

DARLINGTON SCHOOLS FORUM

16th January 2018

ITEM NO 8

PROPOSED DARLINGTON EARLY YEARS FORMULA 2018/19

Purpose of Report

1. To update Forum regarding the proposed unit values for the Darlington early years funding formula for 2018/19.

Background

2. The Education Skills Funding Agency (ESFA) introduced the Early Years National Funding Formula in 2017/18.
3. Darlington implemented the national criteria into the local early year's payment rates from April 2017, following approval at School Forum in March 2017.

Early Years National Funding Formula changes for 2018/19

4. ESFA published operational guidance to local authorities for 2018/19 in November 2017. This guidance outlined the national requirements that local authorities must use to pay early years providers in their local area.
5. The vast majority of the guidance replicates the guidance issued for 2017/18 (see Forum reports January & March 2017) with the following changes,
 - a. The pass through rate increases from 93% in 2017/18 to 95% in 2018/19
 - b. Clarification that the local formula should not distinguish between the two different elements of 3 & 4 year old entitlement.
 - c. Clarification that funding supplements are intended to be in addition to the base rate and not used to reduce the base rate.

Darlington's Early Years Formula 2017/18

6. The following table below summarises the early years funding rates agreed for 2017/18.

Provision	2017/18 Rate
<u>3 & 4 Year Old Children</u>	
Nursery School – Per hour per child	£4.15
School Nursery Class – Per hour per child	£4.15
Private, Voluntary & Independent Sector – Per hour per child	£4.15
Deprivation – Top 10% most deprived post codes – Per term, per child	£50
Deprivation – 11 - 20% most deprived post codes – Per term, per child	£25
Deprivation – 21 - 30% most deprived post codes – Per term, per child	£12.50
<u>2 Year Old Children</u>	
All Providers – Per hour per child	£5.20

7. The rates above are paid in line with the following notes.
8. The 3 & 4 year old rate is a universal hourly rate paid to all providers for all qualifying children. This rate covers payments for both the universal 15 hour entitlement and the 30 hours enhancement for working parents.
9. The deprivation supplement is the only supplement in the formula as this is mandatory. The supplement is paid based on IDACI bandings for the top 30% of most deprived postcodes. Payment is made on a per child basis each term as follows.
 - £50 for the top 10% of deprived post codes
 - £25 for the top 11% to 20% deprived postcodes
 - £12.50 for the top 21% to 30% deprived post codes.
10. In addition to the universal base rate, Early Years Pupil Premium is paid to qualifying children at the rate received, currently £0.53 per hour.
11. A disabled access fund is paid to settings for qualifying children at £615 per year in line with the national guidance.
12. All funding received through the supplementary funding for maintained nursery schools, is passed onto the two maintained nursery schools in equal shares.
13. The two year old rate of £5.20 per hour is paid to all providers.

Central Funding

14. The Local Authority holds £113,754 of funding centrally to provide funding into the Council's early years team. This central allocation represents 2.2% of the 2017/18 funding allocation and is therefore well within the maximum 7% allowable for 2017/18.

SEN Inclusion

15. A SEN inclusion fund is a mandatory requirement of the early year's formula. An allocation of £150,000 has been set aside for SEN inclusion in 2017/18. This allocation covers children accessing universal entitlement and also children accessing the 30 hour entitlement.

Funding Limits

16. The funding that was agreed for 2017/18 kept within the national limits of less than 10% of total funding going through supplements and that at least 93% of funding should be passed through to providers.

Current Year Budget Position

17. At the time of writing it is unknown what the take up of places will be in the spring 2018 term, therefore any projected year end budget position is subject to considerable change at this point.
18. Based on the actual spend to date it is expected that there will be underspends in both the 3&4 year old entitlement budget and the 2 year old budget, however as per agenda item 4, both budgets are shown as on target at present. The reason for this is that the final early years allocations for 2017/18 are funded based on 5/12^{ths} of the January 2017 census and 7/12^{ths} of the January 2018 census. Currently the budget allocation (received from ESFA) is based purely on the January 2017 census, therefore dependent on the January census take up the current budget allocation will decrease or increase. Until the January census takes place the actual year end position is unknown, Forum will be updated at their March 2018 meeting.
19. What is known at this point is that the SEN Inclusion budget will be overspent in 2017/18. The expenditure for the summer and autumn terms is £141,200 which is only £8,800 short of the full year's allocation with one term to be paid. This budget is therefore expected to be overspent by £60,000 at the year end. It is hoped that this overspend will be offset by some savings in the other early years budgets, however this cannot be confirmed until the January 2018 census data is received.

Budget Allocations

20. The following early years grant allocations were received from ESFA on 19th December. Again Forum are reminded that at this point these allocations are only draft as they are based on the January 2017 census, the final allocation will be based on the January 2018 and January 2019 census and therefore as in previous years will not be known until after the end of the financial year.

Area	Allocation 2018/19 (Provisional) £
3 & 4 Year old universal entitlement	4,141,485
3 & 4 Year old 30+ enhanced	1,376,755
2 Year entitlement	1,231,246
Early Years Pupil Premium (EYPP)	108,576
Disabled Access Fund (DAF)	35,670
Maintained Nursery Supplementary Funding	204,297
TOTAL	7,098,029

21. The 3 & 4 year old funding allocations are based on a unit rate of £4.44 per an hour. This is the same rate as was received for 2017/18. The rate received for 3 & 4 year olds must cover the universal hourly rate, supplements, central allocation and SEN inclusion funds. Therefore the full rate of £4.44 cannot be passed onto providers.
22. The 2 year old allocation is based on a unit rate of £5.20 per hour. This is the same rate as was received for 2017/18.
23. The EYPP allocation is based on a unit rate of £0.53 per hour. This is the same rate as was received for 2017/18.
24. The DAF allocation is based on £615 per child, this is the same rate as received in 2017/18.

Darlington's Early Years Formula 2018/19

25. As the funding rates received for 3 & 4 year old entitlements, 2 year old entitlement, EYPP & DAF are the same as received in 2017/18 there is no scope within those allocations to increase funding rates for 2018/19.
26. At this stage it is unknown if there will be any underspend in the current years early years budget. As there are pressures in the SEN inclusion budget to fund, this will be first call upon any underspend that does occur. Therefore at this stage there is no spare funding form 2017/18 to allocate to the 2018/19 rates.
27. As a result of the above two paragraphs it is therefore proposed that all the unit rates for 2018/19 remain at the 2017/18 level as per the table below.
28. Supplementary funding for maintained nurseries received will continue to be split 50/50 between the two Darlington nurseries. Based on the above allocation, each nursery will receive £102,148 in 2018/19.
29. Although there are pressures in the current year in the SEN inclusion budget, it is not at this stage proposed to reduce the provider's hourly rates in 2018/19, to transfer funding into the inclusion budget in 2018/19 or cover any overall 2017/18 early years budget shortfall.

30. As there are significant pressures in the inclusion budget it is proposed that the criteria for accessing the fund/payments values are reviewed in order to ensure that futures years budgets do not overspend. A review of the criteria and a consultation with providers will therefore take place early in the new year to determine how the SEN inclusion budget operates in 2018/19.
31. The central allocation of £113,754 will remain in 2018/19 to contribute towards the Council's early year's team.
32. The DAF payment will remain at the national level of £615 per child per year.

Provision	Proposed 2018/19 Rate	2017/18 Rate	Change
<u>3 & 4 Year Old Children</u>			
Nursery School – Per hour per child	£4.15	£4.15	£0.00
School Nursery Class – Per hour per child	£4.15	£4.15	£0.00
Private, Voluntary & Independent Sector – Per hour, per child	£4.15	£4.15	£0.00
Deprivation – Top 10% most deprived post codes – Per term, per child	£50	£50	£0.00
Deprivation – 11 - 20% most deprived post codes – Per term, per child	£25	£25	£0.00
Deprivation – 21 - 30% most deprived post codes – Per term, per child	£12.50	£12.50	£0.00
<u>2 Year Old Children</u>			
All Providers – Per hour per child	£5.20	£5.20	£0.00

33. The above rates will mean that the Council passes through 98% of the 3 & 4 year old funding which is in excess of the 95% minimum pass through rate required. The amount of funding allocated to supplements is 2% which is less than the 10% maximum requirement.
34. Although the above paragraphs propose no change to the early years funding formula for 2018/19, Forum will be provided with an update at their March meeting. At the March meeting Forum will be updated regarding any proposed changes for the SEN inclusion budget/criteria, the 2017/18 budget position and if as a result changes are required to the 2018/19 unit rates from the above proposal.
35. As a result of paragraph 34 the final early years formula will be confirmed at the March School Forum meeting.

Recommendations

17. That Forum notes the proposals for the 2018/19 early years formula.

**Brett Nielsen
Finance Manager,
Resources Department**