

6) Towards a National Funding Formula

6a) 2017/18 Draft budget

Table 1 below shows the 2017/18 Draft Schools budget and incorporates the latest information announced by the government in December 2016. The main changes since the draft budget was last presented to Schools Forum on 8 December are:

1. INCOME

- The gross Schools Block income has been revised in light of actual pupil numbers on the October 2016 school census.
- The net Schools Block total deducts academy/ free school recoupment as calculated on the APT.
- The cost of copyright licensing (a deduction from the DSG) has also been factored into the total.
- Early Years Pupil Premium (EYPP) is included in the DSG income figure.
- The new Early Years Disability Access Fund (EY DAF) is also included in the DSG income total.
- The High Needs block has been slightly increased to cover population growth.
- There remains a call on the reserves held from previous years' underspends in order to fund the cost of growth as pupil numbers continue to increase.

2. EXPENDITURE

- Expenditure is categorised by the new Section 251 structure as released on 22 December 2016
- Line 1.0.1 – school funding. This includes payments to all types of schools via the main funding formula, high needs place funding, post-16 allocations and 2, 3 and 4 year old payments (including EYPP and EY DAF).
- Lines 1.1.1-1.1.9 – dedelegation – these budgets are estimated from the dedelegation on the APT. The budgets fall as more schools convert to academies.
- Lines 1.2.1 – 1.2.3 – high needs top-ups – these have been estimated on the current projections for 2016/17.
- Lines 1.2.4 – 1.2.11 – high needs services – estimated on the current projections for 2016/17
- Line 1.3.1 – early years central services. This line has been increased in light of the changes to the EYNFF for developing the 30hr 'working parent' offer and continued development of 2yo provision.
- Line 1.4.1, 3, 11, 13 – central services - no change from 16/17 budgets
- Line 1.4.2 School Admissions has been increased by £40,000 in line with Schools Forum approval at the last meeting
- Line 1.4.10 – Growth fund (payments to schools not within the APT, e.g. bulge classes) – revised on more accurate detail.
- Line 1.5.1, 1.5.2 and 1.5.3 – Former ESG expenditure (new S251 line numbers) has been broken down into lines covering the Education Welfare service, Asset Management and Statutory/ Regulatory duties. The total

expenditure on these lines has reduced to £797k (from the provisional £824k discussed and agreed at the December Schools Forum).

				SForum 9Feb2017		SForum 8Dec2016				
				Gross 1718 before recoupment	Net 1718 after recoupment	Gross 1718 Draft as reported	Gross Budget 1617 before recoupment	Net Budget 1617 after recoupment	Change since last Schools Forum	
Type	S251lin	S251 Desc	Subgroup							
Expenditur	1.0.1	Individual Schools Budget before Academy recoupment	2,3&4 year old	26,640,556	26,640,556	26,278,515	19,050,560	19,050,560	362,041	
			BudgetShares	245,560,573	144,465,555	246,995,209	240,578,335	144,769,295	- 1,434,636	
			HighNeedsPlac	9,486,488	4,852,988	9,427,488	8,077,920	6,095,590	59,000	
			1.0.1 Total	281,687,617	175,959,099	282,701,212	267,706,815	169,915,445	- 1,013,595	
	1.1.1	Contingencies	Contingency	400,000	400,000	400,000	147,130	147,130	-	
	1.1.2	Behaviour Support Services	Dedelegation	78,609	78,609	78,876	79,130	79,130	-	
	1.1.3	Support to UPEG and bilingual learners	Dedelegation	84,732	84,732	79,997	87,000	87,000	4,735	
	1.1.9	Staff costs - supply cover for facility time	Dedelegation	48,039	48,039	48,174	48,770	48,770	-	
	1.2.1	Top-up funding - maintained schools	HighNeeds	16,145,946	16,145,946	16,404,939	16,969,420	16,969,420	-	
	1.2.2	Top-up funding - academies, free schools and colleges	HighNeeds	7,693,776	7,693,776	7,745,279	7,434,150	7,434,150	-	
	1.2.3	providers	HighNeeds	9,638,811	9,638,811	9,638,811	9,084,010	9,084,010	-	
	1.2.5	SEN support services	Services	3,666,943	3,666,943	3,566,943	3,581,850	3,581,850	100,000	
	1.2.6	Hospital education services	HighNeeds	541,146	405,860	541,146	530,010	530,010	-	
	1.2.11	Direct payments (SEN & Disability)	HighNeeds	350,000	350,000	300,000	300,000	300,000	50,000	
	1.3.1	Central expenditure on children under 5	Services	1,561,167	1,561,167	1,171,390	1,131,390	1,131,390	389,777	
	1.4.1	Contribution to combined budgets	CAF Team	279,968	279,968	279,262	285,540	285,540	706	
			Safer Families	183,720	183,720	183,720	183,720	183,720	-	
			1.4.1 Total	463,688	463,688	462,982	469,260	469,260	706	
	1.4.2	School Admissions	Services	401,200	401,200	361,200	361,200	361,200	40,000	
	1.4.3	Servicing of schools forums	Services	34,680	34,680	34,680	34,680	34,680	-	
	1.4.10	Pupil growth / Infant class sizes	Growth	1,300,000	1,300,000	1,400,000	1,456,322	1,456,322	-	
	1.4.11	SEN transport	Services	400,000	400,000	400,000	400,000	400,000	-	
	1.4.13	Other items	FairAccess	106,500	106,500	106,500	106,500	106,500	-	
	1.5.1	Education welfare service - Former ESG retained duties	Retained Duties	286,891	286,891		-	-	- 537,657	
	1.5.2	Asset management - Former ESG retained duties	Retained Duties	26,000	26,000	824,548	-	-	26,000	
	1.5.3	Statutory/ Regulatory duties - Former ESG retained duties	Retained Duties	485,000	485,000		-	-	485,000	
			Expenditure Total	325,400,746	219,536,941	326,266,677	309,927,637	212,136,267	- 865,931	
Income	1.9.1	Dedicated Schools Grant	DSG	- 318,858,054	- 212,994,249	- 319,553,635	- 302,368,347	- 204,576,977	695,581	
	1.9.4	Post 16 allocations from EFA	Post16	- 5,000,000	- 5,000,000	- 5,000,000	- 6,216,900	- 6,216,900	-	
	1.9.2	Balance b/fwd	Income	- 1,542,692	- 1,542,692	- 1,713,042	- 1,342,390	- 1,342,390	170,350	
			Income Total	- 325,400,746	- 219,536,941	- 326,266,677	- 309,927,637	- 212,136,267	865,931	

Table 1 – 2017/18 Draft budget v2 – February Schools Forum

6b) 2017/18 APT submission

The council is required to submit to the DfE annually a completed Authority Proforma Tool (the APT) which shows all the detailed assumptions underpinning the proposals for allocating budgets to schools and early years providers in the following year.

The key factors are as follows:

- The government's minimum funding guarantee (MFG) for schools remains the same as in 2016/17 (-1.5%). This means that the maximum reduction in per pupil funding for any school is 1.5%.
- Barnet's Primary:Secondary funding ratio has remained consistent at 1:1.29 and, in order to maintain this ratio in 2017/18, Schools Forum agreed to increase the secondary age weighted pupil unit (AWPU) by £5 per annum
- To ensure the affordability of the MFG protection offered to schools losing more than 1.5% per pupil in their formula funding, Schools Forum also agreed a change to the amount schools can gain by applying a cap. Schools would keep formula funding gains up to a maximum of 2.25% per pupil.
- As explained last year, the December 2015 IDACI (Income Deprivation Affecting Children Index) release meant that IDACI scores for all Barnet schools (and in London generally) were lower than in the previous year. To reflect the lower deprivation scores, the DfE has redesigned the IDACI bands to return them to a similar size to previous years. In light of this, Barnet has reverted to funding the 3 most deprived IDACI bands, now classified as A, B and C. The total deprivation expenditure as a percentage of total distribution remains consistent with previous years.
- All academies and free schools are treated in the same way as maintained schools in that their pupils are used to determine the Schools Block of the DSG, and the local authority calculates and submits their funding on the authority proforma tool (APT) so the money can be recouped by the Education Funding Agency from Barnet's DSG.
- Local authorities are responsible for pupil growth at all schools, except in the first year of opening a new free school. A total of £3.8m is needed in the growth fund budget for 2017/18 to pay for new year groups opening in academies and free schools as well as expansions at maintained schools.

The funding rates submitted on the APT for the 2017/18 financial year are as follows:

	2017/18		2016/17 Rates	
	Primary Rate £	Secondary Rate £	Primary Rate £	Secondary Rate £
Age Weighted Pupil Unit	3,325.75	4,782.86	3,325.75	4,772.86
Free School Meals (Ever 6)	1,423.56	505.00	1,423.56	505.00
Lump sum per school	122,000.00	122,000.00	122,000.00	122,000.00
Deprivation: IDACI 3	Bands not in use in 2017/18		350.00	1,045.00
Deprivation: IDACI 4			2,100.00	5,225.00
Deprivation: IDACI 5			4,200.00	10,450.00
Deprivation: IDACI C	880.00	2,189.44	Bands not in use in 2016/17	
Deprivation: IDACI B	2,100.00	5,224.80		
Deprivation: IDACI A	4,000.00	9,952.00		
English as Additional Language 2	530.00	1,378.00	530.00	1,378.00
Mobility	422.90	618.53	422.90	618.53

The funding formula rates shown above have been used to calculate the school level funding used in the draft budget build shown at item 6.1

6c) Early Years Funding Formula (EYFF)

Early Years National Funding Formula

1. A new early years national funding formula for 3- and 4- year olds was announced on 1 December 2016. The key points are:
 - The new formula allocates funding to local authorities for the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year children of eligible working parents. The funding rates for both the existing 15-hour entitlement and the additional 15-hour entitlement are the same. Funding in 2017-18 for the additional 15-hour entitlement (the 30 hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.
 - 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 multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.

Allocation of funding to Barnet for 2017/18

2. The amount of funding to the local authority per 3- and 4-year old pupil in the Early Years block has been increased to £5.90 per child per hour as a result of the introduction of the Early Years National Funding Formula, an increase from the £4.80 per hour per child received in 2016/17. Extra funding at the same rate per hour has also been provided to cover the cost of extending free childcare to 30 hours a week for eligible working parents.
3. The Early Years (EY's) Block is estimated using early years numbers taken from the Early Years and Schools census in January 2016. A further update to the 2017/18 DSG allocation will be made once the January 2017 Early Years and Schools census numbers are finalised.
4. In accordance with DfE guidance, the authority must set a universal base rate per hour for all providers and a deprivation supplement in the new formula.
5. A further requirement is that in 2017/18 at least 93% of the funding for 3&4 year olds is passed on to providers through a combination of the formula funding for places and an Inclusion Fund to support children with low level or emerging special educational needs in Early Years settings.
6. All these requirements are met in the draft budget that forms the basis of the APT submission.

Consultation on the formula

7. Following the last Schools Forum meeting in December, and taking account of the responses from the survey and feedback from Schools Forum members, the proposals detailed below have been presented to the Commissioning Director, Children and Young People and the Lead Member for Children's Services.
8. The options were:

- a) Base funding rate and deprivation supplement at 5% (we are required to pay up to a maximum of 10% in supplements)
- b) Base funding rate and deprivation supplement at 7.5%
- c) Base funding rate and deprivation supplement at 10%

5% deprivation	
Target total spend = 17,506,081	
Total Base rate spend = £16,630,777	Total Deprivation spend = £875,304
Hourly Base rate	Deprivation
£5.17	£1.53

7.5% deprivation	
Target total spend = 17,506,081	
Total Base rate spend £16,193,125	Total deprivation spend = £1,312,956
Hourly Base rate	Deprivation
£5.03	£2.30

10% deprivation	
Target total spend = £17,506,081	
Total Base rate spend = £15,755,473	Total deprivation spend = £1,750,608
Hourly Base rate	Deprivation
£4.90	£3.07

9. The lower the percentage of supplements is, the higher the base rate is. It has been agreed to adopt option 1 (supplements of 5%) as impact data shows that Barnet providers (schools, PVI's and childminders) are better off with a higher base rate pass through.

Funding formula

10. As a result, after allowing for central expenditure and the Inclusion Fund the recommended hourly base-rate to providers will be £5.17 and the 'notional' rate to providers in will be £5.44 per hour (compared to £4.30 in 2016/17). This is the

average rate to providers consisting of base rate (the minimum for every child) plus a deprivation supplement based on the IDACI score of each child, which will vary for each child/ setting.

11. The early years pupil premium has been set at the same level as 2016/17 but may be subject to change.
12. Funding for two year olds is calculated in a similar way to that for 3 and 4 year olds. The funding rate will be £5.92 an hour to the local authority, whilst the LA funds providers at the slightly higher rate of £6 per hour.

Nursery Schools

13. The council has paid a subsidy to nursery schools since the introduction of the Barnet Early Years Funding Formula. This was reduced to 50% of the 14/15 subsidy level in 2015/16 and to 25% in 2016/17.
14. Under the National Early Years funding formula, the same funding formula will apply to all providers. Supplementary funding will be paid to some local authorities for up to two years, where this is needed to enable local authorities to maintain their current maintained nursery schools' funding levels.
15. Barnet has not received any supplementary funding – the Maintained Nursery School (MNS) allocation - because the notional hourly rate exceeds the rate that was paid to Barnet nursery schools in 2016/17. Barnet nursery schools will receive a similar level of funding in 2017/18 without the supplementary funding than they did in 2016/17 with the subsidy included.
16. Nursery Schools will therefore no longer receive a subsidy from 2017/18.

Provision for disabled children and children with special educational needs (SEN)

17. Two new measures are being introduced for 2017-18 to support children with disabilities or SEN:
 - the Disability Access Fund (DAF) aids access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or helping with building capacity (be that for the child in question or for the benefit of children as a whole attending the setting);
 - the SEN Inclusion Fund requires local authorities to set up a fund to help providers better address the needs of individual children.
18. Three- and four-year olds will be eligible for the DAF provided they are in receipt of child disability living allowance and receive free early education.
19. The purpose of the SEN Inclusion Fund is to support local authorities to work with providers to address the needs of individual children with SEN. The fund is for 3- and 4-year-olds who are taking up any number of hours of free entitlement. 2-year-olds are not eligible to receive this funding. Local authorities are expected to target the fund at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.

6d) NFF consultation – stage 2.

The DfE released Stage 2 of the Schools national funding formula and the High Needs funding reform consultations on 14 December 2016, with a closing date for responses of 22 March 2017. The full consultation documents can be viewed online at: <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/> and <https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>

The headline proposals are:

- a 'soft' formula will apply for 2018/19 where school allocations will be aggregated and allocated to LAs in the Schools Block. There will be an interim local formula for this period, with limited scope for movement between blocks in 2018/19 with the explicit agreement of the Schools Forum.
- From 2019-20, the national funding formula will be used to calculate the vast majority of each individual school's budget, but with local authorities continuing to have flexibility on some parts of the formula, particularly in relation to funding for pupil growth.
- LAs will continue to decide spend from High Needs, Early Years and Central Services blocks, but will have limited flexibility in allocating the Schools Block
- The school level Minimum Funding Guarantee (MFG) will continue at -1.5% per pupil, but there will be additional protection in the form of a school level funding floor – limiting the reduction of overall funding to a school to a maximum of 3% per pupil by 2019/20.
- Schools gaining under the national funding formula will be limited to a maximum gain of 3% per pupil in 2018/19, and a maximum of 2.5% gain in 2019/20.
- Confirmation of the creation of a Central Services Block using a per pupil rate, a deprivation factor (FSM eligibility) and an area cost adjustment.
- The High Needs formula funding proposals will include an area cost adjustment.
- No local authority will lose funding as a result of the HN formula.

The specific proposals in the consultation relate to the permitted formula factors and the relative weightings applied to each.

The main impact on schools in Barnet will be the proposed emphasis on prior attainment; this factor is not currently used in the local formula. With regard to proposals for other deprivation measures, London authorities are likely to gain under the EAL measure and area cost adjustment factors, but are likely to see a reduction in deprivation (IDACI/ FSM) allocations due to a general reduction in deprivation levels in London. It is also proposed to set the lump sum per school at £110,000, which is lower than Barnet's current figure of £122,000 but the difference will be protected within the MFG.

The illustrative allocations provided (based on 2016/17 data) indicate that allocations to schools will reduce and that Barnet's Schools Block would reduce once the

national funding formula is implemented. Individual schools could lose up to 1.5% funding per pupil in 2018/19 and the same in 2019/20.

For the Central services block, the illustrative allocation given (based on 2016/17 data) suggest that Barnet would gain funding under the new proposals, but transitional capping arrangements would mean a maximum gain of 2.4% per pupil in 2018/19.

Under the HN formula funding proposals, the illustrations provided (based on 2016/17 data) suggest that the formula will provide the same level of HN funding as currently received.

The combined effect of the changes to block funding described above are that, if the National Funding Formula had been fully implemented in 2016/17, Barnet would have suffered a reduction in DSG funding of 0.8%. If transitional protection had been applied, the actual reduction would be 0.3%. As these are only proposals at present, it has not been possible to model the expected impact in 2018/19 and 2019/20

Barnet will respond to the both consultations, draft responses shown at Appendices 2a and 2b.