

## SCHOOLS BUDGET 2017/18

<b>Cabinet Member(s)</b>	Councillor Ray Puddifoot MBE Councillor David Simmonds CBE Councillor Jonathan Bianco
<b>Cabinet Portfolio(s)</b>	Leader of the Council Deputy Leader / Education and Children's Services Finance, Property and Business Services
<b>Officer Contact(s)</b>	Peter Malewicz, Finance
<b>Papers with report</b>	1. Schools and Early Years Funding 2017/18 Consultation Paper 2. Education Services Grant Consultation Paper

### 1. HEADLINE INFORMATION

<b>Summary</b>	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2017/18, following consultation with school Headteachers, Governors and Early Years providers having regard to the advice of the Schools Forum.
<b>Putting our Residents First</b>	This report supports the following Council objectives of: <i>Our People; Our Built Environment; Financial Management</i>  Schools are a key frontline service in the Borough and are the largest service providing investment in residents' children's and young people's future life chances. The distribution of funding to schools supports these strategic aims.
<b>Financial Cost</b>	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement. However, for 2017/18, the Education Service Grant (ESG) will cease with effect from 1 September 2017. The guidance issued by the Government allowed the Council to consult with schools on whether the services currently funded through this grant could be funded from the DSG. Following the consultation with schools, it was evident that they were not prepared to fund the majority of general duties covered in the ESG, which will have an impact on a range of Council services funded from the base budget. This is discussed in the main Council Budget Report.
<b>Relevant Policy Overview Committee</b>	Children, Young People and Learning
<b>Ward(s) affected</b>	All

## **2. RECOMMENDATION**

**That Cabinet:**

- 1) Agrees that the total Schools Budget for 2017/18 will be equal to the total of the Dedicated Schools Grant (as set out in paragraphs 89 and 90) provided to the Council.**
- 2) Approve the Early Years Single Funding Formula, as set out in paragraphs 11 and 12.**
- 3) Approve the base rate of funding for the Two Year Old Free Entitlement Offer, as set out in paragraphs 13 and 14.**
- 4) Approve the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 15 to 29.**
- 5) Approve the High Needs budget as agreed by schools and the Schools Forum, as set out in paragraphs 77 to 88.**

### **Reasons for recommendation**

1. Cabinet is the decision making body for school funding issues and decisions are required on the arrangements to allow for final funding allocations to be provided to schools by no later than 28 February 2017.
2. The School and Early Years Finance (England) Regulations 2015 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. Each year the Council consults with schools on the following years funding and school funding formulas. Additionally, the Council were required to consult with schools on the transfer of services and funding into the DSG following the announcement that the ESG would cease with effect from 1 September 2017. For 2017/18 budgets, the main consultation ended on 21 December 2016, however, the Council also issued a further consultation document in January 2017 covering the transfer of ESG funded services into the DSG, both of which were considered at the Schools Forum meeting on 18 January 2017. Additionally, Schools Forum are required to set and agree the DSG budget for 2017/18, taking into account any accumulated surplus/deficit balances, this was agreed at the Extraordinary Schools Forum meeting on 23 January 2017. The results of these decisions are reflected in the recommendations of this report.

### **Alternative options considered / risk management**

3. The Schools Forum sub-groups (Individual School Budget, Early Years and High Needs) decided in October 2016 to make a number of changes to Schools, Early Years and High Needs funding. Additionally Schools Forum agreed to implement a ring fence between the funding blocks, following the baseline exercise that the Department for Education undertook as part of the first phase consultation of the implementation of a National Funding Formula. This effectively requires Schools Forum to set a balanced budget in each of the individual funding blocks. The proposed changes are detailed in the Schools and Early Years Funding 2017/18 Consultation Paper attached with this report. Schools were briefed and formally consulted on these proposals in November and December 2016.
4. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula, the Early Years Single Funding Formula and the High Needs Funding Formula. However, such decisions are not recommended as the proposals contained in this report are the result of a significant

consultation process with the Schools Forum, schools and other stakeholders and fully meet the requirements as set out in the DfE paper 'Schools Revenue Funding 2017 to 2018'.

5. The recommended Schools Budget 2017/18 contains a contingency to provide for the growth in nursery age children, in year growth for those schools not expanding but are experiencing significant growth in the new intake year and for the diseconomies of scale funding for the three Basic Need Primary Academy schools. There are also contingencies for the placement of children with Special Educational Needs, including a provision for the cost of 16-25 placements.

### **Policy Overview Committee comments**

6. None at this stage.

### **3. INFORMATION**

#### **Supporting Information**

7. The Government announced in July 2016 that it would not be implementing a Schools National Funding Formula in 2017/18. However, in December 2016, the Government confirmed that a Schools National Funding Formula would be in place from April 2018 and the consultation process will continue in 2017.
8. The Government have confirmed that the Early Years National Funding Formula (EYNFF) will be implemented from April 2017 and there has been a requirement to make a number of changes to Early Years funding following the decision. In addition the additional 15-hour free entitlement for 3 & 4 year olds of eligible working parents will be introduced from September 2017.
9. The Government also confirmed the arrangements that would be put in place following the cessation of the ESG with effect from 1 September 2017, including the funding arrangements for a School Improvement function.
10. Schools continue to convert to Academy status, following the introduction of the Academies Act 2010 where the current picture in Hillingdon is that 43 schools are now academies (18 Primary, 20 secondary, 4 special and the Pupil Referral Unit). We are currently aware of one primary school which plans to convert in 2017/18.

#### **Early Years (3 and 4 Year Old Provision)**

11. Early Years Funding provides funds for schools, Private, Voluntary and Independent Nursery providers and Childminders for 3 and 4 year old placements.
12. From April 2017 the Early Years National Funding Formula (EYNFF) is being implemented with a new requirement on the amount of funding that local authorities must pass to providers. In 2017/18 local authorities must plan to spend at least 93% of the Early Years funding they receive directly on providers, with at least 90% of this being paid through a universal base rate. It is proposed that for 2017/18 the Early Years funding in Hillingdon is made up of the following factors:

- A base rate per hour for all pupils set at 91% of the funds available to providers (estimated at £4.89 per hour per pupil),
- Deprivation funding, based on the Income Deprivation Affecting Children Index (IDACI), set at 7% of the funds available to providers,
- The remaining 2% paid through an additional need supplement, payable to those providers with an above average IDACI ranking,
- Maintained Nursery School supplementary funding (only applies to McMillan Nursery).

### **Early Years (Two Year Old Free Entitlement Provision)**

13. This new provision came into force on 1 September 2013 and was extended further on 1 September 2014, to cover the 40% most disadvantaged families across the country.
14. The DfE strongly recommended that all councils put in place a simple funding formula for the two year old free entitlement offer, which Hillingdon followed, having only a base rate of funding, which for 2013/14 was set at £6.00 per hour per pupil. Schools Forum agreed to maintain this formula and level of funding in 2017/18.

### **Primary and Secondary Schools**

15. There were a number of proposed changes to the school funding formula that Schools Forum decided to consult on for implementation in 2017/18. The first of these was to address the impact that a reduction in the number of children eligible for Free School Meals (FSM) is having on deprivation funding for some schools. Approximately half of schools in Hillingdon have seen a reduction in FSM numbers in 2016/17 and in 2016/17 the only driver for deprivation funding within the Hillingdon funding formula was FSM. The majority of other local authorities use a combination of FSM and IDACI and the recent DfE consultations have indicated that the national funding formula will also favour using a combination of pupil led and area led factors in determining deprivation funding. The proposal was to distribute deprivation funding in 2017/18 based on 75% FSM and 25% IDACI data.
16. The second proposal was the removal of the LAC funding factor, retaining this funding centrally with the distribution to schools managed by the Hillingdon Virtual School. This follows the DfE proposal that LAC funding will be removed from the funding formula and distributed through the Pupil Premium plus grant following implementation of the NFF.
17. The third proposal was to increase the PFI factor within the schools funding formula by delegating the resources currently centrally retained. This is in line with the DfE guidance that PFI resources should be fully delegated and not held centrally.
18. The final schools block proposal concerned the Growth Contingency policy where Schools Forum were proposing to include a mechanism to support schools that experience significant in-year growth.
19. The response from schools to the funding consultation was limited (24 responses received). However, the majority of responses received from schools supported the proposed changes.

### **Education Services Grant**

20. As part of the National Funding Formula consultation, the Government proposed to cease providing the ESG to local authorities with effect from 1 September 2017 for general duties, and transfer the £15 per pupil retained funding into the Dedicated Schools Grant (which for Hillingdon equates to £740k) with effect from 1 April 2017.
21. Further guidance was released on 1 December 2016, which provided more clarity on the definitions of the services covered under the general duties rate and those covered under the retained duties rate. Additionally, Central Government also announced two new grants; £50 million for local authorities to continue to monitor and commission school improvement for low performing maintained schools and a £140 million Strategic School Improvement Fund for academies and maintained schools.
22. On 20 December 2016, the school finance settlement was released, which provided further clarity on the funding that would be provided to Hillingdon and further clarified the mechanism by which general duties could be funded through the DSG. It also provided further information on the funding of a School Improvement Service. As the Council is required to consult schools on any changes to the distribution of the DSG, a consultation paper was circulated to schools on 10 January 2017, with a closing date of 13 January 2017, to ensure that an informed discussion could take place on the proposed arrangements for the funding of services previously funded from the ESG.
23. The Retained ESG responsibilities, relate to those functions that the Council has to deliver to support all schools, which includes all maintained schools, academy schools and free schools. This covers the costs or proportionate costs of:
- The Corporate Director of Adults, Children & Young Peoples Services
  - Planning for the Education Service undertaken by the Head of Business Performance, Policy and Standards
  - Revenue Budget Preparation, etc, including the cost of the Finance Manager Social Care, the Lead Finance Business Partner for Schools, the Assistant Finance Business Partner responsible for maintaining and updating the School Funding Formula and a number of Assistant Finance Business Partners responsible for supporting Early Years, Centrally Retained and High Needs services
  - Standing Advisory Committee for Religious Education (SACRE)
  - Education Welfare
  - Asset Management, which includes the cost of the capital finance team who are responsible for developing, monitoring and supporting the capital programme.
24. The ESG General Duties includes those services which the Council is required to provide to support maintained schools only, i.e. those that have not converted to academy status. These include the following services:
- Procurement Advice - The DSG Centrally Retained budget already includes funding for 2 fte posts
  - Maintained Schools Finance Support - A long standing Service Level Agreement is in place for maintained schools to purchase this support from the local authority
  - Maintaining Scheme for Financing Schools - The time required to undertake this task is minimal and therefore does not include a budget
  - Internal Audit

- Pensions Support and Administration
- Health and Safety
- Appointment of Governors
- Inspection of Attendance Register
- Asset Management General Landlord Duties
- Music Tuition - Schools already have the choice to buy Music Tuition
- Cost of Redundancy
- Premature Retirement - This relates to the ongoing cost of historic decisions that were made to retire teachers early
- Key Stage 1 and 2 Assessment Moderation - The current practice is that the Council undertakes this responsibility for all schools including academies. It is proposed that for 2017/18, academy schools will be charged for this service

25. DfE guidance indicated that these services could only be funded from the DSG by de-delegating resources from maintained school budgets, with the approval of Schools Forum. This required the Council to consult all maintained schools on these proposals as well in January 2017. The consultation sought views on each relevant service and whether maintained schools would consider de-delegating funding to continue with the provision of the relevant service. As the Council will receive transitional funding, the total amount required will be based on 7 twelfths of the total budgeted cost.

26. Under the phase 1 consultation, the School Improvement Service was identified as part of the ESG funding proposals. The DfE confirmed in December 2016 the funding arrangements that they are putting in place for School Improvement Services, where the funding for this service will be dealt with separately and include one or more of the following funding streams:

- i) Funding will be provided to local authorities for the period 1 April 2017 to 31 August 2017 as part of the transition arrangements relating to the cessation of the ESG from 1 September 2017.
- ii) £50 million per annum will be provided to local authorities to enable them to continue delivering this function. For 2017/18, only 7/12's of this funding will be provided to cover the period 1 September 2017 to 31 March 2018, which equates to £29.2 million. It has now been confirmed that Local authorities will receive £1,800 per maintained school for the period 1 September 2017 to 31 March 2018, through the School Improvement Monitoring and Brokering Grant.
- iii) The Government also announced that they would provide £140 million additional funding for academies and maintained schools to provide targeted resources for those schools most in need of support, which seems to relate to those schools classified as inadequate or requires improvement. The DfE have confirmed that this will be subject to a bidding process
- iv) The Technical Guidance indicated that the DfE will allow local authorities to seek agreement from maintained schools to de-delegate funding. Schools were consulted on this proposal in January 2017.

### Benchmarking

27. The DfE published a report, which provided local authorities with a range of benchmarking information that could be used to compare its funding formula with all other local authorities (of which there are 151). The table below provides a summary of how Hillingdon's School Funding Formula compared to the benchmarking data provided:

Factor	Benchmarking National Average Amount Per Pupil
Primary AWPU	Slightly above average
KS3 AWPU	Slightly below average
KS4 AWPU	Slightly below average
Deprivation	Very close to average
Looked After Children	The second highest
English as an Additional Language	Above average
Low Attainment	Above average
Mobility	Above average
Lump sum	Above average

28. This analysis indicates that Hillingdon is close to or above average for all of the funding factors.

#### School Funding Arrangements for 2017/18

29. The following sets out the arrangements that the DfE are making to the schools funding system for 2017/18:

- i) No national funding formula until 2018/19.
- ii) Minimum Funding Guarantee (MFG) protection remains at minus 1.5% per pupil, so no school will see more than a 1.5% per pupil reduction in its 2017/18 budget.
- iii) The DSG funding blocks have been re-baselined to reflect the actual spend pattern of local authorities in 2016/17. For Hillingdon this has meant a movement between the Schools and High Needs blocks of £1.7m.
- iv) The DfE has made £130m available nationally for High Needs to reflect some of the growth being seen in the number of pupils with SEN. This additional funding has been distributed based on the current SEN pupil population and for Hillingdon this results in an increase of £1.1m.
- v) Early Years funding rates to local authorities have increased for 2 year olds and 3 & 4 year olds. Funding has also been allocated for the implementation of the additional 15-hour free entitlement from September 2017.
- vi) Pupil Premium rates have been protected at the 2016/17 rates.
- vii) Universal Infant Free School Meals (UIFSM) rate to stay at £2.30 per meal.
- viii) A continuation of the additional funding for early years, through the early years pupil premium to provide nurseries, schools and other providers of Government funded early education with additional funding of £302.10 per eligible child for disadvantaged three and four year olds.

#### **Dedicated Schools Grant Baseline 2017/18**

30. The Education Funding Agency (EFA) released the draft DSG figures on 20 December 2016. The following table summarises the comparison between the 2016/17 baseline budget data (as at November 2016) and the 2017/18 budget as released on 20 December 2016:

<b>Funding Block</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>Change £000</b>
Two Year Old Funding	2,254	2,411	157
Early Years	17,234	22,995	5,761
Early Years Pupil Premium	179	179	0
Schools	208,895	210,944	2,049
High Needs	32,270	35,060	2,790
Other adjustments	62	0	-62
<b>Total</b>	<b>260,984</b>	<b>271,589</b>	<b>10,695</b>

31. The Schools Block Unit of Funding (SBUF) for the Early Years Block and the Schools Block are noted in the following table. The reduction in the schools SBUF is following the re-baseline exercise to reflect current spending patterns.

<b>Funding Block</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Change</b>
2YO - Pupil Numbers	429	429	0
2YO - SBUF per pupil	£5,253.50	£5,621.12	£367.62
Early Years - Pupil Numbers	3,519	3,519	0
Early Years - SBUF per pupil	£4,897.51	£5,538.50	£640.99
Schools - Pupil Numbers	42,862	43,715	853
Schools - SBUF per pupil	£4,872.55	£4,825.44	-£47.11

### Two Year Old Funding

32. Initial funding allocations for 2 year olds for 2017/18 are provisional and have been determined using the January 2016 census count. For 2017/18 the Government has committed to uplift two-year old hourly funding rates. For Hillingdon, this results in an increase to a new funding rate of £5.92 per hour, resulting in a £157k increase in the DSG. The participation levels of 2 year olds fluctuate each term, with generally numbers being highest in the autumn term before reducing in the spring term and then reducing further in the summer term. Data from the DfE indicates that there are fewer eligible children than previously, although we have seen a slight increase in uptake over 2016/17. For the purposes of setting the budget for 2017/18, it is anticipated that participation will remain at similar levels to 2016/17 and therefore, it is estimated that there will be a £105k increase in funding received for the year.

### Early Years Block

33. The funding for the early years block in respect of 3 and 4 year olds is provisional and will be adjusted throughout the 2017/18 financial year based on the January 2017 census data and again for the January 2018 census data. Following the recent consultation on early years funding, the Government have announced a number of changes to 3 & 4 year



old funding to local authorities. The breakdown of funding for 2017/18 is summarised in the table below;

<b>Early Years Funding Block</b>	<b>£000</b>
3 & 4 Year Old Universal Entitlement	19,487
3 & 4 Year Old Additional Entitlement	3,199
Supplementary Funding for Maintained Nursery Schools	217
Disability Access Fund	92
<b>Total</b>	<b>22,995</b>

34. The funding for 3 & 4 year olds in 2017/18 will be distributed through the Early Years National Funding Formula. The formula consists of a universal base rate plus factors for additional needs, using measures of free school meals; disability living allowance and English as an additional language. The formula also includes an area cost adjustment to reflect variations in local costs. The DfE have committed to an increase in the funding rates for three and four year olds and the revised SBUF for Hillingdon is £5,538.50 per pupil. This is an increase in the hourly funding rate to £5.83 per hour compared with £5.16 per hour in 2016/17 (an increase of approximately 13%).
35. The new funding formula also includes funding for the additional 15 hour free entitlement for 3 & 4 year old children of eligible working parents. The funding rate for the additional entitlement is the same as for the existing 15 hour entitlement. Funding in 2017/18 is for part of the financial year reflecting the fact that the 30 hour childcare policy begins in September 2017 and the funding allocation is based on DfE estimates of eligible children.
36. The Government has provided supplementary funding of £56.2m to local authorities with maintained nursery schools in 2017/18 to enable local authorities to maintain the current funding levels during the transition to the Early Years national funding formula. Hillingdon has been allocated £217k of this funding.
37. The Government have introduced a new measure in 2017/18 to support children with disabilities or SEN. The Disability Access Fund (DAF) aids access to early years places by supporting providers in making reasonable adjustments to settings. 3 & 4 year olds will be eligible for the DAF if they are in receipt of child disability living allowance and receive any number of hours of free early education. The funding is £615 per child and Hillingdon has been allocated £92k.
38. The Early Years Pupil Premium allocation for 2017/18 is provisional and based on the DfE estimate of how many children are eligible. The school census data from January 2017 will be used to determine how much Early Years Pupil Premium funding will actually be received. It has been confirmed that the rate will remain the same as 2016/17 (£302.10 for each eligible child taking up the full 570 hours of state funded early education). Hillingdon's provisional allocation for 2017/18 is £179k.

#### Schools Block

39. In the 2017/18 schools block there is growth of £2m relating to funded pupil growth of 853 pupils. The reduction in the Schools SBUF follows the DSG block allocations being re-baselined to reflect current spending patterns, with the subsequent decrease in schools block funding resulting in an increase to the high needs block baseline funding.

The schools block funding for 2017/18 includes funding for the transfer of the Education Services Grant (ESG) retained duties (£15 per pupil) into the DSG.

40. The table below provides an analysis of the change in the pupil population between October 2015 and October 2016, where there is continued growth in the primary (2.4%) and secondary (1.1%) sectors. It is worth noting that the primary growth has slowed when compared with 2016/17, whilst the level of growth in the secondary sector has increased.

<b>Sector</b>	<b>Oct-15</b>	<b>Oct-16</b>	<b>Change</b>
Primary	27,234	27,881	647
Secondary	15,704	15,880	176
Less High Needs	-118	-118	0
Plus Reception Uplift	41	61	20
Plus AP (Independent Schools)	0	11	11
<b>Total Schools</b>	<b>42,862</b>	<b>43,715</b>	<b>853</b>

#### High Needs Block

41. This funding block has increased by £2.8m. The table below sets out the changes that have been made to the high needs block;

<b>High Needs Funding Block</b>	<b>£000</b>
2016/17 High Needs block baseline	32,270
Re-baseline exercise	1,650
Population based uplift	580
Population growth uplift	560
<b>2017/18 High Needs block baseline</b>	<b>35,060</b>

42. The DSG funding blocks have been re-baselined to reflect current spending patterns. With the £1,650k increase in the high needs block reflecting this.
43. The DfE have made available an additional £130m nationally for high needs. Hillingdon has received an additional £1.1m based on the estimated population and estimated future growth.

#### Other adjustments

44. In previous years additional funding for NQTs was allocated separately, for 2017/18 this allocation has been incorporated into the schools block SBUF.

#### **Estimated DSG Budget for 2017/18**

45. In determining the final distribution of the DSG funds available, it is a requirement that predicted year end balances are built into the final determination. For 2016/17, there is a planned in year deficit on the DSG, which for month 8 was estimated to be £1.1m. When

added to the DSG opening surplus balance of £0.9m, which it carried forward from 2015/16, it is projected that there will be a deficit of £209k carried forward to 2017/18.

46. The following table summarises the amount of additional funds in the DSG that have been factored into the determination of the allocation of the DSG budget for 2017/18, which Schools Forum considered at its meeting on 18 January 2017:

<b>Funding Source</b>	<b>£000</b>
Increase in DSG	10,698
Year End Cumulative DSG Deficit	-209
Two Year Old Projected Growth	105
<b>Total DSG Funds Available 2016/17</b>	<b>10,594</b>

### **Proposals for Use of DSG in 2017/18**

47. The following proposals for use of the DSG in 2017/18 were discussed and agreed at Schools Forum on 18 January 2017 and 23 January 2017, which will deliver a balanced budget for 2017/18.

#### **Early Years Block**

48. The draft Early Years Single Funding Formula identifies a budget requirement of £17,340k for the provision of the 15 hours free entitlement for 3 & 4 year olds. It is worth noting that approximately two thirds of this funding is delegated directly to schools for three and four year old provision.
49. There are a number of new requirements on how local authorities are able to allocate funding to providers from 2017/18. These requirements are intended to ensure that funding provided is fairly distributed to providers. The main changes are detailed within the headings below.

#### Base Rate

50. Local authorities will be required to pass 93% of early years funding directly to providers in 2017/18 (this will increase to 95% in 2018/19). In 2016/17, Hillingdon retained approximately 10% of early years funding. In order to reduce the rate retained centrally a number of proposals have been agreed to deliver the required reduction to the centrally retained early years budgets, which is detailed in section (g) below.
51. There is a requirement to set a universal base rate for all providers, which Schools Forum has previously agreed to and has therefore been in place in Hillingdon for a number of years. Additionally the guidance states that the level of supplements will be capped at 10% of the total funding given to providers, with the remaining 90% distributed through the base rate. Given the overall increase in 3 & 4 year old funding in 2017/18, the limits on supplements, and the Early Years sub-group recommendation that the base rate is set at 91% of available funding, providers will see a significant increase in base rate from £4.26 per hour in 2016/17 to £4.89 per hour in 2017/18 (equivalent to an increase of 15%).

#### Funding Supplements

52. The Government will allow supplements up to a maximum of 10% of the total funding passed to providers. Local authorities will continue to be required to have a mandatory deprivation supplement but will have discretion over the metric used. Discretionary allowable supplements will be as follows; Rurality/Sparsity, Flexibility, Quality and English as an additional language. Following consultation with stakeholders, the proposed supplements that Hillingdon will use in the early years funding formulas are;

#### *Deprivation Supplement*

53. The DfE have confirmed that deprivation will continue to be a mandatory supplement in 2017/18. A considerable portion of funds is being channelled to local authorities through the early years funding formula and it is therefore considered appropriate that this is passed to providers. In 2016/17 the deprivation factor within the Hillingdon early years formula was 8%. The proposal is that for 2017/18 the percentage for deprivation funding is reduced to 7% as this will keep the financial value at approximately the same hourly rate, following the increase in early years funding. This will result in an average rate to providers of £0.37 per hour. It is not proposed that members look to change the distribution method, currently IDACI, as this appears to be the best indicator of deprivation for 3 & 4 year olds.

#### *IDACI Threshold Supplement*

54. IDACI is a measure of deprivation based on the home postcode of the child. Each postcode is given a rank from 0 to 1, with 0 being least deprived and 1 the most. Analysis of the IDACI dataset for 3 and 4 year olds accessing the free entitlement indicates that the average IDACI rank for Early Years settings in Hillingdon is 0.2. The highest ranking that a setting has is 0.365. There are clear links between deprivation and additional need and therefore it is proposed that a supplement is created to distribute additional resource to those providers with an IDACI rank which is higher than average and set at 0.25.

#### *Quality Supplement*

55. The quality factor continues to be an allowable factor in the 2017/18 formula. However, following the funding consultation, where the majority of respondents disagreed with the continued inclusion of a quality factor, the proposal is to increase the base rate to 91% rather than retain a quality factor.

#### Maintained Nursery School Supplementary Funding

56. The Government recognises that maintained nursery schools have additional costs and has confirmed that it will provide supplementary funding of £56.2m to local authorities for maintained nursery schools in 2017/18. The supplementary funding for Hillingdon in 2017/18 is £217k and the proposal is that this will be passed to McMillan Nursery school in full to reduce the impact of the removal of the lump sum as a supplement for maintained nursery schools.

#### Disability Access Funding

57. The Government has introduced a new targeted early years Disability Access Fund of £12.5m, to enable a fixed lump sum payment of £615 per eligible child per year to be paid to early years settings that are providing a free entitlement place for 3 & 4 year olds.

The funding is ring-fenced with the purpose of the funding to aid access to places. Funding will be passed straight to providers with eligible children and the provider is then responsible for the use of the funding. The Hillingdon allocation of this funding in 2017/18 is £92k.

#### Additional 15 hours Free Entitlement

58. Hillingdon has received £3.2m in additional resource to fund the increase in the free entitlement to 30 hours for eligible children from September 2017. The assumption has been made that this funding should be earmarked in full for the delivery of the additional free entitlement as plans are still being developed as to how the 30 hours will be delivered and it is still not clear if the DfE will claw back any unspent funding.

#### Two Year Old Provision

59. The increase to the funding rate to local authorities for disadvantaged two year olds remains below the rate paid to providers so there is no proposed increase to the hourly rate of £6 per hour. The current budget for Two Year Old provision is £2,790k, however, based on the actual numbers in October 2016 and allowing for some reduction in line with the termly fluctuations seen in 2016/17, the projected actual costs is £2,559k. It is therefore proposed to decrease the current base budget to £2,559k for this provision.

#### SEN Inclusion Fund

60. All local authorities are now required to establish SEN inclusion funds for 3 & 4 year olds in their local funding systems from April 2017. The Inclusion team will work with early years providers to determine how best to distribute this funding with the focus on children with lower level or emerging SEN. It is proposed that £200k is allocated to the SEN inclusion fund and that this is taken from the early years block. The SEN inclusion funding will be included in the 95% pass through to providers and therefore does not count in the 7% that local authorities can centrally retain in 2017/18.

#### **Early Years Centrally Retained**

##### Early Years Centres

61. In 2014/15 Schools Forum agreed to withdraw DSG funding from the Local Authority run Early Years Centres and retain the £730k funding for the placement of vulnerable children. The expectation was that these centres should breakeven through the generation of fee income alone. However, it is evident that in order to achieve a breakeven position, the required fee rate would have to be significantly above the Hillingdon average thereby threatening the sustainability and viability of the three centres, with the main reason for this relating to the current structure and qualification levels of staff. There is therefore a requirement of £335k funding in the DSG baseline in order to support continued running of the three centres, whilst the Council undertakes a major review of the delivery model.

##### Two Year Old Capacity Funding

62. The DSG base budget previously included an allocation of £519k for two year old capacity funding. Whilst the Council is still in the position of identifying suitable sites and properties to ensure that the level of 2 Year Old free places meets the target set by the

Government, the number of grant applications has slowed significantly in the last twelve months. It is therefore proposed that this budget is reduced to £219k for 2017/18. Schools Forum may consider changing the criteria for this budget in order that it can be accessed by settings proposing to offer the 30 hour free entitlement for 3 & 4 year olds from September 2017.

#### Provision for Vulnerable Children Placements

63. Following the reduction in the funding of the early years centres a budget was established for the placement of vulnerable early years children. The budget was £409k in 2016/17, though only approximately 40% of this is projected to be spent as the relevant teams continue to work towards identifying the relevant children. It is proposed to reduce this budget to £209k in 2017/18 following the requirement to reduce the early years centrally retained budget to 7% of total funding.

#### Early Years Educational Psychologists

64. In 2014/15, Schools Forum agreed to provide funding for the provision of Early Years Educational Psychologists in order to help identify children with additional needs and needing additional support prior to school entry. This funding was originally agreed for three years, however, Schools Forum agreed at the meeting in December 2016 that there is still a need for this funding. Due to a shortage of educational psychologists it has proved difficult to deliver this service in the last three years and therefore it is proposed that the budget is reduced by £100k in 2017/18.

#### Family Information Service

65. The Family Information Service team helps parents to access the free early years provision that they are entitled to for their children. This relates to the universal entitlement to free early education for all three and four year olds and also covers the entitlement to free childcare for the most disadvantaged two year olds. The FIS consists of the FIS Manager, 4.5 (FTE) FIS Officers and a Parental Childcare Advisor and the proposed budget for 2017/18 is £257k.

#### Early Years Advisory Service

66. The Early Years Advisory service provides targeted support, advice and guidance to all early years settings. The team consists of 4.6 (FTE) Early Years Advisory teachers and the proposed budget for 2017/18 is £319k (an increase of £19k to reflect staffing pay awards and mileage claims not previously budgeted).

### **Schools Block**

#### Retained Balance

67. It is good practice to retain a working balance for the DSG particularly given the future uncertainties around the provision of 30 hours childcare for 3 & 4 year olds and the funding of High Needs growth. It is proposed that this balance is set at £500k in 2017/18.

#### Growth Fund Contingency

68. A review of the Growth Fund Contingency requirement, which provides funding for expanding schools and funding for new Basic Need Academies (including diseconomies of scale funding and set up costs), estimates that the budget in 2017/18 should be £1,631k. This budget estimate includes funding for the proposed inclusion of an in-year growth mechanism within the growth fund contingency. Despite the required increase in relation to funding in-year growth, it is proposed that the fund will still reduce by £107k in 2017/18 as a consequence of the completion of expansion in a number of schools.

#### Procurement Officers

69. In the 2015/16 budget setting process, Schools Forum agreed to provide an additional £55k of funding for a temporary second school procurement officer post. Whilst it was agreed in 2015/16 that the funding for this second post would be in place initially for a two year period, Schools Forum have indicated that this funding should continue for a further year in 2017/18. The proposal is that the budget reduces in 2017/18 to £90k to reflect the actual cost of the two officers in post.

#### Looked After Children

70. The Hillingdon schools funding formula currently uses the LAC factor to target funding to those schools that have a looked after pupil on roll. The distribution of this is on a historic basis and it is therefore not the most effective use of funding. The Government response to the National Funding Formula consultation has confirmed that from 2018/19 targeted support for looked after children will be through the pupil premium plus rather than through the funding formula. To achieve this, the proposal is that the total amount spent through the LAC factor in local formulae in 2017/18 will be transferred to the pupil premium plus budget in 2018/19, thereby increasing the pupil premium plus rate. This potentially could have a significant impact on Hillingdon as we currently have a very high LAC funding factor rate. It is therefore recommended that the LAC formula factor is no longer used in 2017/18 and the funding currently included in the funding formula is retained centrally and distributed by the Hillingdon Virtual School based on the termly location of looked after children. Schools Forum also proposed that the rate is reduced and brought in line with the outer London average of £1,211 per pupil, resulting in a budget reduction £143k.

#### Barnhill Private Finance Initiative (PFI)

71. The DfE have recently issued guidance on what constitutes a historic commitment and can therefore be centrally retained. Within this guidance the DfE confirmed that funding for PFI costs which have previously been held centrally should be delegated through the formula in 2017/18. The centrally retained budget for the Barnhill PFI has therefore been reduced to nil and the funding included in the PFI factor within the formula funding in 2017/18.

### Courier Service

72. Schools Forum has historically agreed to part fund the School Courier Service which ensures documents are transported between the Local Authority and all schools on a regular basis. The budget in 2016/17 is projecting to overspend by £14k as the cost of the service has increased over time and there has been no increase to the budget. The proposal for 2017/18 is therefore to increase the budget to £35k to reflect the increase in cost.

### Non-statemented LAC placements

73. There is a continuing pressure linked to the number of looked after children who have been placed out of borough. Whilst the cost of these placements is shared between education, health and social care there is still a requirement to increase the current DSG budget by £200k to reflect the on-going expenditure in this area.

#### Support Service Costs

74. A proportion of the total support services costs for central services at the Local Authority are charged to the DSG under a nationally agreed model. It is not proposed that the budget be increased in 2017/18.

### Local Leaders in Education

75. £87k of DSG funding has in previous years been used to support schools by increasing the leadership capacity of help raise standards and improve pupil outcomes. Schools Forum has proposed that this is no longer DSG funded in 2017/18.

### ESG retained services

76. In the 2015 Spending Review, the DfE announced that ESG funding would cease in 2017/18 and that for those services defined as retained duties previously funded through the ESG, the funding and responsibility would be transferred into the DSG. In November 2016, the DfE updated the Schools Revenue Funding 2017 to 2018 Operational Guide, which provided the definition of those services deemed to be retained duties. The funding settlement released on 20 December 2016, confirmed that the DSG baseline for 2017/18 included a sum of £740k for retained duties, and it is proposed that this figure is earmarked to fund these services.

## **High Needs Block**

### Planned Place Numbers

77. There have been a number of changes to planned place numbers which requires a £304k budget increase to ensure sufficient funding is in place for 2017/18. The specific changes are in the table below;

<b>School</b>	<b>Change in Planned Place Number</b>	<b>Change in Funding (£000)</b>
The Skills Hub	20	200



Hedgewood	5	50
Lake Farm	2	12
St Martin's	6	52
Hayes Park	1	10
Cherry Lane	-2	-20
<b>Total</b>	<b>32</b>	<b>304</b>

### Demographic Growth

78. The table below sets out the latest projected numbers of SEN pupils in Hillingdon schools. The table indicates that there will be projected growth of 28 SEN pupils in 2017/18, the majority of whom will have an ASD SEN. Assuming an average cost of £20k per place and assuming that these occur throughout the year the estimated additional cost in 2017/18 would be approximately £480k (pro-rata).

<b>Difficulty</b>	<b>Actuals 01/09/16</b>	<b>Projection 01/09/17</b>	<b>Increase</b>
Autistic Spectrum disorder	557	567	<b>10</b>
Social, Emotional and Mental Health	113	115	<b>2</b>
Hearing Impairment	39	40	<b>1</b>
Mild Learning Difficulty	135	137	<b>2</b>
Multi-Sensory Impairment	2	2	<b>0</b>
Other ie: (Medical/mental health)	34	35	<b>1</b>
Physical Disability	86	87	<b>1</b>
Profound & Multiple learning difficulties	29	30	<b>1</b>
Speech Language and Communication Needs	324	330	<b>6</b>
Severe Learning Difficulty	146	149	<b>3</b>
Specific Learning Difficulty	30	31	<b>1</b>
Visual Impairment	25	25	<b>0</b>
Unclassified	20	20	<b>0</b>
<b>Total</b>	<b>1,540</b>	<b>1,568</b>	<b>28</b>

### Special School & Specialist Resource Provision (SRP) Top-up Funding

79. Schools Forum has made the decision to ring-fence the DSG funding blocks in 2017/18 in preparation for the implementation of the National Funding Formula when ring-fencing will become a requirement. The impact of this resulted in an initial £1.1m deficit on the High Needs block in 2017/18. In previous years Schools block funding has been used to cover a shortfall on any of the other funds but the majority of Schools Forum members did not want Schools Block funding to cover the High Needs shortfall in 2017/18.

80. The decision was therefore taken by Schools Forum to cover the High Needs deficit through a reduction in centrally retained budgets combined with a £350k reduction in top-up rates for bands 5 to 9. The £230k will be apportioned across bands 5 to 9 based on the number of pupils in each band as at January 2017.

### Independent & Non-Maintained Special Needs and Out of Borough Placements

81. We have seen a significant reduction in the number and total spend on SEN placements in Independent and Non-maintained schools and this reduction is forecasted to continue

over the coming years. Over the next year we are expecting a decrease of seven placements as pupils leave and we continue to provide adequate places within our in-borough provision. It is estimated that the financial impact of this reduction in 2017/18 will be approximately £289k.

#### Post-16 Special Educational Needs Placements

82. 2016/17 has seen continued growth in the number of post-16 pupils with special educational needs requiring college placements. Currently the budget for post-16 college placements is £1,613k (split between FE Colleges and Independent Specialist Providers) and it is estimated that the full year impact on the DSG of the growth seen in September 2016 will be £595k. There is an assumption that any future growth will be managed within the current budget.

#### SEN Support Services

83. The following specialist centrally retained SEN services support statemented and non-statemented pupils in mainstream, special schools and SRPs as well as pre-school children;

##### *Early Support Team*

84. The team consists of 2.8 (FTE) Home Portage Visitors who support parent and carers helping to build resilience within families with children and young people with additional needs or disabilities.

##### *Education Psychology*

85. The Educational Psychologist's (EP) role is to contribute to raising the achievement of vulnerable pupils by working with schools/education settings and families to promote inclusive practise and support the emotional growth and development of children. The £337k budget is a proportion of the total EP service budget with some of the core functions funded from local authority base budget.

##### *Inclusion Team*

86. The Inclusion Team support settings in developing high quality inclusive practice, delivering effective early interventions to support children in developing the skills they need to access education. The team consists of a Team Manager, 2 (FTE) Senior Practitioners, 4.8 (FTE) EY Practitioners, 3 (FTE) Autism Specialists and 2 (FTE) Language Specialists with the High Needs sub-group previously agreeing to an increase in funding to cover the whole team.

##### *Sensory Needs Team*

87. The Sensory Needs team provides specialist services for children and young people from 0-25 years with sensory needs. The High Needs sub-group has previously agreed to an increase in funding for two additional specialist VI teachers.

2% Threshold & AEN Funding Threshold

88. In previous years Schools Forum agreed to the implementation of the following two funding mechanisms; The 2% threshold recognises those schools that have a disproportionate number of pupils with SEN and distributes an additional £6k funding for each pupil over the 2%. The budget requirement for this in 2016/17 was £588k and it is proposed that this can be reduced by £70k in 2017/18 to reflect the actual projected spend. The AEN threshold ensures that schools who do not have enough Low Attainment funding (the designated factor for proxy SEN) to cover the first £6k of every stated child's needs (up to the 2% threshold) will receive a funding adjustment increasing their notional SEN funding to at least £6k per stated pupil. The budget requirement for this in 2016/17 was £78k and it is proposed that this mechanism remains for 2017/18.

**Proposed Increase in Schools Delegated Budget 2017/18 and Proposed DSG Budget for 2017/18**

Schools Delegated Budget 2017/18

89. The following table sets out the proposed increase in the Schools Delegated Budget, should all of the above proposals be agreed.

Ref	Proposal	Budget £000
	<u>Growth</u>	
23	Growth in DSG 2017/18	10,695
25	Two Year Olds Projected Growth	105
38	Year End Cumulative DSG Deficit	-209
	<b>Total Funds Available</b>	<b>10,591</b>
	<u>Proposals and Adjustments</u>	
	<i>Base Budget Adjustments</i>	
	<i>Early Years Block</i>	
41-47	EYSFF increase	2,056
49	Maintained Nursery School Supplementary Funding	217
50	Disability Access Fund	92
51	EYSFF additional 15 hours free entitlement	3,199
52	2YO Provision	-231
53	SEN Inclusion Fund	200
55	Free Entitlement Capacity Building Grants	-300
56	Vulnerable Children Funding	-200
57	Early Years Educational Psychologists	-100
31	EYPP	3
	<i>Schools Block</i>	
61	Growth Fund Contingency	-107
62	Procurement Officers	-20

63	Looked After Children Funding	143
64	Barnhill PFI	-374
65	Courier Service	14
66	Non-Statemented LAC placements	200
68	Local Leaders in Education	-87
69	ESG Funded Services	740
	<i>High Needs Block</i>	
70-71	SEN Pupil Number Growth	785
72-73	Special School & SRP Top-up Funding	-230
74	Independent & Non-maintained Special Needs Placements	-289
75	Post-16 Special Needs Placements growth	595
76-80	SEN Support Services	314
81	2% SEN Threshold	-70
53	SEN Early Years (funded from Early Years Block)	-100
	<b>Total Proposals and Adjustments</b>	<b>6,337</b>
	<b>Funds Available for Delegation</b>	<b>4,254</b>

### Proposed DSG Budget 2017/18

90. The following table sets out the final DSG Budget for 2017/18, ignoring academy recoupment to ensure that the baseline equates to the amount of DSG that has been noted above:

Funding Block	Cost Centre description	Proposed Budget £'000
Schools Block	Schools Block Income	-210,940
Schools Block	Individual Schools Budget	205,908
Schools Block	Growth Fund Contingency	1,631
Schools Block	<b>Schools Block Total</b>	<b>-3,401</b>
Central Schools Block	DSG Funded Business Support	65
Central Schools Block	Schools Forum	5
Central Schools Block	Local Leaders in Education	0
Central Schools Block	Schools Procurement	90
Central Schools Block	Barnhill PFI	0
Central Schools Block	Admissions	299
Central Schools Block	Courier Service School	35
Central Schools Block	DSG Looked After Children	873
Central Schools Block	Non-statemented LAC placements	300
Central Schools Block	Education Safeguarding	178
Central Schools Block	ESG Funded Services	740
Central Schools Block	Central Schools Block Overheads	147
Central Schools Block	<b>Central Schools Block Total</b>	<b>2,732</b>
Early Years Block	Early Years Block Income	-25,691
Early Years Block	Early Years Single Funding Formula	17,340
Early Years Block	Early Years Single Funding Formula (additional 15 hrs)	3,199
Early Years Block	Maintained Nursery School Supplementary Funding	217
Early Years Block	Disability Access Fund	92
Early Years Block	SEN Inclusion Fund	200
Early Years Block	Early Years Psychology Team	96
Early Years Block	Core Childcare & Early Years (FIS)	238
Early Years Block	Early Years Advisory Teachers	319
Early Years Block	Provision for Vulnerable Children Placements	209
Early Years Block	Early Years Centres	335
Early Years Block	Early Years Overheads	293

Early Years Block	Early Years Pupil Premium	179
Early Years Block	2YO Funding	2,559
Early Years Block	2YO Free Entitlement Capacity Building	219
Early Years Block	<b>Early Years Block Total</b>	<b>-196</b>
High Needs Block	High Needs Block Income	<b>-35,060</b>
High Needs Block	High Needs Block Academy Recoupment	4,740
High Needs Block	Maintained ASB	4,063
High Needs Block	Top-up funding	17,179
High Needs Block	Independent placement provision	5,119
High Needs Block	FE college ALS top up funding	1,388
High Needs Block	FE college provision (Alternative Provision)	222
High Needs Block	Hospital Tuition	75
High Needs Block	Spec Contingency Spec Needs	941
High Needs Block	Non-statemented pupils - exceptional funding	32
High Needs Block	Tuition - SEN out of school	128
High Needs Block	SEN Support Services	1,616
High Needs Block	High Needs Overheads	422
High Needs Block	<b>High Needs Block Total</b>	<b>865</b>
	<b>Grand Total</b>	<b>0</b>

## Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see a slight reduction in per pupil funding when compared with 2016/17. School budgets are protected by the Minimum Funding Guarantee level of minus 1.5% of per pupil funding. Additionally the top up rates for Bands 5 to 9 will have to reduce slightly to ensure that a balanced budget can be delivered.

The DSG has competing demands across the three funding blocks (Early Years, Schools and High Needs), with particular pressures in High Needs, where any increase in funding has not been sufficient to meet the cost of High Needs growth relating to the actual growth in pupil numbers experienced over the period. The implementation of the ring fenced arrangement between the relevant funding blocks (which is being proposed as part of the introduction of the National Funding Formula) has resulted in schools and Schools Forum not willing to divert resources from the Schools Block to fund the increasing cost of High Needs. This could have a significant impact on the ability of the Schools Forum setting a balanced budget in 2018/19. In order to address this, a workplan is being developed to undertake a major review of all expenditure covered by the DSG.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is fully funded from the ring-fenced Dedicated Schools Grant. However, for 2017/18, the Education Services Grant (ESG) will cease with effect from 1 September 2017. The guidance issued by the Government allowed the Council to consult with schools on whether the services currently funded through this grant could be funded from the DSG. Following the consultation with schools, it was evident that they were not prepared to fund the majority of general duties covered in the ESG, which will have an impact on a range of Council services funded from the base budget. This is discussed in the main Council Budget Report.

## **4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES**

## **What will be the effect of the recommendation?**

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2017/18, including the final individual school budget shares, which have to be distributed to schools on or before 28 February 2017.

### **Consultation Carried Out or Required**

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2013, which are covered in this consultation paper. The Schools Forum has a limited range of decision making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget. The main role of the Schools Forum is to consult with schools on proposed changes to funding arrangements, including any changes to the school funding formula. For 2017/18, the consultation with schools revolved around changes to the Growth Contingency Fund and the Deprivation, Looked After Children and PFI formula factors within the schools funding formula and also changes to the Early Years Funding Formula following the decision to implement a National Early Years Funding Formula from April 2017. The formal consultation ended on 21 December 2016.

## **5. CORPORATE IMPLICATIONS**

### **Corporate Finance**

Corporate Finance has reviewed this report, confirming that the Schools Budget proposals approved by Schools Forum and presented to Cabinet for approval are fully consistent with the General Fund budget proposals also being considered on this agenda. As outlined above, the abolition of Education Services Grant will result in the transfer of £740k activity from the General Fund into the Schools Budget, with the remainder of the £1,059k reduction in General Fund expenditure being met from dedicated School Improvement funding from the Department for Education and streamlining of residual General Fund Education functions through a dedicated BID Review.

Whilst the regulations covering the operation of school forums give more decision making powers to schools with regard to certain aspects of the schools funding it remains the responsibility of the Cabinet to agree the Schools Budget for 2017/18 as set out in this report. The Council may add to the amount of the Schools Budget from resources funded by Government grants or through Council Tax raised to fund the General Fund, but may not set the Schools Budget below the level of the DSG.

Funding proposals for the Schools Budget for 2017/18 set out in this report are fully consistent with the report on the General Fund Revenue funding and Capital Programme for 2017/18 elsewhere on the agenda.

### **Legal**

The Borough Solicitor confirms that this budget has been set in accordance with the School and Early Years Finance (England) Regulations 2015

## **6. BACKGROUND PAPERS**

NIL