

## **IMPLEMENTATION OF SCHOOLS NATIONAL FUNDING FORMULA 2018/19**

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### **REASON FOR ITEM**

To receive an update on the impact of the implementation of the Schools National Funding Formula in 2018/19.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

1. To note the report

### **INFORMATION**

1. In August 2017, the DfE confirmed that the National Funding Formula (NFF) will be implemented in 2018/19 and on 14 September 2017 issued the baseline Dedicated Schools Grant (DSG) Budgets for 2018/19 along with the individual schools national funding formulae for 2018/19 and 2019/20.
2. 2018/19 local authority level allocations for the schools, central school services and high needs blocks were published on 14 September 2017 and these formulae will be used to calculate the final allocations of the funding blocks within the DSG, on the basis of pupil numbers recorded in the October 2017 census.
3. The DfE published the National Funding Formula (NFF) individual school budget data on 14 September 2017, which takes into account the additional funding that has been included in the published DSG Baseline allocation. This uses the October 2016 census data and will be updated in December when the October 2017 census data has been validated.
4. The DSG started the year with a deficit carry forward of £1.1 million, the latest budget monitoring position indicates that the DSG will overspend by £1.1 million in 2017/18, increasing the DSG deficit to £2.2 million by the end of the 2017/18 financial year. It is anticipated that this trend will continue in 2018/19, resulting in a projected 2018/19 in year DSG deficit of £3 million.
5. This report gives an update on the local authority DSG allocations, the impact on Hillingdon's schools and an update on the approach that Schools Forum are taking to set an in year balanced budget for 2018/19.

## DSG Baseline 2018/19

### *Published Baseline Allocation*

6. The following table sets out the published baseline DSG budget for 2018/19 (which does not include any changes as a consequence of the October 2017 census), compared to the original 2017/18 baseline:

| <b>Funding Block</b>    | <b>Baseline Budget 2017/18<br/>£million</b> | <b>Proposed Budget 2018/19<br/>£million</b> | <b>Change in Budget<br/>£million</b> | <b>Increase %</b> |
|-------------------------|---|---|--------------------------------------|-------------------|
| Schools                 | 208.73                                      | 213.33                                      | 4.60                                 | 2.2%              |
| High Needs              | 34.55                                       | 36.10                                       | 1.55                                 | 4.8%              |
| Central Services        | 2.73  | 2.77  | 0.04                                 | 1.5%              |
|                         |   |   |                                      |                   |
| <b>Total DSG Budget</b> | <b>246.01</b>                               | <b>252.20</b>                               | <b>6.19</b>                          | <b>2.5%</b>       |

7. Based on the published data, the DSG Budget for Hillingdon will see a significant increase of £6.19 million for 2018/19 (equivalent to an increase of 2.5%), the majority of which falls in the Schools Funding Block. More detail is provided for each funding block in the following paragraphs.

### *Schools Block*

8. Based on the published data, the Schools Funding Block allocation will increase significantly as a result of the NFF, where the total Schools Funding Block allocation (based on October 2016 pupil numbers) will be £213.3m, which is an increase of £4.6m (1.1%) compared to the 2017/18 revised baseline allocation. It is expected that this allocation will increase further when the formula is applied to the pupil numbers from the October 2017 census as we are expecting to see further pupil growth.
9. The NFF has introduced a number of changes in the way in which the DSG is determined, the main one relates to the separation of the School Block Unit Funding (SBUF), which introduces a separate SBUF for primary and secondary pupils with the primary rate decreasing whilst the secondary rate has increased, as per the table below:

| <b>Year</b> | <b>Primary SBUF (£)</b> | <b>Secondary SBUF (£)</b> |
|-------------|-------------------------|---------------------------|
| 2017/18     | 4,825                   | 4,825                     |
| 2018/19     | 4,256                   | 5,567                     |
| Diff        | -569                    | +742                      |

10. Hillingdon will benefit further from this if, as expected, the growth in pupil numbers continues to accelerate into the secondary sector. The remaining schools block funding is made up of an allocation for Growth, Premises and Mobility which is based on historic spend and for Hillingdon amounts to £6.2m.

#### *High Needs Block*

11. The local authority high needs block baselines are based on information about planned spend provided by local authorities through the 2017/18 baselines exercise, with an adjustment made to reflect the change in the funding of specialist resource provisions (SRPs) in mainstream schools. The high needs 2018/19 baseline indicates an increase of £1.55m (4.8%) in the high needs block funding when compared to the 2017/18 allocation. Whilst this is a significant increase, it is still not sufficient to fully address the estimated £2m pressure in high needs for 2018/19.

#### *Central School Services Block*

12. The central school services block is being introduced in 2018/19 bringing together the funding previously allocated through the retained duties element of the Education Services Grant (ESG), funding for ongoing central functions, such as admissions and residual funding for historic commitments, previously top-sliced from the schools block. The allocation for Hillingdon is £2.8m and this reflects the ongoing central costs as indicated through the 2017/18 baselines exercise.

#### **Impact on Individual Schools**

13. Alongside the local authority DSG allocations, the DfE have also published notional allocations for each school for 2018/19 and 2019/20. This indicates that no school would see a reduction if the NFF was implemented in full to distribute funding to schools in 2018/19. However, this takes no account of any of the proposals that are set out in the consultation paper sent out to all stakeholders on 2 October 2017. It is also worth noting that these allocations are before any adjustments to the schools block. Schools Forum are consulting on a proposal to transfer 0.5% of the Schools Block funding to support the pressures across Early Years and High Needs.

#### **Hillingdon Schools Forum Approach**

14. Hillingdon's Schools Forum have been reviewing the DSG budget since the 1 April 2017, recognising that savings will need to be found in order to set a balanced DSG budget for 2018/19.
15. At its Meeting on 27 September 2017, Schools Forum agreed a range of proposals to be consulted on with all Stakeholders, that would deliver an in year balanced budget and contribute towards reducing the cumulative DSG deficit carry forward. The consultation paper was sent out on 2 October 2017 with a closing date of 20

October 2017. The outcome of this consultation will be discussed at the Schools Forum meeting on 1 November 2017 and fed into the Council's budget planning process, which will include an update to the POC in January 2018.