

9.	Towards a National Funding Formula	
9a)	Consultations and Announcements	
	<p>The government still appears to be working towards implementing a National Funding Formula, and there have been a number of consultations and announcements throughout 2016 to which Barnet has responded.</p> <p>In order to clarify to Schools Forum how the consultations link together and the effect on Barnet, the tables below show the timetable of events to date and the anticipated impact on Barnet in each of the DSG funding blocks.</p> <p>Table 1 below shows the consultations that have been completed and submitted to date, and an assessment of the impact on Barnet where announcements have been made and indicative allocations given.</p> <p>Table 2 shows the forward plan for announcements and consultations, and the date of implementation where known.</p>	

Table 1

Date	From	Type	Event	Schools Block	Central Block	Early Years Block	High Needs Block
Jan-16							
Feb-16							
Mar-16	DFE/EFA	Consultation	Stage 1 - Schools National Funding Formula	Plans to introduce a NFF for all schools from April 2017. 'Soft' implementation for first 2 years	Introduction of new Central block for LA services.	Consultation expected later in year	
	DFE/EFA	Consultation	Stage 1 - High Needs funding and other reforms				Introducing fairness between LAs.
Apr-16	Barnet	Submission	Baselining information to DFE/EFA				
	DFE	Consultation	Free entitlement delivery model			Improving and extending the free entitlement for Under 5s	
May-16							
Jun-16							

Date	From	Type	Event	Schools Block	Central Block	Early Years Block	High Needs Block	
Jul-16	DFE/EFA	Announcement	School funding arrangements for 2017-18	National funding formula delayed for a year. Minor changes for 2017/18 apart from the Education Services Grant		Early years consultation awaited	No announcements about High Needs block funding reforms	
	DFE/EFA	Consultation	LA funding for free schools	Proposal that LAs fund free schools in the first year of opening, not from second year.				
Aug-16	DFE/EFA	Announcement	Results of baselining exercise to realign expenditure to the blocks of the Dedicated Schools Grant.	Schools block represents proportion spent in 2015/16. Effect on Barnet is move from Schools Block to High Needs Block	No central block for 2017/18	Early Years block represents proportion spent in 2015/16. No change for Barnet EY block	High Needs block represents proportion spent in 2015/16. Effect on Barnet is move from Schools Block to High Needs Block.	
			No change in total DSG allocation to Barnet.					
	DFE	Consultation	Funding changes for three and four year olds from 2017/18, and introduction of 30 hours for working parents.			Proposals for a formula to fund LAs for early years, plus changes to local formulae. Barnet will gain.		
Date	From	Type	Event	Schools Block	Central Block	Early Years Block	High Needs Block	
Sep-16								

Oct-16	Schools	Submission	October census	Will determine budget share for 2017/18			
	Barnet	Consultation	Principles of Early Years funding formula from April 2017			Seeking views on use of supplements for flexibility and 30 hours provision	
Nov-16	DFE/EFA	Consultation expected	2nd part of consultation on National Funding Formula				
Dec-16	DFE/EFA	Announcement expected	2017/18 Dedicated Schools Grant initial allocation.	Schools block based on October census		Early Years block estimated as will be based on January census	Provisional High Needs block

Table 2

Date	From	Type	Event	Schools Block	Central Block	Early Years Block	High Needs Block
Jan-17	Schools	Submission	January census				

	Barnet	Submission	Authority Proforma Tool to DfE		Finalises funding for all Barnet schools and academies for 2017/18			
Feb-17	Barnet	Publish	School budgets	Council website	Funding as submitted in APT	Not applicable	Estimates of funding for 3 & 4 year olds	Estimates of funding for high needs
Mar-17	Barnet	Submission	Section 251 budget to DfE		2017/18 budget for funding all Barnet schools academies for under 5s, Reception to Year11 and Post 16 including high needs and central services.			
Apr-17							Implementation of new EY formula for all providers	
May-17								
Jun-17								
Jul-17								
Aug-17								
Sep-17							30 hour entitlement for working parents starts	

9b)

Draft 17/18 budget including the School funding formula

Ian Harrison

DSG budget projections and pressures

The Dedicated Schools Grant for 2017/18 will be calculated in a similar way to 2016/17 and no major change is expected. None of the three blocks (Schools, Early Years, High Needs) are ring-fenced yet. However the overall Schools Budget will be subject to ongoing pressures, including the following:

- The 2016/17 DSG budget may have to draw on additional balances carried forward from last year, mainly because of the pressures set out below:
 - A lower early years allocation from the DfE than originally forecast. This is because the income this year depends on the actual number of places filled according to the last two Early Years censuses. As the actual numbers were below the numbers that had been forecast, the income this year is lower than the amount that had been budgeted for.
 - Higher than forecast post-16 SEN placement costs. This is the result of increasing pressure for Education, Health and Care Plans for young people who would not have had SEN statements.
 - The continuing pressure on the growth fund as pupil numbers continue to rise.
- In 2017/18 and beyond the following pressures will be need to be built into the Schools Budget:
 - Increasing placement costs for post-16 SEN arising from the new duties to support 16-25 year-olds with SEN.
 - Greater call on independent school SEN placements as cheaper in borough provision fills to capacity due to increasing population.
 - Reducing reserves from underspends. £1.3m was originally earmarked for growth from 2015/16, but an overspend against the current budget in 2016/17 will be the first call on the remaining reserves of £3.7m.
 - Growth in pupil numbers continues, but the pupils for whom expansions were set in place 7 years ago are now moving into secondary schools. Secondary school funding per pupil is higher than for primary schools and so intensifies the pressure on the budget. This growth will be unrelenting for at least 4 years. (See Table below).
 - Several new free schools are planned, and whereas in the past, the cost in the first year was paid directly by the EFA, this is now likely to be passed to the local authority. The LA does not receive funding for the additional pupils until the following year.
 - The 30 hour entitlement to free early education for children of working parents will be introduced in September 2017. Depending on take-up this may bring

uncertainty to early years funding projections.

- Two year old take-up has been slow but is now gathering pace, but funding for the additional children is not realised until the following year. The hourly rate received from the government is less than is paid to providers.

Growth funding in the Dedicated Schools Grant 2015/16 and 2016/17

Funding	2015/16 actuals		2016/17 planned	
	Number	Cost	Number	Cost
Primary bulge classes (30 pupils per class)	8	464,000	2	116,000
Primary half class expansions (15 pupils)	-	-	2	76,000
Primary permanent expansions (30 pupils per class)	11	528,000	10	480,000
Secondary permanent expansions (30 pupils per class)	1	61,000	2	122,000
New class protection (for new classes that do not fill enough to be viable)	5	89,526	6	289,340
Diseconomies of scale	4	216,250	4	246,750
Startup for new primary phase	2	100,000	-	-
Growth fund total cost		1,458,776		1,330,090
New primary year groups	6 schools, 236 places	696,868	7 schools, 326 places	1,006,561
New secondary year groups	3 schools, 370 places	1,165,876	3 schools, 420 places	1,343,965
Total cost of new year groups in funding formula		1,862,744		2,350,526
TOTAL GROWTH, excluding casual admissions		£3,321,520		£3,680,616

9c)	APT modelling	Claire Gray, School Funding Manager
------------	----------------------	--

Changes to the APT for the 2017/18 financial year

The formula funding arrangements for 2017/18 financial year are broadly similar to last year, but there are some minor changes to the Authority ProForma Tool (APT) to note for 2017/18:

- New bandings for the index of deprivation affecting children (IDACI)
- LAs are only required to submit one (final) APT in January 2017, not 2 as in previous years. (Provisional - October and Final - January).

In 2016/17 the revised IDACI data set used in the APT showed a significant drop in IDACI scores affecting all London authorities, meaning that Barnet no longer had any pupils at IDACI level 6. In order to rectify this demographic change and to lift schools off the Minimum Funding Guarantee, Barnet continued to fund the top 3 IDACI bands – 3, 4 and 5 instead of 4, 5 and 6 – but also amended the rates so that the overall distribution of FSM6 and IDACI funding between school phases remained consistent.

The DfE recognise that the revised data created some turbulence in school budgets and have decided to update the IDACI banding methodology. The table below shows how the 2016/17 IDACI bands have now been mapped to the new A to G range.

Bands used in 2015-16 and 2016-17	IDACI score	% pupils in each band (2015-16) – 2010 IDACI dataset	% pupils in each band (2016-17) – 2015 IDACI dataset	New bands for 2017-18	IDACI score	% pupils in each new band (October 15 census)
6	Between 0.60 and 1.00	3%	1%	A	Between 0.50 and 1.00	3%
5	Between 0.50 and 0.60	6%	3%	B	Between 0.40 and 0.50	8%
4	Between 0.40 and 0.50	10%	8%	C	Between 0.35 and 0.40	7%
3	Between 0.30 and 0.40	12%	14%	D	Between 0.30 and 0.35	8%
2	Between 0.25 and 0.30	7%	9%	E	Between 0.25 and 0.30	9%
1	Between 0.20 and 0.25	8%	10%	F	Between 0.20 and 0.25	10%

0	Less than 0.20	53%	56%	G	Less than 0.20	56%
---	-------------------	-----	-----	---	-------------------	-----

As a result of this correction, Barnet needs to view the October 2016 census data in order to model the impact on schools. Once this dataset has been received, we will once again need to assess the overall FSM6 and IDACI funding distribution and possibly revert to funding the top 3 bands, now A to C. We will inform Schools Forum of the outcome of this modelling, but Barnet's aim in using the revised dataset and reviewing the band rates will be to create as little turbulence as possible at school level whilst maintaining a consistent ratio of 1:1.29 between primary and secondary funding.

The proposed removal of a 'Mobility' funding factor has not been implemented for 2017/18, so this will remain in the Barnet formula for now.

The APT released by the DfE in mid-December will be populated with the data drawn from the October 2016 schools census. LAs must complete and submit a council ratified APT to the EFA with the final 2017/18 Schools Block funding formulae in January 2017.

9d)	Barnet EY consultations	Karen Pearson, Head of Early Years
-----	--------------------------------	---

Report to Schools Forum on the Early Years National Funding Formula

Introduction

The DfE released a consultation document on the Early Years National Funding Formula (EYNFF) on 11th August 2016 and the consultation closed at midnight on 22nd September 2016. The council response is attached as Appendix 4.

The consultation sought the views of stakeholders including Local Authorities (LAs) and all types of childcare providers on the revision of early years funding in advance of the introduction of 30 hours free child care for working families.

There are two parts:-

- 1) the implementation of an Early Years National Funding Formula (EYNFF) for LAs with effect from April 2017
- 2) more restrictive local funding formulae for providers from April 2017

In light of the information provided at this stage, the department expects that:

- local authorities should start discussions with their providers as soon as possible about what the proposals might mean to the local early years single funding formula. Although final proposals are dependent on the Government decisions based on consultation responses, the aim is that providers are informed of their 2017/18 funding rates as soon as possible.

This paper summarises the proposals for a national funding formula and the impact on Barnet. Local authorities are now expected to propose adjustments to their local funding formulae for 2017/18 in line with the proposals put forward by the DfE. The proposals leave some areas of discretion to each local authority and these are set out below. Taking account of these areas of discretion, the council is producing a draft consultation document on Barnet's early funding formula, including a limited number of options for consideration. The draft consultation document will be circulated as a supplementary paper to the Schools Forum in the week beginning 3 October. The Schools Forum is invited to comment on the draft consultation document before it is finalised and circulated to providers shortly after the Forum has met.

➤ LA EYNFF proposals

The formula for the early years block of the Dedicated Schools Grant (DSG) will consist of three funding factors:

1. A universal base rate for each child
2. An additional needs factor (a weighting of FSM eligibility, EAL and Disability Living Allowance) and

3. An area cost adjustment (ACA)

$$\text{LA hourly funding rate} = \{\text{Universal base rate} + \text{Additional needs}\} \times \text{ACA}$$

75% of LAs will gain from the hourly rate funding (including Barnet), but a -5% cap on losses will be applied in 2017/18 and again in 2018/19 for those LAs that lose against their 2016/17 hourly rate. The aim is that all local authorities should be 'on formula' by 2019/20.

The illustrative figures provided by the DfE show that Barnet is likely to receive an increase in hourly funding of approximately 22%, meaning a rate of £5.90 per hour (up from the current £4.80). This formula based amount will be received for the full year for all 3 & 4 year olds accessing the universal 15 hour Free Entitlement, and will also be allocated on a participation basis from September 2017 for those children accessing the additional 15 hour (working parent) entitlement.

➤ **Provider funding proposals**

Universal base rate: In its 'Cost of Childcare Review' the DfE found that costs between the main types of early years providers are broadly similar. As the early education outcomes required of providers are also the same, the department deduces that funding rates should not differentiate between types of provider and proposes that all authorities will be required to use a universal base rate of funding for all providers by 2019/20 at the latest, meaning all children receive the same level of basic 'per child' funding whichever type of establishment they attend. Barnet already meets this requirement as we have always given the same base rate (£3.76 in 2016/17) to all types of providers.

Supplements

Barnet's current supplements average out at 16% of the funding allocated to providers; this will need to be reduced to reach the target figure of 10%, but will be achievable in light of the increase in EY hourly funding Barnet expects to receive in the illustrative calculations.

The only part of Barnet's current formula that does not fit the proposals is the 'Basic Entitlement' factor of £100 per annum per child for the first 30 children. This will need to be redistributed within the rest of the formula.

Passporting: There will be a new requirement in the local funding formula requiring LAs to passport a specified percentage of EY block funding directly to providers (high pass-through). This will require LAs to ensure a minimum of 93% of funding is passported in 2017/18 and a further increase to 95% from 2018/19 onwards. Barnet currently passes an average of 91% (average hourly funding £4.37/£4.80 EY hourly funding received) to providers, not quite meeting the target of 93%. However, once the EY hourly rate to the LA is increased as shown in the illustrative figures from the DfE, the slightly higher pass rate to providers will be achievable.

Nursery School factor: In recognition of the high quality early years education and childcare provided by maintained nursery schools and in order to minimise disruption to this type of setting, the Government is proposing supplementary funding for at least two years for maintained nursery schools. This is designed to provide stability to the sector whilst they "explore how to become more sustainable in the longer term, including exploiting scope for

efficiencies". Barnet has had nursery transition funding in place for the last two years. This year it is at roughly the same level as proposed.

This change will mean that the supplementary funding for nursery will come out of the 2017/18 DSG funding instead of needing to come from DSG underspends from previous years, as has been the case until now.

Other funding elements

Disability Access Funding: In recognition of the increased costs to those settings that take more disabled children and children with SEN, the consultation proposes a targeted Disability Access Fund for providers where a child at the setting is in receipt of disability living allowance. It is proposed that this would be paid to the provider as an annual lump sum to encourage providers to make initial reasonable adjustments to increase their capacity to support High Needs children.

It also suggests that LAs should further create SEN Inclusion Funds to provide top up funding to support nursery children with special educational needs. Barnet has most of these proposals already in place.

Early Years Pupil Premium: The department has confirmed that the Early Years Pupil Premium will continue, being maintained at £302 per eligible child per year. This will remain in the DSG and in addition to the EYNFF.

2 year old funding: These proposals do not include any change to the current two-year old formula, but include uplift to the average funding rate from £5.09 to £5.39 per hour. Barnet currently receives £5.33, but the illustrative tables show that this will be increased to £5.92 in 2017/18. As Barnet currently pays £6 per hour for two year olds, this will narrow the gap between what we receive and what we pay out.

Impact on Barnet

- The proposed new funding formula should allow the basic funding rate to rise by around 25%. This will bring local authority funding a little closer to what providers charge for additional childcare, and so aid engagement in providing 30 hours for children of working families from September 2017.
- SEN funding for under 5s has already been reviewed in Barnet, so little should need to change in this area; and the proportion of central spend on early years is also likely to be within required limits. The size of the disability access fund, though welcome, will be small.
- Our current formula could be retained apart from the removal of the 'basic entitlement' element which will have to be absorbed into other elements. The basic entitlement adds 17.5p (5%) to the hourly rate of all children, except for a few in larger settings or schools.
- A consultation with all providers will be necessary to adjust the existing formula.

Supply and Demand

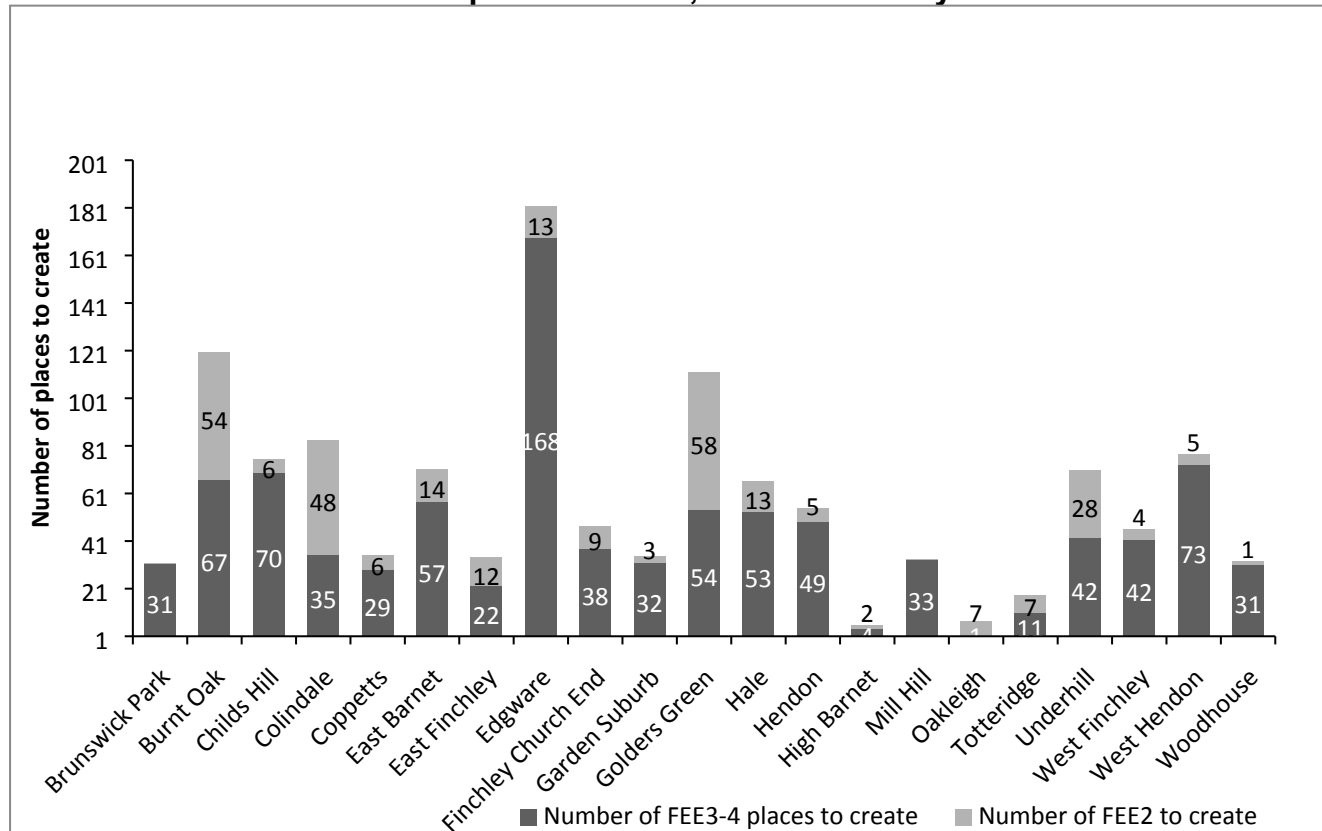
Insight work has been undertaken to analyse the number of children that would be eligible for the additional 15 hours of childcare, which has shown that approximately 6,956 children will be eligible in Barnet.

This insight work also analysed the total number of additional places required, looking at the childcare market, in order to meet the demand for early education and childcare places. The analysis also looked at how many additional places are estimated will be provided through a combination of a market response to the increased demand and also through the use of existing surplus places. This showed that:

- It is estimated that an additional 943 places will need to be created for 3 and 4 year olds when the new duty to provide an additional 15 hours of free childcare comes into effect in September 17.

Table 1 below shows how these figures are broken down by wards (the table also includes number of FEE2 places required).

Table 1: Number of additional places needed, broken down by ward



There are further planned projects to increase provision, to which capital funding has been committed; in addition a capital bid has been submitted to the DfE

Consultation

The consultation will commence in October and run for five weeks. All providers will be contacted by the central Early Years Team with details of how to take part in the consultation. The consultation will include:

- A webpage on the LBB website specifically for the consultation, the page will contain an overview of the purpose and proposals of the consultation and provide a direct link to the survey.
- Detailed financial modelling will form part of the survey.
- A designated email box for questions and queries' and these will form weekly FAQ that will be published on the web page.

Following the analysis of the consultation and confirmation of funding from the DfE all providers will be contacted as soon as possible with the new funding rates in order to prepare for the application of these rates in April 2017.

Recommendation: The Schools Forum is asked to:

1. Note the DfE's consultation proposals for an Early Years National Funding Formula
2. Note the council's response to the DfE's consultation
3. Comment on the draft consultation document on Barnet's early years funding formula (to be circulated the week commencing 3 October).

ANNEX I – Illustrative LA allocations

Current 2016/17 EY funding

2016/17 3&4yo FTE pupil numbers	3&4yo EY unit of funding £	Total 3&4yo allocation
3,802	£4,559.76	£17,336,207
PTE pupils (3802/15*25) = 6,337	= £4.80 per hour	
2016/17 2yo FTE pupil numbers	2yo unit of funding £	Total 2yo allocation
431	£5,253.50	£2,264,258
PTE pupils (431/15*25) = 718	= £5.53 per hour	
Total 2016/17 EY funding (excl 2yo and EYPP)		£19,600,465

Proposed 2017/18 EY funding

LBB General Labour Market Cost Adjustment (GLM)	1.17
LBB Nursery & Pre-School Rateable Cost Adjustment (NRCA)	4.27
LBB Total Area Cost Adjustment (80% of GLM, 10% of NRCA, 10%)	1.46

Universal 3&4yo entitlement (FEE3/4)			
Formula factor	Hourly Rate	LBB Area Cost Adjustment Multiplier	LBB ACA Adjusted Hourly rate
Basic	£3.53	1.46	£5.15
FSM	£2.13		£3.11
EAL	£0.29		£0.42
Disability Living allowance	£0.74		£1.08

Formula factor	Data	ACA Adjusted hourly rate	Total allocation
Basic (PTE)	6337.3	£5.15	£18,599,142
FSM (PTE)	1083.7	£3.11	£1,920,392
EAL (PTE)	3086.3	£0.42	£733,899
Disability Living allowance (Headcount)	300.0	£1.08	£184,715
Total 3&4yo allocation (excl EYPP) before capping			£21,438,147
EYNFF Hourly Rate before transitional protection/ capping (£21,438,147/(6337.3*15*38) =			£5.93
Cap applied at 22.9% of 2016/17 hourly rate =			£5.90
Universal 3&4yo allocation (excl EYPP) after capping			£21,312,340
2yo funding			
PTE pupils	718.40	£5.92	£2,424,163
15 hour Additional 'working parent' entitlement			
2017/18 capped EYNFF hourly rate =			£5.90
Projected 'working parent' PTE pupil numbers			979.1
Additional entitlement			=15*38
Additional Working Parent entitlement			3,292,601
EYNFF Block Allocation			£27,029,104
Additional grant - Maintained Nursery School Fund			£127,439