

BRIEFING PAPER FOR SCHOOLS FORUM

1.	Date of meeting:	March 2018
2.	Title:	Proposed Early Education Funding Rate 2018/19
3.	Directorate:	CYPS

1. Background

- 1.1 Following the outcome of the Department for Education's (DfE) Early Years national funding formula consultation in 2016 a single funding formula was introduced in 2017/18 for the allocation of early education funding to all schools and providers. Local Authorities (LAs) are required to allocate the funding to early education providers based on a local single funding formula made up of a single base rate and a mandatory deprivation supplement (for 3/4 year old early education). LAs can retain 5% of the 3 / 4 year old budget allocation to fund central services. Appendix 1 details the Government guidance on central retention of Early Years block funding. A local consultation was carried out in 2016/7 with all private, voluntary and independent (PVI) providers and schools to gather views on the make-up of the local funding formula and the proportion of the budget to allocate to supplements.
- 1.2 As allowed within the funding guidelines and as required by the LA to contribute to the statutory early years and childcare functions, including managing the budget below and passporting to providers, the LA retained 5% of the 3 / 4 year old budget in 2017/18. for central services. Appendix 2 shows benchmarking information for statistical neighbours. Please note: the pass through rate to providers for Rotherham shows as 99% on the appendix. This is due to allocation of the Inclusion Support Grant from the High Needs Block being included within the pass-through calculation.
- 1.2 The DfE provisional budget allocation for the Early Years Dedicated Schools Grant (EY DSG) for 2018/19 is detailed below. This will provide the funding for early education places in schools and other early years providers. This budget will be adjusted based on January 2018 and January 2019 census returns.

Initial 2018/19 Early Years Block Allocation	
3& Year old Funding (15 hours funding)	9,913,805
30 Hours Entitlement Funding	2,725,512
Early Years Pupil Premium	198,802
2 Year Early Education	3,219,497
Early Years supplementary Funding for maintained Nursery Schools	968,131
Early Years Disability Access Fund	81,795
Indicative Early Years Block	17,107,542

- 1.3 The above allocations are based on hourly rates which were set by Central Government as part of the National Funding Formula for 2017/18. The Department for Education has made it clear that there will be no increase in the hourly rates allocated to allow for inflationary pressure within the next 3 years. The hourly rates allocated for Rotherham are £4.30 for 3 /

4 year olds and £5.20 for 2 year olds. The Department for Education carried out a national Cost of Childcare Survey in 2015 to inform the National Funding Formula. The review focussed on the current cost of provision at the time but also examined the implication of future cost pressures facing the sector, in particular the introduction of the Living Wage from 2017.

1.5 **Proposal for 2018/19 Budget:** It is proposed to maintain the formula agreed in 2017/18 for 2018/19 as detailed below:

- Retain 5% of the 3 / 4 year old budget for central spend
- Allocate 2% of the budget to the deprivation supplement based on

Medium Deprivation Supplement – 3 / 4 year olds (10p per hour)
High Deprivation Supplement – 3 / 4 year olds (15p per hour)

- No additional supplements to be included
- Distribute the nursery school stability funding as an equal split between the three nursery schools

The resulting base rates are as follows:

- 3 / 4 year olds £4.00 base rate plus deprivation supplement if eligible
- 2 year olds £5.20

1.8 **SEN inclusion fund;** LAs are required to have a SEN inclusion fund to support providers to meet the needs of children with SEND. Rotherham has an inclusion support grant for a number of years which funded the private and voluntary sector; from 2017/18 the funding was also made available to school nursery/F1 provisions. A budget of £420k from the High Needs block was allocated for 2017/18 to include 2 terms of 30 hour childcare delivery. The anticipated budget required for 2018/19 is £470k to take into account a full year of 30 hour childcare delivery. Budget analysis is currently being undertaken and the requirement for 2018/19 will be confirmed by early February.

1.9 The budget proposals were shared with the Early Education Working Group on XX which includes representatives from the PVI sector (day nurseries and pre-schools) as well as academies, maintained schools and a maintained nursery. The proposal was approved by this group.

2. Key actions and relevant timelines

January 2018:

- Report to DLT proposing hourly rate and central retention

February 2018:

- Discuss proposals with Early Education Working Group

March 2018:

- Inform Schools Forum of agreed hourly rate and request approval for 5% central retention
- Re-contract with all early education providers

3. Recommendations to Schools Forum

It is recommended that Schools Forum approve the 5% retention of 3/4 year old funding to enable the LA to contribute to the delivery of early years and childcare functions.

4. Name and contact details

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Appendix 1

Central Retention of Early Years Block Funding

There are new requirements on the amount of funding for three- and four-year olds that local authorities must pass to providers. This pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the EFA reaches providers.

The pass-through funding level is set at 93% in 2017-18. It will increase to 95% from 2018-19. This means that centrally retained funding (for central services or services in-kind) combined with any funding movement out of the early years block will be constrained to a maximum of 7% in 2017-18 and 5% from 2018-19.

In 2017-18 local authorities need to plan to spend at least 93% (95% from 2018-19) of the hourly rate they receive from the government directly on providers. Prior to each financial year, local authorities need to plan to meet this requirement in determining their planned budget allocations. (Please note that we also intend to monitor outturn data, and may change to assessing compliance based on outturn in future. We will also monitor provision on the ground in order to follow up any anomalous results).

(Department for Education, Early years National Funding Formula, Operational guide, December 2016)

Appendix 2

2017/18 Early Education Budget Statistical Neighbour Analysis (information from DfE Early Years Funding Benchmarking Tool)

	Average Funding Rate to providers per hour				Funding Paid Through Supplements	SEN Inclusion Fund	Amount Retained for Central Spend from 3/4 year old budget	Amount Retained for Central Spend from 2 year old budget	Total Amount Retained for Central Spend
	PVI	Nursery Schools	Schools	Pass Through Rate					
England	4.34	7.42	4.52	96%	5%				
Rotherham	4.07	8.63	4.09	99%	2%	420,000	510,862	0	510,862
Doncaster	4.30		4.23	98%	6%	74,880	730,600	0	730,600
Wigan	4.04	5.83	4.14	95%	1%	67,068	374,695	78,259	452,954
Dudley	4.03	8.80	4.04	94%	1%	100,000	614,600	0	614,600
Barnsley	4.07		4.12	97%	4%	100,000	297,093	135,336	432,429
Tameside	4.06		4.06	98%	3%	150,000	234,027	57,164	291,191
Telford and Wrekin	4.31	7.12	4.12	100%	10%	160,000	14,195	0	14,195
North East Lincolnshire	4.03	6.44	4.07	98%	1%	80,000	401,409	86,698	488,107
Redcar and Cleveland	4.10		4.11	100%	8%	80,000	0	150,100	150,100
Wakefield	4.18	7.26	4.09	96%	1%	76,667	496,147	0	496,147
North Lincolnshire	4.04		4.11	103%	2%	30,000	347,000	0	347,000
Median	4.07	7.19	4.11	98%	2%	76,667	347,695	0	347,695