

DARLINGTON SCHOOLS FORUM

8th March 2016

ITEM NO 4

SCHOOL FUNDING FORMULA & BUDGET UPDATES 2016/17

Purpose of Report

1. To update Forum regarding any changes to the 2016/17 funding formula or budget setting.

Background

2. School Forum agreed the schools and early years funding formulas for 2016/17 at their January 2016 meeting.
3. School Forum also agreed the allocation of DSG across the various budget lines at their January 2016 meeting.

Updates

School Funding Formulas

4. The Darlington school funding formula was submitted to the Education Funding Agency (EFA) on 21st January in line with the EFA's deadline.
5. The EFA confirmed on 28th January that the Darlington formula complied with the regulations and criteria. As a result no changes were required to the formula and therefore the school budget shares that were presented to Forum in January will be the schools budgets for 2016/17.

Copy Right Licenses

6. Each year the EFA top slice the DSG allocation in order to pay for copyright licenses centrally procured by the EFA. As in previous years this top slice pays for many copyright licenses nationally and therefore schools do not need to have separate license agreements for these areas. Attached at appendix 2 is a briefing note provided by the EFA that gives schools information upon which licenses are included.

Early Years Funding Formulas

7. Forum agreed the early years funding formula rates at their January meeting as detailed in the table below.

	2016/17
2 Year old per hour – All providers	£4.98 per hour
<u>3 & 4 Year olds</u>	
Deprivation Supplement, most 10% deprived wards, all providers	£100 per term
Deprivation Supplement, most 10 - 20% deprived wards, all providers	£50 per term
Deprivation Supplement, most 20- 30% deprived wards, all providers	£25 per term
EYPP qualifying children – All providers	£0.53 per hour
3 & 4 Year olds per hour – Private, Voluntary and Independent sector providers	£3.78 per hour
3 & 4 Year olds per hour – Nursery schools and nursery classes in primary schools	£3.68 per hour

8. As Forum will be aware the early years funding formula must be agreed by 31st March prior to the commencement of the new financial year. Once the formula is agreed, no changes are allowed to be made until the following year.
9. As Forum will be aware providers costs are projected to increase with effect from April 2016 following the introduction of the national living wage and pension auto-enrolment. Due to this, both nationally and locally nursery providers are facing increased financial pressures. As a result, an additional review of nursery funding has been undertaken.
10. In the Autumn Statement the Government announced additional funding for the 30 hour entitlement and a review of the cost of child care, which are proposed to increase nursery funding from April 2017.
11. As noted to Forum in January the DSG allocations for Early Years in 2016/17 have remained at the same rate as is paid in the current year, therefore there is no increase in funding available on a per pupil basis for the 2016/17 financial year.
12. The national living wage will be introduced from April 2016 and increases the current national minimum wage paid to staff aged 25 and over to £7.20 per hour for 2016/17. This represents an increase of 50p per hour to this group of employees. Employees aged under 25 are not subject to the national living wage, those employees will still receive the national minimum wage, at the relevant band for their age group. At the time of writing (this paper), no increase in the national minimum wage has been announced.

2 Year Old funding

13. The introduction of the national living wage potentially impacts on 2 year old nursery provision, as the child to staff ratio is higher, at 1 to 4. Although not all staff will be subject to the increase (i.e. those under 25) it is also acknowledged that some settings have lower ratios for staff cover than the maximum allowable.

14. Using the assumption that employees will receive an extra 50p per hour on a staff ratio of one to four, this potentially adds 12.5p per hour to the wage bill for 2 year old provision.
15. Darlington receives £4.85 per hour for 2 year old nursery entitlement, however providers have been paid £4.98 per an hour since September 2013, an additional 13p per hour over what the Government funds. All money received (in year) for 2 year old funding is passported to providers and therefore there are no funds available to increase the rate for 2016/17 based on grant received in year.
16. Since April 2015, the funding received for 2 year old provision (as part of the DSG allocation) is based on the children in settings at the census date. Funding for any financial year is provided using the January census before the start of the financial year and the January census in year. To illustrate, the funding received in 2015/16 is made up as follows,
 - 5 months funding based on children on the census at January 15
 - 7 months funding based on children on the census at January 16
17. The result of the funding system means that funding received is lagged (i.e. for 2015/16, the final adjustment made for the January 2016 census will not be received until July 2016, in the next financial year). Also if there is growth in numbers, funding will not necessarily be received for all children accessing the provision.
18. The additional 13p per hour that Darlington has paid over funding received, has only been affordable due to the use of underspend that accrued prior to the introduction of funding on the census basis. At the end of 2015/16, it is projected that there will be an overspend on 2 year old provision of circa. £300,000 on the funding received in year. Of this overspend £33,000 is attributed to the additional 13p per hour.
19. The balance of the overspend is made up of two reasons. Firstly as 2 year old placements has increased significantly from January 15 to date there is a projected shortfall in funding received as a result of the change to census driven funding of circa. £140,000. The balance, circa. £130,000 is estimated funding that will be received in arrears in 2016/17.
20. The 2015/16 overspend will be funded by the brought forward (from 14/15) underspend of £750,000 and hence it is projected there will be £450,000 to carry forward to 2016/17. This carry forward, should be topped up by the £130,000 final payment for 2016/17 that will be received in July 2017.
21. In 2016/17 it is projected that whilst there will still be growth in the number of children in 2 year provision, that this will not cause as larger pressure on the budget as has been experienced in 2015/16. It is the case however that some underspend will be needed for the next few years (until the numbers of children level out) to cover for shortfalls in funding due to growth. It is estimated that the pressure for 16/17 will total approximately £30,000. (This will change dependent on actual growth levels).
22. If there were to be an increase in the two year old rate for 2016/17 of an additional 12p per hour (i.e. making the rate £5.10 for all providers) this would add an estimated additional £33,000 to spend in 2016/17. This would mean that in total Darlington would be paying 25p over the rate received from the DFE which in total would cost £68,000.

23. As there is expected to be significant carry forward at the end of 2015/16, it is estimated that an increase of 12p per hour would be affordable, but only due to the use of underspend. As a result, it should be stressed that any increase would be a one off at this stage and would only apply to 2016/17.
24. The Government review into the cost of childcare provision has indicated that there will be an increase in funding available for child care provision from April 2017, if this is the case, then it is possible that this higher rate could be continued in future years.
25. It is proposed that due to the above, that the rate for 2 year old provision be increased to £5.10 per hour (funded by underspend) to provide additional funding to bridge the gap to the expected DFE increase in funding for early years from April 2017.
26. As the increase is a one off, it is necessary to apply to the EFA for a minimum funding guarantee exemption, in order that this increase is not included in the base line for future years. This request is made because; if no exemption is made, the rate for 2017/18 can only reduce by a maximum of minus 1.5% (i.e. to £5.02) which may not be affordable unless addition funding is received.
27. Forum should note that in the media it has been quoted that funding for 2 year olds will be £5.39 from April 2017, it should be noted that it is expected that this is a national average rate and therefore Darlington may receive less. Currently the range of funding between Council's ranges from £4.85 to £7.08 per hour across the country.

3 & 4 Year Old Funding

28. As with 2 year old funding the national living wage will impact on the provision of 3 & 4 year old nursery, however as this age group have a lower staff to child ratio of 1 to 8, the impact should be significantly less.
29. Again it is accepted that not all settings will be able to operate at the maximum staffing ratio, however not all staff will be subject to living wage increase. Therefore using a similar assumption to that used in paragraph 14, an increase of 50p per hour on a one to four ratio would add 6.25p per hour to the wage bill for provision in this area.
30. As Forum will recall in 2015/16 all settings offering 3 & 4 nursery provision received an increase in hourly rate and also an additional one off increase of 16p per hour. This additional increase was funded through underspend as a one off and therefore funding rates were due to decrease to £3.62 for PVI providers and £3.52 for school provision from April 2016.
31. Forum agreed at their January meeting to retain 3 & 4 year old funding rates at £3.78 and £3.68 respectively for 2016/17, therefore all providers are receiving an increase of 16p on the rate that was planned for 2016/17.
32. As a result of the above, it is not proposed to change any 3 & 4 year old funding rates from that agreed at January School Forum.

Home and Hospital Service

33. The Home & Hospital Service is funded through the place plus system. Since 2013/14 the service has been commissioned to provide 30 places, however over the last year the service has been accommodating in excesses of this, with an average of 32 places. It is expected that demand to place children will continue to be over 30 places, therefore it is proposed to increase the commissioned places to 32.
34. The cost of a place/plus (top up) at the Home and Hospital Service is £10,085 per year. Therefore the budget required for 32 places through the place plus system is £322,720.

Budget Setting

35. The proposed change to the two year funding rate is expected to increase spend in the nursery budget by approximately £33,000, this will be funded from additional underspend in 2015/16.
36. The budget requirement for the places at the Home & Hospital service that was presented as part of the 16/17 budget setting was incorrect. As per paragraph 33, it is proposed to commission 32 places therefore the budget requirement has reduced by £14,304. It is proposed at this stage to add the reduction of £14,304 into the high needs contingency budget.
37. As Forum members will recall at their January meeting it was agreed to fund an additional post within the SCOS provision for one academic year up to £25,000. This funding is earmarked against the high needs contingency, any shortfall will be first call on brought forward underspend.
38. Appendix 2 (attached) shows the movements on the budget and hence the revised budget for 2016/17.
39. Forum will receive updates on the 2016/17 budget at all meetings during the next year.

Recommendations

40. That Forum notes the content of this report and agrees the changes to the budget.
41. That Forum agree to a one off increase in the two year old nursery rate to £5.10 per hour during 2016/17 for all providers.
42. That Forum agree to request a minimum funding guarantee exemption request regarding the proposed increase in 2 year old hourly rates to the EFA.

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