



SCHOOLS' FORUM MEETING

22nd September 2016

Changes to Funding Formula for 2017/18

1. Introduction

- 1.1 During 2016/17, the Department for Education (DfE) has been consulting with organisations with regards to proposed changes to the Dedicated Schools Grant (DSG) including how it is allocated to local authorities and then distributed to schools and early years providers. This paper sets out the changes made by the DfE for 2017/18.
- 1.2 The DSG is currently allocated to local authorities in three blocks: Schools; High Needs; and, Early Years with local authorities being able to transfer funds between blocks as required. For example, in 2016/17 Rutland has transferred £168,000 from the schools block to the early years block to allow for an increase in hourly rate to £4.60 for early years providers.
- 1.3 Under the consultation process, the DfE have indicated that in future this will change to four blocks: Schools; Central Schools; High Needs; and, Early Years. These blocks will be ring fenced and local authorities will no longer be able to transfer funds between them. In order for the DfE to have a baseline for comparison purposes, local authorities were asked in April to submit their 2016/17 spending plans allocated across the 4 blocks. These baseline figures (rather than the original allocation figures from the DfE) have been used when reviewing funding to be given to local authorities in 2017/18.

2. Schools and Central Schools Block

- 2.1 To ensure that local authorities can start planning budgets for next year, proposals made in the first stage of the national funding formula consultation to create a new central schools block, allow local flexibility on the minimum funding guarantee (MFG) and to ring-fence the schools block will not be implemented for 2017/18. Any movement between blocks should comply with requirements on the MFG and have agreement of schools forum.
- 2.2 The schools block baseline for 2017/18 reflects the amounts local authorities put in their baselines for both schools block and central schools block as part of the baseline exercise. It also includes funding for Education Services Grant (ESG) retained duties (£15 per pupil) which has been transferred into the schools block.
- 2.3 The DfE have confirmed that no local authority will see a reduction from their 2016/17 per pupil funding (adjusted to reflect the baseline figures) on the schools block allocation. Final allocations figures will be available in December on the basis of pupil numbers recorded in the October census and local authorities will need to submit their completed proformas by no later than 20 January 2017.
- 2.4 The current MFG for schools will be retained so that no school can face a funding reduction of more than 1.5% per pupil.

2.5 The allowable factors within the 2017/18 funding formula remain the same as the previous year except for the post-16 factor (not used by Rutland) which has been removed. It should be noted that due to changes in pupil numbers and changes to data sets, there will be a requirement to change the unit costs of some of the factors to ensure that the overall formula remains affordable.

3. ESG and arrangements for schools block retention

3.1 In the 2015 Spending Review, the DfE announced a saving of £600m from the ESG general funding rate by 2019/20. The ESG is split into two elements: general funding rate (£77 per pupil) and retained duties rate (£15 per pupil). The DfE have announced that from September 2017 the general funding rate will be removed to meet the £600m savings target and the retained duties will be added to the 2017/18 schools block (as part of the new central schools block).

3.2 The LA may maintain the retained duties funding for all pupils, the DfE recognises that local authorities will need to use other sources of funding to pay for education services provided to maintained schools only once the general funding rate has been removed. Therefore local authorities will be allowed to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG.

3.3 The amount to be retained will need to be agreed by the maintained school members of the schools forum. Local authorities should set a single rate for child for all mainstream maintained schools. As with de-delegation, the amount to be held by the local authority will be determined after MFG has been applied.

4. High Needs

4.1 For 2017/18, no local authority will see a reduction from its 2016/17 funding for high needs, against the 2016/17 planned spending baseline. These baseline figures are the amounts of high needs funding that local authorities should use for planning purposes.

4.2 At this stage, there are no plans to change the way in which authorities are funded for High Needs for 2017/18. This is to ensure that the places funded reflect broadly local authorities' recent commissioning activity.

4.3 Flexibility is available at local level to make adjustments to individual institutions place funding in 2017/18. In autumn 2016 (September), the Education Funding Agency (EFA) will gather information from local authorities about the place numbers for the start of the 2017/18 academic year.

5. Early Years

5.1 On 11th August 2016, the DfE started consultation on an Early Years National Funding Formula. The closing date for responses is 22nd September 2016.

5.2 The consultation does not impact on the funding for 2 year olds or the Early Years Pupil Premium (EYPP) as these are already distributed via a national formula.

5.3 In 2016/17, the budget for 3&4 year old funding has been set at £1,340,500 (excluding EYPP of £11,000) and centrally retained budgets at £104,500 to provide support and

advice to providers. This has given Rutland a baseline of £1,445,000 as a benchmark for comparison with the proposed new funding formula. Rutland currently pays all their early years providers an hourly rate of £4.60 and retains centrally 7.23% of total funding.

- 5.4 The baseline assessment has been divided by the number of Part Time Equivalent (PTE) 3&4 year olds as recorded on the January 2016 census to give each authority a baseline hourly rate of funding. For Rutland this equates to £4.98 with the average nationally being £4.43.
- 5.5 The proposed new national funding formula features 2 funding factors (a universal base rate and an additional needs factor) that determine the funding per child that each authority will receive. An area cost adjustment (ACA), reflecting different costs of providing childcare in different areas of the country is then applied to both funding factors to give an overall funding rate for each authority. Out of this funding, local authorities will be limited to retaining centrally no more than 7% of funding in 2017/18 and no more than 5% thereafter.
- 5.6 The universal base rate will allocate the majority (89.5%) of the early years funding with the remainder flowing through the additional needs factor. The new proposed formula will see 75% of local authorities gain funding compared to the baselines submitted in April. The remaining authorities will be protected by a funding floor that proposes that no authority should face a reduction in hourly rate of more than 10% against its 2016/17 baseline. In addition it is proposed that local authorities will be protected so that the most they can lose in one year is 5%.
- 5.7 Under the new funding formula, without any protections being applied, Rutland would only receive £3.81 per hour compared to the £4.98 it currently spends. For Rutland, this means that as well as receiving the 10% funding floor of £4.48 per hour in 2017/18, the authority will also receive a protection to reduce the loss down to 5% giving a final hourly rate of £4.73 compared to the £4.98 currently being spent. For 2018/19, the authority will then only receive the 10% funding floor protection of £4.48 per hour
- 5.8 Based on the information supplied by the DfE the amount of funding that we will receive, the amount we can hold centrally and the amount we will be able to pay our early years settings is as follows

	Current 2016/17 Budgets	Proposed 2017/18 allocations	Proposed 2018/19 allocations
Hourly rate to LA	£4.98	£4.73	£4.48
3&4 year olds (PTE)	508.9	508.9	508.9
Total budget	£1,445,000	£1,371,955	1,299,442
Allocated to providers	£1,340,500	£1,275,918	£1,234,470
Maximum held centrally	£104,500	£96,037	£64,972
Hourly rate to providers	£4.60	£4.40	£4.25

Dawn Greaves
Finance Manager - Accounting
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