

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. The per pupil value of all of the key factors have increased in the Schools National Funding Formula (NFF) by 4% with the exception of the Free School Meals factor which has increased by 1.84% in line with inflation.

DSG Settlement 2020-21

4. The 2020-21 DSG settlement is based on the number of pupils on the October 2019 schools census for the Central School Services Block and Schools Block as well as a lump sum for historical items related to premises, the January 2019 Early Years census for the Early Years Block and a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2020-21 is £224.25m.

Table 1 – 2020-21 DSG allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,274.73	£5,823.36	21,752.00	12,438.50	£165,417,790
Schools Block – lump sum premises					£2,773,763
Schools Block – growth fund formula					£2,572,938
Schools Block – growth fund ONE OFF					£131,227
Total Schools Block					£170,895,719
Central Schools Block					£1,250,005
High Needs Block					£33,636,854
Early Years Block					£18,467,606
Total Dedicated Schools Grant Allocation 2020-21					£224,250,184

5. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. 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 areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.

6. From 2020 the government had 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.
7. In 2018-19 and 2019-20 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2020-21, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2020-21

Factor	2020-21 funding formula and factor values	
	Primary per pupil	Secondary per pupil
Primary per pupil basic	£3,137.07	
KS3 per pupil basic entitlement		£4,411.88
KS4 per pupil basic entitlement		£5,008.11
Free School Meals	£494.11	£494.11
Free School Meals Ever6	£614.90	£894.89
Deprivation IDACIF	£230.59	£329.41
Deprivation IDACIE	£274.51	£444.70
Deprivation IDACID	£411.76	£587.45
Deprivation IDACIC	£444.70	£636.86
Deprivation IDACIB	£477.64	£686.27
Deprivation IDACIA	£658.82	£922.35
Low Prior Attainment	£1,169.40	£1,767.83
English as an Additional	£587.45	£1,581.16
Mobility	£960.78	£1,372.54
Lump Sum	£125,614.63	£125,614.63

Consultation

8. The LA undertook a consultation with all schools, academies and free schools in Harrow seek views on aspects of school funding for 2020-21 in the Autumn Term. The consultation covered:
 - Changes to the methodology for funding pupil mobility
 - The value of the minimum funding guarantee
 - Transferring 0.5% from the Schools Block to the High Needs Block
9. There were a total of 29 (54%) responses received.

Mobility Funding

10. The mobility factor is intended to support schools which have a high proportion of pupils who first join on a non-standard date. In 2020-21 the government is

introducing a formulaic approach to allocating mobility funding in the NFF, using a new and more robust methodology to determine pupil mobility.

11. The main implications of the changes in the NFF are a reduction in the per pupil value distributed through this factor. Primary per pupil funding reduces from £2,980.90 to £875.00 and Secondary per pupil funding reduces from £2,668.82 to £1,250.00. Schools impacted by this change will receive protection through the Minimum Funding Guarantee.
12. However it is for Schools Forum, in consultation with all schools, to decide whether to implement the proposed change or continue to apply its own funding rates. In the consultation 72% (21) schools supported the proposal to fully implement the NFF in respect of the mobility factor and adoption the funding rates for mobility and Schools Forum voted in favour of this decision.

Minimum Funding Guarantee

13. In 2020-21 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the first time the LA will set a positive MFG meaning schools will see an increase in their per pupil budgets between years. The MFG must be between +0.5% and +1.84%.
14. In the previous financial years Schools Forum agreed to set a negative MFG at -1.5% in order that schools reach the NFF as soon as possible so as to ensure there won't be significant losses if the MFG protection is no longer applied in future years.
15. In the consultation 100% (29) schools supported a maximum MFG of +1.84% subject to affordability within the overall formula. Schools Forum voted in agreement of this.
16. In the overall formula it is affordable to set the maximum MFG and therefore 2020-21 school budgets have been prepared on this basis. Gains in excess of 1.84% have not been capped, which is consistent with the approach in previous years.

Additional Funding

17. In 2020-21 there is capacity within the overall Schools Block of £3.2m. £1.1m is as a result of one off funding from a brought forward contingency managed by Schools Forum. The remainder of the capacity is as a result of having set a MFG at -1.5% in previous years. 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 pupils, which mirrors the NFF.

High Needs Block

18. 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 (HNB) 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

19. There is a duty to admit a child or young person if the institution is named in a statutory EHCP. LAs use the HNB to provide the most appropriate support package for an individual in a range of settings, taking account of parental and student choice whilst avoiding perverse incentives to over-identify high needs pupils and students.
20. The government introduced a NFF for the HNB from 2018-19. This has led to a shortfall in funding compared with the 2017-18 baseline of approx. £2.9m. This was because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency.
21. In addition, between 2013-20 there has been an increase in HNB funding of £6.9m (29%) compared with an increase in HNB spend of £10.6m (43%) and an increase in the number of EHCPs from 1,170 in January 2014 to nearly 1,800 by January 2020 (54%).
22. From 2018-19 the Schools Block is ring-fenced and transfers to the HNB are limited to 0.5% of the Schools Block, unless a disapplication is sought from the Secretary of State. For Harrow this equates to approx. £854k. It is the responsibility of Schools Forum, in consultation with all schools, to decide whether a transfer can take place. If the Schools Forum does not agree to the transfer, the LA would need to ask the Secretary of State for disapplication.
23. In the consultation 93% (27) schools did not support a transfer from the Schools Block and Schools Forum did not vote in favour of the request. The main reason stated for not agreeing the transfer was that schools feel the LA needs to address the issue of HNB funding with the DfE and not top-slice from school budgets.
24. The HNB budget allocation for 2020-21 is set out at Table 3

Table 3 – 2020-21 High Needs Block Funding

Description	Basic entitlement rate	No. of pupils in special schools	Value
High Needs Block Allocation (excl basic entitlement factor)			£34,034,303
Basic Entitlement Factor	£4,451	560.5	£2,494,550
Import/Export Adjustments (2019-20 figure)			-£1,494,000
Total HNB before academy recoupment			£35,034,853
Academy recoupment for SEN units, special schools and FE			-£1,398,000

Net High Needs Block 2020-21	£33,636,853
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25. In October 2019 the government announced an additional £700m of funding for HNB for LAs. This has generated additional funding for Harrow of £2.7m which is included in Table 4. This will contribute to the increasing shortfall in funding for High Needs and mitigate some of the projected 2019-20 projected £4.1m deficit which will be carried forward to 2020-21.
26. In 2018-19 there was a deficit of £590k on the HNB. This was funded by the schools brought forward contingency. Schools Forum has not agreed to use any of the remaining £1.7m brought forward contingency to mitigate this year's deficit instead voting to allocate it to schools budgets in 2020-21.

DSG Deficits

27. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed 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.
28. 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.
29. The DfE will require a report from any LA 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 2019-20 compared with the deficit shown in the authority's published draft accounts.
30. Harrow's projected deficit of £4.1m as a proportion of gross budget of £217m would equate to approx. 1.9% and will therefore require a deficit recovery plan.
31. 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.
32. If the LA judges that it cannot recover the whole of its cumulative DSG deficit within a timely period it must explain the reasons for this.
33. This means that the LA will start 2020-21 with a brought forward deficit of approx. £4.1m. The additional investment in the HNB from 2020-21 will therefore only contribute to offsetting existing deficits.

34. 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 Block

35. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 and 4 years olds in maintained nurseries and nursery classes as well as private, voluntary and independent (PVI) settings. 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

36. The government introduced a new NFF for Early Years in April 2017. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2017.
37. In November 2019 the government announced the hourly funding rates for 2020-21. The LA will continue to retain 5% of the overall EYB 3 and 4 year old funding, allowable within the regulations, to fund Early Years Services provision at the LA. A further 5% will be topsliced to create the mandatory SEND Inclusion Funding. The hourly rate available to providers will be a maximum of £5.11 which is an increase of £0.07 per hour.
38. In 2019-20 Harrow also consulted on reducing the quality supplement (by £0.02 across all providers), to support system leadership and workforce development. The initiative was to support staff retention and development, review best practice across settings with peer to peer and leadership program partnerships. The value for the financial year 2019-20 was £55,622 and was managed by the Early Years Learning Partnership (EYLP).
39. However in 2020-21 it is proposed to reinstate this funding back into the formula and distribute to providers as part of the overall hourly rate.
40. The LA carried out a consultation over the Autumn/Spring terms regarding the proposed distribution of this additional funding. There were 5 responses in total which supported the proposal. The final formula is shown at Table 4.

Table 4 – Current and Proposed EYSFF 2020-21

Description	Current	Proposed
	2019-2020	2020-2021
	Hourly £	Hourly £
Funding available to providers	£5.30	£5.38
Top-slice SEN inclusion fund 5%	£0.26	£0.27
Funding available to providers through formula	£5.04	£5.11
Base rate minimum 90%	£4.53	£4.60
Supplements up to 10%	£0.51	£0.51
Funding available to providers through formula	£5.04	£5.11
Breakdown of supplements		
- Deprivation (IDACI)	£0.05	£0.05
- Flexibility	£0.23	£0.23
- Quality	£0.21	£0.23
- Quality (Pooled fund, managed by Early Years Learning Partnership)	£0.02	£0.00
Total Supplements at a maximum of 10% of overall allocation	£0.51	£0.51
Annual maximum sum per child (15h per week over 38weeks, including all supplements)	£2,872.80	£2,912.70

SEND Inclusion

41. LAs are required to have SEND Inclusion Funds for all 3 and 4 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 individual needs of children with SEND.
42. 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 LA area, regardless of where they live.
43. The SEND Inclusion Fund in 2020-21 will be £795k.

2 year olds

44. In respect of 2 year olds, in 2019-20 the LA receives £5.92 per hour for each participating 2 year old as recorded on the Early Years census. In 2020-21 this will

increase to £6 per hour. This is paid to providers in full based on participation and eligibility.

Disability Access Fund

45. The Disability Access Fund (DAF) was introduced in April 2017 to support disabled children's access to the entitlements for 3 and 4 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.
46. 3 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

47. The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged 3 and 4 year old pupils.