

## SCHOOLS BUDGET 2018/19

<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 Education and Children's Services Finance, Property and Business Services
<b>Officer Contact(s)</b>	Peter Malewicz, Finance
<b>Papers with report</b>	Schools and Early Years Funding 2018/19 Consultation Paper

## HEADLINES

<b>Summary</b>	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2018/19, 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 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.
<b>Relevant Policy Overview Committee</b>	Children, Young People and Learning Services
<b>Ward(s) affected</b>	All

## RECOMMENDATIONS

### That Cabinet:

- 1) Agrees that the total Schools Budget for 2018/19 will be equal to the total of the Dedicated Schools Grant (as set out in paragraphs 83 to 84) provided to the Council.
- 2) Approve the Early Years Single Funding Formula, as set out in paragraphs 13 to 16.
- 3) Approve the base rate of funding for the Two Year Old Free Entitlement Offer, as set out in paragraphs 17 and 18.
- 4) Approve the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 19 to 23.
- 5) Approve the Central School Services budget as agreed by the Schools Forum, as set out in paragraphs 62 to 66
- 6) Approve the High Needs budget as agreed by the Schools Forum, as set out in paragraphs 67 to 70.

### 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 2018.
2. The School and Early Years Finance (England) Regulations 2018 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. For 2018/19 budgets, the main consultation ended on 20 October 2017 and the responses to this consultation were considered at the Schools Forum meeting on 1 November 2017. Additionally, Schools Forum are required to set and agree the DSG budget for 2018/19, taking into account any accumulated surplus/deficit balances, this was agreed at the Schools Forum meeting on 17 January 2018. 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 September 2017 to make a number of changes to Schools, Early Years and High Needs funding. The proposed changes are detailed in the Schools and Early Years Funding 2018/19 Consultation Paper attached with this report. Schools were briefed and formally consulted on these proposals in October 2017.
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.
5. The recommended Schools Budget 2018/19 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 future growth in the placement of children with Special Educational Needs, including a provision for the cost of 16-25 placements.

6. The recommended Schools Budget 2018/19 no longer contains a reserve to cover unforeseen costs and does not provide surplus resources to offset the cumulative deficit accruing on the Dedicated Schools Grant Budget in 2017/18.

### **Policy Overview Committee comments**

7. None at this stage.

## **SUPPORTING INFORMATION**

8. The Government have confirmed the Schools National Funding Formula will be implemented in 2018/19. 2018/19 and 2019/20 will see a 'soft' implementation of the formula with local authorities and Schools Forum still having the ability to set a local funding formula.
9. The schools block will be ring-fenced from 2018/19 but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of Schools Forum. Additionally, a Central Schools Services block has been created in order for local authorities to fund ongoing responsibilities and historic commitments.
10. The Government have confirmed that the Early Years National Funding Formula (EYNFF) will continue in 2018/19. 2018/19 will also see the continuation of the additional 15-hour free entitlement for 3 & 4 year olds of eligible working parents which was introduced from September 2017.
11. Schools continue to convert to Academy status, following the introduction of the Academies Act 2010 where the current picture in Hillingdon is that 46 schools are now academies (20 primary, 19 secondary, 1 all-age, 5 special and the Pupil Referral Unit). The Council is not currently aware of any schools with a plan to convert in 2018/19.
12. The following sets out the arrangements that the DfE are making to the schools funding system for 2018/19:
  - i) National funding formula implemented in 2018/19.
  - ii) Funding has been provided for at least a 0.5% per pupil increase for each school in 2018/19 through the national funding formula
  - iii) Minimum Funding Guarantee (MFG) protection remains at minus 1.5% per pupil.
  - iv) The DfE has guaranteed at least a 0.5% overall increase in High Needs funding in 2018/19 to reflect some of the growth being seen in the number of pupils with SEN.

- v) Pupil Premium rates have been retained at the 2017/18 rates. The Looked After Children pupil premium rate has increased to £2,300 per pupil.
- vi) Universal Infant Free School Meals (UIFSM) rate will stay at £2.30 per meal.
- vii) 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.

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

13. Early Years Funding provides funds for schools, Private, Voluntary and Independent Nursery providers and Childminders for 3 and 4 year old placements.
14. From April 2017 the Early Years National Funding Formula (EYNFF) was implemented with a new requirement on the amount of funding that local authorities must pass to providers. In 2018/19 local authorities must plan to spend at least 95% 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 2018/19 no changes are made to the Early Years funding formula in Hillingdon. The formula is made up of the following factors:
  - A base rate per hour for all pupils set at 91% of the funds available to providers (maintained at £4.92 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 needs supplement, payable to those providers with an above average IDACI ranking,
  - Maintained Nursery School supplementary funding (only applies to McMillan Nursery).
15. Hillingdon saw a significant reduction in the number of three and four year olds accessing the free entitlement in 2017/18. Due to the way in which the funding of the free entitlement works, where initial allocations are based on historic data and then updated based on actual numbers through the year with the final adjustment not taking place until the following financial year, it has resulted in the Early Years block being over funded in 2017/18. The consequence of this would have required the base rate to be reduced in 2018/19 to reflect the funding reduction. However, following consultation with Schools and Early Years providers, Schools Forum agreed to retain the base rate at its 2017/18 rate using savings from within the centrally retained Early Years block and a transfer of funds from the Schools Block.
16. The Free Entitlement offer for three and four year olds increased to 30 hours per week from September 2017, for those children whose parents are both working and meet other specific criteria. In 2017/18 Schools Forum agreed to fund the additional 15 hours at the

same rate as the universal free entitlement, there is no proposal to change this in 2018/19.

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

17. 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.
18. 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 has been set at £6.00 per hour per pupil. Schools Forum agreed to maintain this formula and level of funding in 2018/19.

### **Primary and Secondary Schools**

19. The Schools Block provides funding for Primary and Secondary schools (including academies and free schools) and a limited range of retained budgets. The DfE's paper; Schools Revenue Funding for 2018 to 2019, sets out how local authorities and schools forums should plan for the local implementation of the funding system for the 2018/19 financial year. The final DSG has been determined based on the October 2017 census data.
20. All primary and secondary schools will be funded based on the approved and agreed funding model, this includes maintained, all academies, free schools, studio colleges and university technical colleges. For 2018/19, the funding will still be provided as is currently the case (i.e. maintained schools will receive funding from the local authority through the DSG and all other schools will receive funding directly from the Education and Skills Funding Agency (ESFA)).
21. The DfE have announced that the NFF will be implemented from April 2018. However, the local authority and Schools Forum will still be involved in the determination of the funding allocations to schools in 2018/19 and 2019/20. As a result, Schools Forum proposed to make no changes to the current Hillingdon Schools Funding Formula for 2018/19.
22. Within the Schools Block, the Government has provided for at least a 0.5% per pupil increase for each school in 2018/19 through the National Funding Formula. The Schools Block will be ring-fenced, however, local authorities will be able to transfer up to 0.5% of their schools block funding out, with agreement of Schools Forum, to offset ongoing funding pressures in the High Needs and Early Years blocks. In Hillingdon 0.5% equates to approximately £1m.
23. Following consultation with stakeholders, and a further review of the DSG Budget for 2018/19 in January 2018, Schools Forum agreed to transfer 0.5% from the Schools Funding Block, which will allow the Council to set a balanced DSG Budget for 2018/19, but will not provide any surplus funds to offset some of the brought forward deficit on the DSG.

### **Dedicated Schools Grant Baseline 2018/19**

24. The Education and Skills Funding Agency (ESFA) published baseline local authority level allocations for the schools, central school services and high needs blocks on 14 September 2017. These formulae have been used to calculate the final allocations of the funding blocks within the Dedicated Schools Grant (DSG) for 2018/19, on the basis of pupil numbers recorded in the October 2017 census.
25. The following table sets out the published baseline DSG budget for 2018/19, compared to the original 2017/18 baseline:

<b>Funding Block</b>	<b>Baseline Budget 2017/18 £million</b>	<b>DSG Budget 2018/19 £million</b>	<b>Change in Budget £million</b>	<b>Increase %</b>
Schools	208.73	215.47	6.74	3.2%
High Needs	34.55	36.26	1.71	4.9%
Central Services	2.73	2.78	0.05	1.8%
Early Years	23.79	26.31	2.52	10.6%
<b>Total DSG Budget</b>	<b>269.80</b>	<b>280.82</b>	<b>11.02</b>	<b>4.1%</b>

26. The Schools Block Unit of Funding (SBUF) for the Early Years Block and the Schools Block are noted in the following table. 2018/19 sees the introduction of a different SBUF rate for primary and secondary pupils

<b>Funding Block</b>	<b>2017/18 (£)</b>	<b>2018/19 (£)</b>	<b>Change (£)</b>
2YO - SBUF per pupil	5,621.12	5,621.12	0
Early Years - SBUF per pupil	5,538.50	5,538.50	0
Primary - SBUF per pupil	4,825.44	4,255.69	-569.75
Secondary - SBUF per pupil	4,825.44	5,566.68	741.24

#### Early Years Block

27. The funding for the early years block in respect of 3 and 4 year olds is provisional and will be adjusted throughout the 2018/19 financial year based on the January 2018 census data and again for the January 2019 census data. Following the implementation of the Early Years National Funding Formula, the government announced a number of changes to 3 & 4 year old funding to local authorities. The breakdown of funding for 2018/19 is summarised in the table below;

<b>Early Years Funding Block</b>	<b>£000</b>
2 Year Old Entitlement	2,070
3 & 4 Year Old Universal Entitlement	18,071
3 & 4 Year Old Additional Entitlement	5,692
Supplementary Funding for Maintained Nursery Schools	236
Disability Access Fund	101
Early Years Pupil Premium	136
<b>Total</b>	<b>26,306</b>

28. Initial funding allocations for 2 year olds for 2018/19 are provisional and have been determined using the January 2017 census count. 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. Hillingdon has seen a slight decrease in uptake over 2017/18. Therefore, for the purposes of setting the budget for 2018/19, it is anticipated that participation will remain at similar levels to 2017/18.
29. The funding for 3 & 4 year olds in 2018/19 will continue to 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. There is no indication that the Early Years SBUF for Hillingdon will change from the £5,538.50 per pupil.
30. The funding formula will also include 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 universal 15 hour entitlement. The funding allocation in 2018/19 is based on DfE estimates of eligible children along with known data on the current uptake. There is a £2.5m increase in this funding stream in 2018/19 compared with the previous year which takes account of the full year effect of the scheme which was implemented from September 2017. It is, however, not clear, whether this funding will be based on actual participation, therefore for the purposes of this budget, it has been assumed that this will be fully utilised.
31. The government 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. This funding will continue in 2018/19 and Hillingdon has a provisional allocation of £236k.
32. The government 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 a provisional allocation of £101k.
33. The Early Years Pupil Premium allocation for 2018/19 is provisional and based on the DfE estimate of how many children are eligible. The school census data from January 2018 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 2017/18 (£302.10 for each eligible child taking up the full 570 hours of state funded early education). Hillingdon's provisional allocation for 2018/19 is £136k.

#### Schools Block

34. Within the Schools block the Government have provided for at least a 0.5% overall increase in funding in 2018/19, through the national funding formula. Hillingdon's schools

funding block has seen an increase in funding of £6.74m, which also includes pupil growth of 477 pupils, equivalent to an increase of 3.2% on the 2017/18 baseline.

35. The table below provides an analysis of the change in the pupil population between October 2016 and October 2017, where there is continuing growth in the primary (0.6%) and secondary (1.7%) sectors. It is worth noting that the primary growth continues to slow when compared with 2017/18, whilst the level of growth in the secondary sector has increased:

Sector	Oct-16	Oct-17	Change	Change %
Primary	27,881	28,036	155	0.6
Secondary	15,880	16,156	276	1.7
<b>Total Schools</b>	<b>43,715</b>	<b>44,192</b>	<b>477</b>	<b>1.1</b>

#### High Needs Block

36. Within the High Needs funding block the Government have provided for at least a 0.5% overall increase in 2018/19 through the high needs national funding formula. For Hillingdon this has resulted in an increase of £1.71m when compared with the 2017/18 allocation giving total High Needs block funding of £36.26m. This includes pupil growth funding of £160k, which equates to approximately 35 pupils.

#### Central School Services Block

37. The Central School Services block has been created for ongoing responsibilities and historic commitments. The table below indicates how the Hillingdon allocation of £2.78m has been calculated.

CSSB unit of funding £	Total Pupils Oct-17	CSSB Funding £000	Historic Commitments £000	Total CSSB Funding £000
33.0	44,192	1,458	1,323	2,781

#### **Estimated DSG Budget for 2018/19**

38. In determining the final distribution of the DSG funds available, it is usually a requirement that predicted year end balances are built into the final determination. For 2017/18, there is a planned in year deficit on the DSG, which for month 9 is estimated to be £1.93m. When added to the DSG opening deficit balance of £1.14m, which it carried forward from 2016/17, it is projected that there will be a deficit of £3.07m carried forward to 2018/19. Given the size of the deficit it was agreed that Schools Forum should aim to set a balanced budget for 2018/19, but where possible identify additional savings to contribute towards reducing the brought forward deficit.

## **Proposals for Use of DSG in 2018/19**

39. The following proposals for use of the DSG in 2018/19 were discussed and agreed at Schools Forum on 1 November 2017.

### **Schools Block**

#### Transfer of Schools Block funds

40. Within the Schools Block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the National Funding Formula. Additionally, the Schools Block will be ring-fenced, however, local authorities will be able to transfer up to 0.5% of their schools block funding out with agreement of schools forum. Following consultation with stakeholders, Schools Forum initially proposed a 0.25% (£539k) transfer from the schools block to contribute towards reducing the deficit DSG balance. However, given the continuing growth in the High Needs population it was considered that the full 0.5% is needed to set a balanced High Needs block budget. Following discussion, Schools Forum agreed to the transfer of 0.5% at its meeting on 17 January 2018.

#### Growth Fund Contingency

41. A review of the Growth Fund Contingency requirement, which provides funding for expanding schools, diseconomies funding for new Basic Need Academies and funding for significant in-year growth, estimates that the budget in 2018/19 should be £1,662k. The growth contingency requirement will reduce in future years as pupil growth works its way through the primary sector, assuming that the pupil growth in the secondary sector is covered by current school expansions and proposed new free schools.

#### Retained Balance

42. It is good practice to retain a working balance for the DSG, particularly given the future uncertainties around the funding of High Needs growth and the provision of 30 hours childcare for 3 & 4 year olds. In recent years a balance of £500k has been retained, however, given the on-going pressure, particularly in High Needs, it has not been possible to set a balanced budget for 2018/19 with a reserve and therefore it is proposed that no contingency balance is retained.

### **Early Years Block**

43. The draft Early Years Single Funding Formula for the provision of the 15 hours free entitlement for 3 & 4 year olds is calculated based on 5/12ths of the January 2018 census numbers and 7/12ths of the January 2019 census numbers. The allocation is therefore draft as there will be further adjustments in July 2018 and July 2019. It is worth noting that approximately two thirds of this funding is delegated directly to schools for three and four year old provision.

44. There are a number of requirements on how local authorities are able to allocate Early Years funding to providers. These requirements are intended to ensure that funding provided is fairly distributed to providers. Schools Forum has not proposed to make any changes to the calculation of the Early Years funding formula.

#### Universal Free Entitlement - Base Rate

45. Local authorities will be required to pass 95% of early years funding directly to providers in 2018/19 (this has increased from 93% in 2017/18). There is a requirement to set a universal base rate for all providers, and 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 limits on supplements, the Hillingdon base rate is set at 91% of available funding and Schools Forum previously agreed to cap the base rate at £4.92 as used in 2017/18.

#### Universal Free Entitlement - Funding Supplements

46. The Government allow supplements of up to 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. The following sets out what supplements Hillingdon uses;

#### *Deprivation Supplement*

47. In 2017/18 the deprivation factor within the Hillingdon early years formula was 7% with IDACI as the distribution driver, as this appears to be the best indicator of deprivation for 3 & 4 year olds. The proposal is that for 2018/19 this is retained at the same percentage. This will reduce the hourly rate slightly, following the reduction in early years funding.

#### *IDACI Threshold Supplement*

48. 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 to retain the 2% supplement to distribute additional resource to those providers with an IDACI rank which is higher than average and set at 0.25.

#### Maintained Nursery School Supplementary Funding

49. The government recognises that maintained nursery schools have additional costs and has confirmed that it will continue to provide supplementary funding to local authorities for maintained nursery schools in 2018/19. The supplementary funding for Hillingdon in 2018/19 is £236k 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

50. The government introduced a new targeted early years Disability Access Fund in 2017/18, 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 2018/19 is £101k.

#### Additional 15 hours Free Entitlement

51. Hillingdon has received £5.69m in additional resource to fund the additional 15 hours free entitlement for eligible children in 2018/19. 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 additional 15 hours will be delivered. The current working assumption is that the DfE will claw back any unspent funding, although they have not indicated that this will happen, nor have they notified Council's of the approach that they will put in place for 2018/19. The DfE have confirmed that the funding rate for the additional entitlement should be the same as for the universal 15 hours.

#### Two Year Old Provision

52. The funding rate to local authorities for disadvantaged two year olds remains at £5.92, which is 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 £2,218k, and based on the actual numbers in October 2017 and allowing for some reduction in line with the termly fluctuations seen in 2017/18, there is no proposed change to the current base budget for this provision.

#### SEN Inclusion Fund

53. All local authorities were required to establish SEN inclusion funds for 3 & 4 year olds in their local funding systems from April 2017. The Inclusion team work with early years providers to determine how best this funding is distributed with the focus on children with lower level or emerging SEN. It is proposed that the £200k allocated to the SEN inclusion fund is retained 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 5% that local authorities can centrally retain in 2018/19.

## **Early Years Centrally Retained**

### Early Years Centres

54. Schools Forum consider that these centres should be in a position to run on a breakeven basis without the need for DSG funding and therefore the proposal from Schools Forum is that the £331.5k funding should cease at the end of 2017/18. The Local Authority has submitted a disapplication request to the Education & Skills Funding Agency (ESFA) in order for the Secretary of State for Education to clarify whether any subsidy is a legitimate use of the DSG and whether the budget can be retained.
55. In the mean time the Council is proposing to cover any potential subsidy through the allocation of General Fund priority growth.

### Two Year Old Capacity Funding

56. The DSG base budget previously included an allocation of £219k for two year old capacity building 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 and Schools Forum have therefore proposed that this funding ends for 2018/19.

### Early Years Educational Psychologists

57. 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 has not been used in full each year due to difficulties in determining a delivery model and the proposal is that this funding ends for 2018/19.

### Provision for Vulnerable Children Placements

58. 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 reduced to £209k in 2017/18, and it is proposed to retain this budget at the same level in 2018/19.

### Family Information Service

59. The Family Information Service (FIS) 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 2018/19 is £245k.

### Early Years Advisory Service

60. The Early Years Advisory service provides targeted support, advice and guidance to all early years settings (including schools and Private Voluntary and Independent Nursery providers). Following the reduction in early years funding as a result of the fall in the number of three and four year olds accessing the free entitlement, there is a need to find savings within the Early Years block. Schools Forum has therefore requested that the Early Years Advisory service is reviewed with a view to finding savings for 2018/19 with a savings target of £150k allocated, reducing the budget for 2018/19 to £180k.

### **Central School Services Block**

#### Procurement Officers

61. The DSG previously funded two school procurement officers who support maintained schools and academies. Schools Forum considered that, given a number of schools do not access this support and some schools are purchasing external procurement services, this could be a saving to the centrally retained DSG. The proposal is therefore that the £90k funding ends for 2018/19.

#### Courier Service

62. Schools Forum 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 indication is that given the increased use of e-mail communication, this service is no longer a high priority for schools and therefore the proposal is to end the £35k funding for 2018/19.

#### Non-statemented LAC placements

63. 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 retain the current DSG budget of £300k to reflect the on-going expenditure in this area.

#### Support Service Costs

64. Support services costs are charged to the DSG in respect of those services delivered by the Council and funded from the Schools. It has been agreed that this budget will be reviewed in 2018/19 and it is therefore not proposed to adjust this budget in 2018/19.

#### Education Services Grant (ESG) retained services

65. 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. The Schools Revenue Funding Operational Guide provides the definition of those services deemed to

be retained duties. In 2017/18 the DSG baseline included a sum of £740k for retained duties, and it is proposed that this figure is retained in 2018/19.

## High Needs Block

### Planned Place Numbers

66. There have been a number of changes to planned place numbers which requires a £10.8k budget increase to ensure sufficient funding is in place for 2018/19. The specific changes are in the table below;

School	Change in Place Number	Month Change Effective	Change in Funding 2018/19 £
Lake Farm	2	Sept 2018	20,000
Moorcroft	5	Sept 2018	29,167
Pinkwell	(2)	Sept 2017	(8,333)
St Martin's	2	Sept 2018	20,000
St Martin's (assessment)	4	April 2018	20,000
Vyners	(7)	April 2018	(70,000)
<b>Total</b>	<b>4</b>		<b>10,834</b>

### Demographic Growth

67. The table below sets out the latest numbers of Special Educational Needs (SEN) pupils in Hillingdon compared with the previous year. The table indicates that there has been significant growth with an increase of 285 (15.7%) SEN pupils between September 2016 and December 2017, the majority of whom have a primary need of ASD.

Primary Need	Actuals 01/09/16	Actuals 31/12/17	Change	Change %
ASD	639	742	103	16.1
Speech, Language and Communication Needs (SLCN)	350	357	7	2.0
Moderate Learning Difficulties (MLD)	186	201	15	8.1
Severe Learning Difficulties (SLD)	172	192	20	11.6
Social Emotional and Mental Health Needs (SEMH)	150	167	17	11.3
Physical Disability (PD)	101	111	10	9.9
Other/medical	41	55	14	34.1
Hearing Impairment (HI)	44	48	4	9.1
Profound and Multiple Learning Difficulties (PMLD)	36	36	0	0
Specific Learning Difficulties (SpLD)	41	34	(7)	(17.1)
Visual Impairment (VI)	27	25	(2)	(7.4)
Multi-Sensory Impairment (MSI)	3	5	2	66.7
Unclassified	28	130	102	364.3
<b>Total</b>	<b>1,818</b>	<b>2,103</b>	<b>285</b>	<b>15.7</b>

68. The breakdown of the growth per type of setting is indicated in the table below, which indicates that there has been a significant increase in the number of students attending a Further Education setting that have a SEN :

Type of Setting	Actuals 01/09/16	Actuals 31/12/17	Change	Change %
Mainstream Schools	738	753	15	2.0
Maintained & Academy Special Schools	589	660	71	12.1
Special Free Schools	64	96	32	50.0
SRPS within Mainstream Schools	98	110	12	12.2
Non-maintained & Independent Schools	127	118	(9)	(7.1)
Other (EOTAS)	79	98	19	24.1
Further Education Settings	107	265	158	147.7
Early Years Settings	16	3	(13)	-81.3
<b>Total</b>	<b>1,818</b>	<b>2,103</b>	<b>285</b>	<b>15.7</b>

69. In terms of further growth in 2018/19, the budget has been increased to allow for a 4% increase in mainstream, special school and SRP numbers. The assumption is that these 64 additional places are distributed evenly between mainstream and specialist provision and that the average pro-rata cost is £5k for mainstream and £20k for a special school place. This has resulted in an additional £335k budget requirement for 2018/19.

#### SEN Top-up Funding

70. There is no proposal to make any changes to the banded funding model for the distribution of top-up funding in 2018/19. However, the High Needs sub-group have been tasked with reviewing the current model in order to identify opportunities for improving the effectiveness and efficiency of the resource allocation process for children with SEN. The expectation is that any changes recommended would be implemented in 2019/20, with an effective implementation date of September 2019.

71. The 2018/19 budgets for top-up funding have been increased by £1,645k to reflect current expenditure (including the estimated full impact of all special school pupils transferring to Education, Health and Care Plans (EHCP's) and being placed on the correct banding).

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

72. The Council has 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, there is an expected decrease of four placements as pupils leave and the budget has been reduced by £122k to reflect the estimated financial impact of this reduction in 2018/19.

#### Post-16 Special Educational Needs Placements

73. 2017/18 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 £2,150k (split between FE Colleges and Independent Specialist Providers). Following the significant growth in numbers from September 2017 it is

estimated that the full year impact on the DSG will be £1,100k. Any future growth will need to be managed within the current budget.

#### Import/Export adjustment

74. Following the amalgamation of Uxbridge with Harrow College the 185 planned places for the Harrow campus will now be recouped from the Hillingdon High Needs block. There will be an import adjustment made to the funding based on the January 2018 census to reflect the majority of Harrow students which are resident in another local authority and the assumption has been made that this adjustment will reduce the published High Needs recoupment figure by £1.07m.

#### SEN Support Services

75. 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. Schools Forum at its meeting on 1 November 2017, requested a review into these services and proposed a £98k budget reduction.

#### *Early Support Team*

76. The Early Support team consists of 2.8 FTE Home Portage Visitors who support parent and carers helping to build resilience within families that have children and young people with additional needs or disabilities.

#### *Inclusion Team*

77. 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 Early Years 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*

78. 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 visual impairment teachers.

#### Education Psychology

79. The role of the Educational Psychology (EP) team 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. In the past year, the increase in the volume of statutory assessments and national recruitment difficulties for high

quality Educational Psychologists has resulted in the team carrying out a limited amount of non-statutory work. Schools Forum has therefore proposed that the £337k DSG funding is removed in full from 2018/19.

#### 2% Threshold and Additional Educational Need (AEN) Funding Threshold

80. In previous years Schools Forum agreed to the implementation of the following two funding mechanisms;

- i) 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 2017/18 was £449k and it is proposed that this should be retained in 2018/19, as it is consistent with current projected spend.
- ii) 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 statemented child's needs (up to the 2% threshold) will receive a funding adjustment increasing their notional SEN funding to at least £6k per statemented pupil. The budget requirement for this in 2017/18 was £70k and it is proposed that, in order to find savings in high needs expenditure, the AEN funding threshold is removed in full for 2018/19.

## Proposed DSG Budget for 2018/19

81. The following table summarises the adjustments and savings proposals that have been agreed with Schools Forum and allow the Council to set an in year balanced DSG Budget for 2018/19:

Ref	Proposal	Budget £000
	<u>Savings Proposals and Growth Adjustments</u>	
	<b><i>Schools Block</i></b>	
40	Transfer 0.5% to Fund Growth in High Needs	-1,078
41	Removal of Retained Balance	-500
	<b><i>Early Years Block</i></b>	
54	Removal of Funding for the Three Early Years Centres	-332
57	Removal of Two Year Old Capacity Funding	-219
58	Removal of Early Years Educational Psychologists Funding	-96
61	Review of Early Years Advisory Service	-150
	<b><i>Central School Services Block</i></b>	
62	Removal of Schools Procurement Service Funding	-90
63	Cessation of Courier Service	-35
65-66	Inflation Increases	36
	<b><i>High Needs Block</i></b>	
67	Increased Planned Place Funding	11
70	High Needs Demographic Growth	335
71-72	SEN Top-up Funding	1,645
73	Independent School and Out of Borough Placements	-122
74	Post 16 SEN Placements	1,100
76-79	Review of SEN Support Services	-98
80	Cessation of Non Statutory Educational Psychological Service	-337
81	Cessation of AEN Threshold Funding	-70
	<b>Total Proposals and Adjustments</b>	<b>0</b>

82. The following table sets out the final DSG Budget for 2018/19, 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	Schools Block Funding	-215,472
Schools	Copyright Licences adjustment	264
Schools	Individual Schools Budget	212,468
Schools	Growth Fund Contingency	1,662
Schools	0.5% transfer out of Schools Block	1,078
	<b>Schools Block Total</b>	<b>0</b>
Central Schools	Central Schools Block Funding	-2,781
Central Schools	DSG Funded Business Support	65
Central Schools	Schools Forum	5
Central Schools	Admissions	304
Central Schools	Hillingdon Virtual School	487
Central Schools	Non-statemented LAC placements	300
Central Schools	Education Safeguarding	165
Central Schools	Pupils Out of School	132
Central Schools	ESG Funded Services	754
Central Schools	Central Schools Block Overheads	569
	<b>Central Schools Block Total</b>	<b>0</b>
Early Years	Early Years Block Income	-26,307
Early Years	Early Years Single Funding Formula	17,131
Early Years	Early Years Single Funding Formula (additional 15 hrs)	5,353
Early Years	Maintained Nursery School Supplementary Funding	236
Early Years	Disability Access Fund	101
Early Years	SEN Inclusion Fund	200
Early Years	Core Childcare & Early Years (FIS)	245
Early Years	Early Years Advisory Teachers	185
Early Years	Provision for Vulnerable Children Placements	209
Early Years	Early Years Overheads	293
Early Years	Early Years Pupil Premium	136
Early Years	2YO Funding	2,218
	<b>Early Years Block Total</b>	<b>0</b>
High Needs	High Needs Block Income	-36,259
High Needs	0.5% transfer out of Schools Block	-1,078
High Needs	High Needs Block Academy Recoupment	6,064
High Needs	Estimated Import/Export adjustment	-1,068
High Needs	Maintained ASB	3,673
High Needs	Top-up funding	19,052
High Needs	Independent placement provision	5,180
High Needs	Contributions to/(from) joint funded placements	-114
High Needs	FE college top up funding	2,265
High Needs	Hospital Tuition	75
High Needs	Spec Contingency Spec Needs	871
High Needs	Non-statemented pupils - exceptional funding	32
High Needs	Tuition - SEN out of school	128
High Needs	SEN Support Services	1,179
	<b>High Needs Block Total</b>	<b>0</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 an increase in per pupil funding when compared with 2017/18 following the significant increase in the Schools Block funding. It should be noted that school budgets are protected by the Minimum Funding Guarantee level of minus 1.5% of per pupil funding.

The DSG has competing demands across the four funding blocks (Early Years, Schools, High Needs and Central School Services), 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 along with complexity of need experienced over the period. The implementation of the ring fenced arrangement between the relevant funding blocks has resulted in a shortfall of funding in the High Needs block with a balanced budget only achieved due to agreement with Schools Forum to transfer 0.5% of Schools Block funding to fund the increasing cost of High Needs.

The proposals in this report do not provide any additional resources that can be used to offset the cumulative deficit accruing on the DSG, which at Month 9 stands at a deficit of £3.1 million.

It is expected that the implementation of the 'hard' National Funding Formula will have a significant impact on the ability of the Schools Forum to set a balanced budget in future years as the expectation is that funds will no longer be allowed to be transferred between the funding blocks. In order to address this, the process of developing a three year budget to try to understand what pressures the DSG will be under along with a major review of all expenditure covered by the DSG is being undertaken. However, it should be noted that these options will be limited, as the total of the Central Services Funding Block is £2.8 million, which in itself is less than the cumulative DSG deficit.

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.

## RESIDENT BENEFIT & CONSULTATION

### **The benefit or impact upon Hillingdon residents, service users and communities?**

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2018/19, including the final individual school budget shares, which have to be distributed to schools on or before 28 February 2018.

### **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 2018/19, the consultation with schools revolved around the transfer of funds out of the Schools Block and proposed savings on a number of centrally retained budgets. The formal consultation ended on 20 October 2017.

## CORPORATE CONSIDERATIONS

### 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 for 2018/19 also being considered on this agenda. In the event that the Council's disapplication request to the Secretary of State for Education is rejected, General Fund Priority Growth will be deployed to support Early Years Centres during 2018/19. It is noted that the above budget proposals remove the £500k contingency budget previously available to meet emerging pressures and make no specific provision for recovery of the projected £3,069k deficit on the Schools Budget.

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 2018/19 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.

### Legal

The Borough Solicitor confirms that this budget has been set in accordance with the School and Early Years Finance (England) Regulations 2018

## BACKGROUND PAPERS

NIL