**Consultation highlights**

Although Merton will receive the Dedicated Schools Grant for 2018/19 and 2019/20 based on the National Funding Formula (NFF), we can still use a local formula to allocate this funding to our individual schools, academies and free schools.

Merton proposes to still use a local formula because:

* The APT tool that local authorities are required to submit to the ESFA, detailing the formula used in allocating funding to schools, does not include the loss and gain caps the Department uses to allocate funding to Merton. We are therefore not able to replicate the NFF through the APT tool.
* Premises factors are allocated based on historic data. This means allocating business rates on historic values. Due to the revaluation exercise done nationally by the Valuation Office last year, this would mean a shortfall of c£521,000 for Merton schools. Using a local formula we will be able to use a more accurate estimate of rates in the formula.
* If we use the national formula, we will not be able to de-delegate any items. Merton will be working with Head teachers over the coming year on SLAs to replace de-delegated items, but this is not available yet.
* Using a local formula means that 18 schools will receive less and 34 will receive more funding compared to the NFF as using the local formula enables us to phase the impact of moving money between schools in over a longer period.

A fourth funding block is introduced from 2018/19 called the central school services block (CSSB) which for Merton includes central licences negotiated by the Secretary of State, schools admissions, servicing of school forums, prudential borrowing and statutory and regulatory duties held for all schools. The other three blocks are schools, high needs and early years blocks.

The NFF will not use reception uplift while Merton’s local formula will continue to take account of this.

Like the NFF, Merton will cease using the LAC factor in the local schools funding formula as this funding will be transferred to the Pupil Premium grant and the Pupil Premium Plus rate increased.

The “schools in challenging circumstances” de-delegation budget is proposed to increase from £300,000 to £400,000 to enable Merton to support more schools requesting financial support.

The Merton School Sport Partnership (MSSP) de-delegation of £30,000 will cease and instead the MSSP will engage schools directly through a SLA agreement from the 2018/19 academic year.

Due to central government cutting the Education Support Grant from September 2017, the education services for maintained schools which is top-sliced from maintained schools is proposed to increase from £500,000 to £650,000. This means that the school contribution towards the services previously funded from this grant reduces from 45% to 38%, with the shortfall funded from the LA.

We are consulting on whether to apply MFG at 0.0%, -1.0% or -1.5%.

We are not proposing any changes in the early years funding formula. The factors are included in table 11 page 26 of the consultation document.

We are consulting schools on transferring £500,000 from the schools block to the high needs block for 2018/19. This represents 0.42% of the schools block and will be used to fund the increase is numbers at special schools as well as a 2% increase in top-up (banding) fees.

Due to the transfer of funding from the HNB to the Schools Block, the top-up element to ARPs will be reduced for 2018/19. We will be reversing the transfer that was made in 2013 from the schools block to the HNB and the schools with bases will be informed of these changes. The net effect on these schools should be minimal as the reduction in the base top-up will be offset by the increase in the schools funding formula.

The surplus resulting from Merton’s secondary school exclusion process will in future be used to offset the cost the SMART centre incur for educating year 11 pupils with the aim to reduce the cost which is then recharged to secondary schools. Previously this underspend was allocated to the general DSG reserves.

Some minor changes are proposed to Merton’s scheme for financing schools.