

SUBJECT: Update on New National Funding Formula for Schools
DATE: 14th September 2016
RECIPIENT: SCHOOLS' FORUM

THIS IS NOT A DECISION PAPER

Background:

1. This report aims to provide on:

- a) the new Schools Funding Formula in light of the recent announcement made by the Department for Education (DfE)
- b) the Early Years National Funding Formula consultation and the proposed changes to the way the 3 and 4 year old entitlements to childcare are funded.

In March 2016, the then Secretary of State announced the first of two major consultations on further funding reform, proposing a national school funding formula to include a basic per-pupil amount and factors reflecting pupil characteristics, school and areas costs. The precise composition of the formula and weighting given to the different factors is expected to be the subject of a further consultation later in 2016.

DfE intends that most funding with the exception of high need funding will eventually be given directly to schools and not routed through local authorities (LAs), as now (in the case of maintained schools).

'High need' funding largely supports special educational provision. For this funding, DfE is also proposing the introduction of a national formula which will be used to allocate money to local authorities. However, for at least the next five years, funding allocations would continue to be calculated, in part, on the basis of LAs' planned high needs spend in 2016-17 and not solely on assessed area needs in order to ensure stability.

DfE is proposing the phased introduction of a new national funding formula from 2018-19; originally, the intention was to introduce the formula from 2017-18.

DfE began reforms, holding a number of consultations and allocating some additional funding to the 'least fairly funded' areas. However, they stopped short of introducing a national funding formula.

Briefing details:

2. School Block and High Needs Block

DfE is firmly committed to introducing fairer funding for schools, high needs and early years. The first stage of consultations on national funding formula for schools and high needs were published in March; DfE is planning to publish the full response and set out proposals for the second stage once Parliament returns in the autumn, with final decisions expected early in the new year, with a view to the new system applying from 2018/19.

As part of the responses to stage 1, it has been recognized that local authorities need sufficient information to begin to plan their schools and high needs funding arrangements for 2017 to 2018.

The government has confirmed the following:

- In 2017 to 2018 no local authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect authorities' most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount)
- Local authorities' "schools block" funding, the money that they passport to schools, will be protected in per-pupil terms in 2017-18
- Local authorities' "high needs block" funding, which funds support for SEN pupils and others with additional needs, will be protected in cash terms in 2017-18
- Councils' final allocations for both of these funding pots will be published in December 2016, and will be based on pupil numbers recorded in the October census
- For 2017 to 2018, DfE will retain the current minimum funding guarantee for schools, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the local authority funding formula
- The following proposals outlined in stage 1 consultation will not proceed from 2017/18.
 - create a new central schools block
 - allow local flexibility on the minimum funding guarantee
 - ringfence the schools block within the dedicated schools grant.

These will be covered in DfE response to the first stage consultation in the autumn for 2018 to 2019 and beyond.

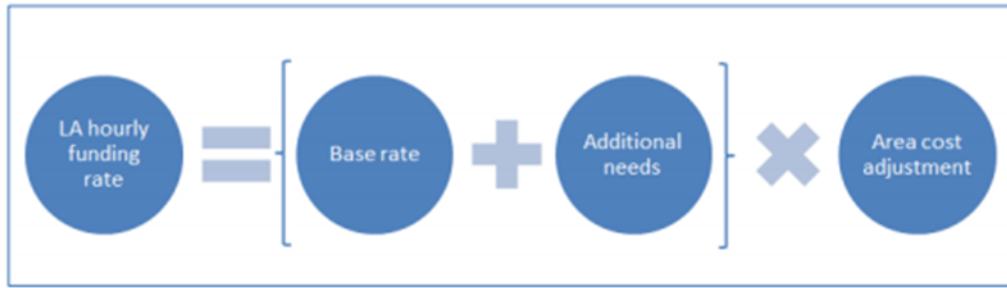
3. Early Years National Funding Formula

DfE launched a six-week early years national funding formula consultation to deliver a 'fairer funding system' for 3 and 4 year olds receiving the 30 hour free childcare in August 2016.

The consultation looks to introduce a new national funding formula, outlining changes to the way local authorities fund early years providers in their area and how children with special educational needs or disabilities receive the extra funding they need.

The new Early Years formula is based on **three** factors:

- a 'universal base rate' of funding for each child ensuring every local area is funded fairly for the core costs of delivering childcare
- an 'additional needs factor' ensuring funding takes into account the extra costs of supporting children with additional needs to achieve good learning and development outcomes
- an area cost adjustment – this will be only be adjusted based on the cost of providing childcare in different areas of the country.



The **consultation invites views on proposals** to:

- bring about transparency in the way money is allocated from the Government to local authorities (and early years national funding formula)
- maximising the funding passed from local authorities to childcare providers and the children in their care
- bring about fairness in the distribution of funding to all types of childcare provider
- create a better deal for disabled children and children with special educational needs.

DfE is proposing that:

- LAs pay all early years providers regardless of the type of setting the same hourly base rate calculated using a national formula
- LAs will be duty bound to pass on 95% of funding directly to providers
- The national average rate paid to providers will be £4.88 for 3 and 4 year olds, including the Early Years Pupil Premium (EYPP). For 2-year-olds, the national average rate will be £5.39. As these rates are only national averages, providers may find that the actual rate in their area will be higher or lower than these. (Illustrative rates in each area have been published by the Government.)
- LAs will have the discretion to top up their hourly funding rate by up to 10% using supplements in five key areas: deprivation, rurality, flexibility, efficiency and delivery of the additional 15 hours free childcare
- Additional up-front funding will be available for providers caring for children in receipt of Disability Living Allowance (DLA), and more transparency around local funding available for children with special educational needs (SEND)
- The new funding formula will apply to the current 15 hour early education entitlement from April 2017; in September 2017, when the extended entitlement is rolled out, it will apply to all 30 hours.

The deadline for responding to the consultation is 22nd September 2016. SCC will respond to the consultation and we are encouraging all members to respond as well.

Appendices/Supporting Information:

Links to Consultation Related Documents

- [Consultation Document - Early Years National Funding Formula](#)
- [Equality Assessment - Early Years National Funding Formula](#)
- [Sheet 1 - EXCEL - Illustrative LA allocations under early years national funding formula,](#)
- [Sheet 2 - EXCEL - Early Years Block National Funding Formula - Illustrative Impact on LAs](#)
- [Sheet 1 - ODS - Illustrative LA allocations under early years national funding formula](#)
- [Sheet 2 - ODS - Early Years Block National Funding Formula - Illustrative Impact on LAs](#)
- [Technical Note - Early Years National Funding Formula](#)

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