

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 Plans (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.

Funding Announcements Autumn 2019

2. In September 2019 the government announced an increased investment in school budgets and high needs for the next three years.
3. For Harrow there is a projected increase in school funding of around £6.5m for 2020-21. This is an approximate increase of 4.8% compared with a London average increase of 3.3% (national 4.9%). These figures are indicative and will be updated for the pupil numbers and demographics recorded on the October 2019 census.
4. The per pupil value of all of the key factors will increase in the NFF by 4% with the exception of the Free School Meals factor which will increase by 1.84% in line with inflation.
5. With regards to the High Needs Block the government announced a national increase of £700m. For Harrow there is a projected increase of around £2.7m for 2020-21. This is an approximate increase of 8.9% compared with a London average increase of 10.4% (national 12%).

Schools Funding for 2020-21

6. 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 LAs are funded on the basis of the total of the NFF for all school, 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.
7. 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 NFF from 2018-19. This was approved by Cabinet in February 2018 and school budgets for the last two years have been set based on the NFF.
8. The NFF will therefore will continue to be used to distributed school budgets for 2020-21.

9. From 2020 the government intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However this has been delayed and there is currently no confirmed date for this.
10. There are no proposed changes to the **structure** of the formula for 2020-21 however there are a number of changes which Schools Forum, in consultation with schools, need to make a decision on.

Table 1 – indicative funding formula factor values

Factor	2019-20		Indicative 2020-21	
	Primary	Secondary	Primary	Secondary
Primary per pupil basic entitlement	£3,016.28		£3,137.07	
KS3 per pupil basic entitlement		£4,241.31		£4,411.88
KS4 per pupil basic entitlement		£4,815.75		£5,008.11
Free School Meals	£483.13	£483.13	£494.11	£494.11
Free School Meals Ever6	£592.94	£861.95	£614.90	£894.89
Deprivation IDACIF	£219.61	£318.43	£230.59	£329.41
Deprivation IDACIE	£263.53	£428.23	£274.51	£444.70
Deprivation IDACID	£395.29	£565.49	£411.76	£587.45
Deprivation IDACIC	£428.23	£614.90	£444.70	£636.86
Deprivation IDACIB	£461.17	£658.82	£477.64	£686.27
Deprivation IDACIA	£631.37	£889.40	£658.82	£922.35
Low Prior Attainment	£1,122.19	£1,701.95	£1,169.40	£1,767.83
English as an Additional Language	£565.49	£1,520.77	£587.45	£1,581.16
Mobility	£2,980.90	£2,668.82	£875.00	£1,250.00
Lump Sum	£120,783.30	£120,783.30	£125,614.63	£125,614.63

Consultation

11. The LA undertook a consultation with all schools, academies and free schools in Harrow to seek views on aspects of school funding for 2020-21 in the Autumn term.
12. The full outcome of the consultation, proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2020 for approval.

Central School Services Block

13. The CSSB funds the following services:
- School Admissions
 - Servicing of Schools Forum
 - LA retained duties for schools and academies.
14. The indicative funding for 2020-21 has remained unchanged at £1.2m.

Growth Fund

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 which create additional classes at the request of the LA.

High Needs Funding

16. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block of the DSG:

- Harrow special schools and academies
- Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
- Places in out of borough special schools and independent school provision
- EHCPs in mainstream schools and academies
- Post 16 provision including Further Education
- SEND Support services and support for inclusion
- Alternative provision including Pupil Referral Units and education other than at school

17. The government introduced a National Funding Formula for High Needs from 2018-19. 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 transfer from the schools block into the high needs block have been approved by Schools Forum

18. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20. The schools consultation for 2020-21 requests a further transfer of 0.5% and Schools Forum will be asked to vote to agree this. The LA has the power to apply for disapplication to the Secretary of State if Schools Forum does not agree to the transfer.

19. The implication of the High Needs NFF is that there is reduction in funding available compared with 2017-18 of approx. £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 of which 50% of the allocation is based is lower than the budget being spent.

20. In 2018-19 there was an overspend on the HNB of £590k. This was funded by the schools brought forward contingency. In 2019-20 there is a projected deficit of £4.1m. Schools Forum has not agreed to use any of the remaining £1.7m brought forward contingency to mitigate the deficit instead voting to allocate it to the schools funding formula for 2020-21.

DSG deficits

21. The government is currently consulting on the accounting treatment of deficits on the DSG. The consultation focuses on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.
22. An increasing number of local authorities have been incurring a deficit on their overall DSG account, largely because of overspends on the high needs block.
23. With effect from 2019-20, the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.
24. This is the second year in which the DfE will require a report from any local authority that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2019 to 2020, gross of recoupment, as at the end of the 2019 to 2020 financial year, compared with the deficit shown in the authority's published draft accounts.
25. Harrow's projected deficit of £4.1m as a proportion of the gross budget of £217m would equate to approx. 1.9% and will therefore require a deficit recovery plan.
26. Recovery plans will need to be discussed with Schools Forum and should set out the authority's plans for bringing the DSG account back into balance. The Chief Finance Officer (CFO) must also review and sign off the report before submitting to the DfE.
27. Where a local authority has a cumulative overspend of more than 1%, producing a deficit on its DSG reserve, its recovery plan should look to bring the overall DSG account into balance within a timely period. There is recognition that this may prove difficult for some local authorities; particularly where authorities are accelerating moving their schools to mirror the NFF allocations in full. Where this is the case there would need to be evidence explaining the pressures.
28. The evidence to support the recovery plan will need to address whatever the main causes of overspending on the DSG have been as well as
29. The evidence should include:
 - A full breakdown of specific budget pressures locally that have led to the local authority incurring a cumulative DSG deficit of over 1%.
 - Where the deficit has resulted from high needs pressures, an assessment and understanding of the specific local factors that have caused an increase in high needs costs to a level that has exceeded the local authority's high needs funding allocations; and a plan to change the pattern of provision where this is necessary, as well as to achieve greater efficiency and better value for money in other ways; together with

evidence of the extent to which the plan is supported by schools and other stakeholders.

30. If the authority judges that it cannot recover the whole of its cumulative DSG deficit within a timely period, it must explain the reasons for this.
31. Details of any previous movements between blocks, what pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures.
32. This means that the LA will start 2020-21 with a brought forward deficit of approx. £4.1m. The additional investment in HNB from 2020-21 will therefore only contribute to offsetting existing deficits.
33. A recent survey by the Association of Local Authority Treasurers reveals that 83% of responding LAs reported a HNB deficit in 2018-19 totalling £210m, rising to 88% (90% in London) forecasting a deficit in 2019-20.

Early Years Funding

34. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 & 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent (PVI) provision. From September 2017 this was extended to 30 hour nursery entitlement for eligible 3&4 year olds. It also funds free 15 hour nursery entitlement for disadvantaged 2 year olds.
35. 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.
36. Funding rates and allocations will be announced in December 2019.