

High Needs Block

10. 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.
11. There is a duty to admit a child or young person if the institution is named in a statutory Education, Health and Care (EHC) plan. Local authorities use the high needs budget to provide the most appropriate support package for an individual with SEND in a range of settings, taking account of parental and student choice, whilst avoiding perverse incentives to over-identify high needs pupils and students. High needs funding is also intended to support good quality alternative provision for pupils who cannot receive their education in schools.
12. The following are funded from the High Needs Block (HNB).
 - Harrow special schools, including academy special schools
 - Additional resourced provision in Harrow mainstream schools and academies
 - School places in out of borough special schools and independent special schools
 - Educational provision contained in the Education Health & Care Plans (EHC plan) in mainstream schools and academies
 - Post 16 SEN provision including Further Education settings
 - SEN support services and support for inclusion
 - Alternative provision including Pupil Referral Unit (PRU) and Education Other Than At School (EOTAS)
13. The Government introduced a National Funding Formula for High Needs from 2018-19. High Needs funding has previously been based on historical allocations plus some annual amounts of growth. In order to manage increasing growth for demand and complexity of need, annual funding transfers from the Schools Block into the High Needs Block have been approved by Schools Forum. Previously there was no limit to the value of transfer permissible.
14. The introduction of the High Needs NFF has led to a shortfall in funding compared with the 2017-18 baseline, of approximately £2.9m. This is because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency managed by Schools Forum.

15. In addition, between 2013-19 there has been an increase in HNB funding of £5.128m (21%) compared with increase in HNB spend of £8.090m (34%) and an increase in EHC plans from 1,168 in January 2014 to nearly 1,700 by October 2018 (46%). The SEND Reforms in 2014 require LAs to support young people with EHC plans aged 0-25 years compared with (broadly) 5-19 years previously.
16. From 2018-19 the Schools Block is ring-fenced and transfers to the HNB are limited to 0.5% of the Schools Block. For Harrow this equates to approx. £830k. The Schools Forum must be consulted and if it does not agree, the transfer can only be made with the consent of the Secretary of State for Education.
17. Schools Forum agreed to the transfer in 2018-19 and this reduced the pressure on the HNB to £2.1m. At its meeting in November 2018 Schools Forum agreed to fund the 2018-19 deficit from the brought forward contingency. This contingency will be exhausted by 31 March 2019.
18. As reported to Cabinet in December 2018, in respect of a transfer for 2019-20, the LA consulted with all schools and Schools Forum in the Autumn Term and the majority of responses and overall vote did not agree to repeat this transfer for 2019-20.
19. However at its meeting in January 2019 and in the context that there is additional capacity within the Schools Block which was not known about in the Autumn Term, Schools Forum agreed to a transfer of 0.25% of the Schools Block into the High Needs Block of approx. £415k.
20. The HNB budget allocation for 2019-20 is set out at Table 3

Table 3 – High Needs Block budget allocation 2019-20

Description	Basic entitlement rate	No. of pupils in special schools	Value
High Needs Block Allocation (excl basic entitlement factor)			£30,442,441
Basic Entitlement Factor	£4,446	548	£2,436,657
Import/Export Adjustments (2018-19 figure)			-£1,479,000
Additional HNB allocation announced December 2018			£606,683
Total HNB before academy recoupment			£32,006,781
Academy recoupment for SEN units, special schools and FE			-£1,432,649
Net High Needs Block 2019-20			£30,574,132
Agreed 0.25% transfer from Schools to HNB 2019-20 only			£414,487
High Needs Block Total Budget 2019-20			£30,988,619

21. In December 2018 the Government announced new funding to support children with special educational needs. For Harrow this funding totals £1.213m spread over 2018-19 and 2019-20 (£606k in each year). There are no further announcements about whether this funding will continue beyond these years.
22. The total budget in 2019-20 represents a net increase in funding from 2018-19 of £686k. Of this, approximately 50% is on-going, related to an increase in pupil

numbers and changes in demographics but the remainder is one-off, related to additional funding announcements and block transfers

23. Whilst the additional SEND funding is welcomed there remains uncertainty about funding for future years. In addition the allocation is arbitrary and does not reflect what is happening in reality. The pressure on the High Needs Block in 2018-19 is £2.1m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision.
24. Despite the additional SEND funding of £606k from the Government there is anticipated to be a pressure of approx. £3.2m in 2019-20. The LA will need to set a deficit budget in respect of the HNB and fund the shortfall from future years' DSG allocations or a transfer from the General Fund. Any changes to SEND funding or provision for young people would be subject to consultation with relevant stakeholders.
25. The DfE guidance states that there are three options if there are overspends at the end of the financial year:
 - The local authority may decide to fund all the overspend from its general resources in the year in question;
 - 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
 - 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.
26. 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.
27. There is a significant and growing shortfall within the HNB across London. A recent survey showed that London boroughs had a total shortfall of £78m in 2017-18 compared with HNB allocations, with 32 out of 33 boroughs reporting a shortfall. Up until now, some boroughs, like Harrow, have been able to contain this within the overall DSG by transferring funding between blocks and/or using brought forward contingencies whilst other boroughs are already reporting DSG deficits. However the introduction of the HNB NFF and restrictions on block movements has highlighted more clearly the significant level of underfunding in respect of High Needs.
28. While the DSG formula does include proxies for high need through deprivation and other measures, and does reflect changes in pupil numbers and general 2-18 population, it does not recognise increasing incidence of SEND.
29. Whilst there are plans in place to increase in-borough provision, this takes time. This is covered more extensively in the SEND Strategy also on this Cabinet's agenda.

Early Years Block

30. 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 (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 disadvantaged 2 year olds.

3 and 4 year olds

31. A national funding formula for 3 and 4 year old funding was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2017. In 2019-20 the hourly rate per part time pupil on the January Early Years census that the LA receives, remains the same.

32. There are no proposed changes to the structure of the Early Years Single Funding Formula (EYSFF) for 2019-20. However there are proposed changes to the distribution of the Quality factor. This means that the LA was required to conduct a consultation on the proposed change to the EYSFF for 2019-20. The consultation opened on 20th December 2018 and closed on 18th January 2019.

33. Throughout 2018-19 the LA has considered feedback received around workforce development and as such proposed an option to reduce the quality supplement paid to providers (by £0.02 per hour), in order to centralise a fund, managed by PVI, childminder and maintained schools with nursery classes, to support system leadership and workforce development. The indicative value of this fund will be approximately £55k. If the program is successful the allocation can be reviewed 2020-21. This process has been successfully adopted by a number of local authorities, and would be an opportunity for providers to have funding to manage and maintain their own workforce development, including subscriptions, training and peer to peer reviews.

34. Any system leadership supplement should be open and transparent in terms of the process for

- choosing the program leaders (selected from within PVI, Childminder and maintained schools with nursery classes)
- managing the funding arrangements, and
- The offer provided

- The supplement can only be used to cover the cost of providing the system leadership, i.e. no one should benefit financially outside of it, either those supporting or those being supported. Only costs of delivering the system leadership program should be met.

- Before introduction, PVI, childminders and maintained schools with nurseries will be consulted, so that the fund can be managed appropriately to support system leadership. For example, successful leaders may choose to offer bespoke training, peer on peer reviews etc.

35. There were 21 responses received in the consultation of which 13 supported the proposal, 7 did not support the proposal and one response did not answer this

question. Therefore for 2019-20 the LA will retain the same EYSFF structure and introduce the changes to the Quality factor.

36. The 2018-19 current EYSFF and the proposed 2019-20 EYSFF set out in the consultation is shown at Table 7.

Table 4 – current and proposed EYSFF

Description	Current	Proposed
	2018-19	2019-20
	Hourly £	Hourly £*
Funding available to providers	£5.30	£5.30
Top-slice SEN inclusion fund 5%	£0.26	£0.26
Funding available to providers through formula	£5.04	£5.04
Base rate minimum 90%	£4.53	£4.53
Supplements up to 10%	£0.51	£0.51
Funding available to providers through formula	£5.04	£5.04
Breakdown of supplements		
- Deprivation (IDACI) 10%	£0.05	£0.05
- Flexibility 45%	£0.23	£0.23
- Quality 41% (paid hourly to providers)	£0.23	£0.21
- Quality 4% (pooled and managed by specific providers)		£0.02
Total Supplements at 10% of overall allocation	£0.51	£0.51

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

37. LAs are required to pass 95% of 3 and 4 year old funding to early years providers. This pass-through requirement ensures that the vast majority of Government funding reaches providers so that they can deliver the free entitlements.

38. The remaining 5% may be top-sliced by LAs to provide centrally retained Early Years services.

SEND Inclusion

39. LAs are required to have SEND Inclusion Funds for all three and four year olds with SEND who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support LAs to work with providers to address the needs of individual children with SEND.

40. LAs should target SEND Inclusion Funds at children with lower level or emerging SEND. As with other elements of early years funding, SEND Inclusion funds should apply to children attending settings in the relevant local authority area, regardless of where they live.

41. This is top-sliced from the overall 3 and 4 year old funding allocation.

2 year olds

42. In respect of 2 year olds, the LA receives £5.92 per hour for each participating 2 year old as recorded on the Early Years census. This is paid to providers in full based on participation and eligibility.

Disability Access Fund

43. The Disability Access Fund (DAF) was introduced in April 2017 to support disabled children's access to the entitlements for three and four year olds. Providers receive £615 per eligible child per year. The funds could be used, for example, to support providers in making reasonable adjustments to their settings and/or helping with building capacity, be that for the child in question or for the benefit of children as a whole attending the setting.

44. Three and four year olds will be eligible for the DAF if the child is in receipt of Disability Living Allowance (DLA) and the child receives the universal 15 hours entitlement.

Early Years Pupil Premium

45. The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged three and four year old pupils.

Other Schools Budgets

Capital

46. The DfE has yet to confirm the 2019-20 capital allocation. This is expected later this month and any Devolved Formula Capital will be included in the final school budgets.

Pupil Premium

47. Schools will continue to receive Pupil Premium. Eligibility and funding rates are shown at Table 5

Table 5 – Pupil Premium Rates 2019-20

Category	Value per pupil
Pupils in year groups reception to year 6 recorded as Ever 6 Free School Meals (where a pupil has been eligible for FSM in last 6 years)	£1,320
Pupils in years 7 to 11 recorded as Ever 6 Free School Meals	£935
Looked After Children (LAC) defined in the Children Action 1989 as one who is in the care of, or provided with accommodation by and English LA	£2,300
Children who have ceased to be looked after by a LA 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 Infant Free School Meals

48. The grant for Universal Infant Free School Meals (UIFSM) will continue at a meal rate of £2.30 in 2019-20.

Year 7 Catch Up

49. This grant will continue in 2019-20

Primary PE and Sports Premium

50. There have been no announcements in respect of these beyond the 2018-19 academic year