

# DARLINGTON SCHOOLS FORUM

12th January 2017

ITEM NO 7

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## EARLY YEARS NATIONAL FUNDING FORMULA PROPOSED DARLINGTON EARLY YEARS FORMULA 2017/18

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### **Purpose of Report**

1. To update Forum regarding the Department for Education's (DFE) proposals concerning a national funding formula for early years and to continue the process of agreeing Darlington's formula for 2017/18.

### **Background**

2. The DFE released a consultation upon a proposed national funding formula (the formula) for early years on the 11<sup>th</sup> August 2016 that required responses by 22<sup>nd</sup> September 2016.
3. The DFE published their response on the 1<sup>st</sup> December 2016.
4. The consultation response can be found at the following link <https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds> the following paragraphs provide a brief summary of the key elements of the new requirements.

### **Early Years National Funding Formula**

5. The national funding formula will allocate funding for the three and four year old entitlement for both the existing universal 15 hour entitlement and the new 30 hour entitlement for working parents on a formula basis.
6. The formula will commence for the existing 15 hours from April 2017 and for the additional 15 hours from September 2017, when the 30 hours of free childcare is implemented nationally.

### The Formula

7. The formula will apply to existing 15 hour entitlement and for the additional entitlement. The funding the local authority receives will be the same for both entitlements.
8. The local authority will be expected to have the same funding rate for providers for both the existing 15 hour entitlement and the new additional 15 hours.
9. Funding will be provided to the local authority based on the number of children that actually take up both entitlements.

10. The formula will have three funding factors to determine how much funding a local authority will receive per child including,
  - a. A universal base rate
  - b. An additional needs factor
  - c. An area cost adjustment
11. The formula will simply be as follows, the base rate, plus the additional needs element, multiplied by the area cost adjustment. This is then multiplied by the actual take up of children to give an allocation of funding.
12. There will be a guarantee of £4.30 per hour of funding to each local authority. The rate paid to the authority will cover the base rate, supplements and central costs.

### Support for Children with Special Educational Needs

#### Disability Access Fund

13. There will be a new Disability Access Fund (DAF) to support disabled children to access free entitlement. This fund will be for 3 & 4 year olds who are taking up their entitlement and are in receipt of Disability Living Allowance (DLA) or are receiving free early education.
14. Children aged four that are in reception classes of primary schools are not eligible for DAF.
15. For each child that is eligible for DAF, the setting will be entitled to receive a one off payment of £615 per year. DAF is not based on the hourly rate and is an additional entitlement. Children will be entitled to DAF even if they do not take up their full entitlement.
16. DAF should not be offset against any other funding which the local authority may be providing for children that qualify for DAF.
17. If a child is accessing more than one setting for their entitlement, parents should nominate the main setting who will receive the DAF payment. If a child moves settings in year the DAF does not transfer.
18. Providers are responsible for identifying eligible children. Providers will be able to use the parent declaration form template which will be published in early 2017. Local authorities are responsible for checking that DAF eligibility requirements are met, they must be satisfied that the child is in receipt of DLA.

#### SEN Inclusion Funding

19. All local authority areas will be required to set up an inclusion fund for children with special educational needs to support providers in driving outcomes for these children. Local authorities will need to include this in their local offer.

20. This fund is for 3 and 4 year old children who are taking up any number of hours of their free entitlement. 2 year olds do not qualify for this funding, but authorities can use a similar approach for 2 year olds, though this is not mandated.
21. The funding should be targeted at children with lower level or emerging SEN.
22. Local authorities must consult with early year's providers, parents and SEN specialists on how the SEN inclusion fund will be allocated as part of the "Local Offer". This offer must include the criteria for the fund, the value of the fund and the process for allocating funding.
23. The majority of the funding must be passed to providers as top ups and is included within the pass through calculation. Any funding held centrally from the fund for specialist support services is not included as part of the pass through.
24. All providers who are eligible for 3 & 4 year old funding are eligible for SEN inclusion funding.

#### Early Years Pupil Premium

25. Early year's pupil premium (EYPP) will continue as a separate allocation, at the current rate (53 pence per hour).
26. In the future the Government will review the delivery mechanism for the EYPP alongside the DAF

#### Funding from Local Authorities to Early Years Childcare providers

27. The DFE will restrict the amount of early years funding that can be top sliced and held centrally. This is to ensure as much of the funding as possible is passed onto providers. The minimum amount of the total funding that must be passed through to providers will be 93% in 2017/18 and 95% thereafter.
28. The pass through calculation includes all funding passed to providers including the base rate, supplements and SEN funding.
29. Local authorities must use a universal base rate of funding to all the providers in its area by 2019/20 at the latest.
30. The following supplements can be used within the local formula (in addition to the base rate),
  - a. Deprivation - Mandatory
  - b. Rurality - Discretionary
  - c. Flexibility – Discretionary
  - d. Quality workforce qualifications and systems leadership – Discretionary
  - e. English as an additional language – Discretionary
31. No other supplements are allowed.
32. The use of supplements will be capped at 10% of the funding that is passed to providers.

33. There will be additional supplementary funding provided for maintained nursery schools for the duration of this Parliament to keep their transition to the universal rate manageable.

### **Funding In Darlington**

34. The DFE released indicative allocations of funding for the Early Years Block of the DSG on 1<sup>st</sup> December. These allocations will as in previous years be updated for the actual number of children taking up their entitlement as follows,
  - a. Core 15 hours – 5/12ths of January 2017 census and 7ths January 2018 census
  - b. Additional 15 hours – January 2018 census
35. The indicative allocations for Darlington in 2017/18 include a two year old funding rate of £5.20.
36. The indicative allocations for Darlington in 2017/18 include a 3 & 4 year old funding rate of £4.44
37. The indicative funding rates covers all spend within the early year's formula, including the base rate, supplements and retained elements by the local authority. Therefore the actual hourly rate paid to providers will be less than the funded hourly rate (i.e. £4.44 per hour).

### **Consultation**

38. Local authorities are required to consult with providers on their local formula. This paper follows on from details of the proposed changes to early year funding that was provided to providers in October 2016 and is part of the consultation on the proposed formula for 2017/18.
39. Briefings will be organised with providers in late January/early February to discuss the proposals included in this paper for Darlington's formula in 2017/18.
40. School Forum must be consulted on changes to the local formula, including agreeing central spend by 28<sup>th</sup> February, however the final decision sits with the Local Authority.
41. School Forum are presented with this report for information and to allow comment ahead of the proposed consultation with providers.

## Darlington's Formula 2017/18

42. The following table summarises the early years rates for 2016/17

	2016/17	Note
2 Year old per hour – All providers	£5.10 per hour	This rate includes 25p extra funding above that received, funded through previous years underspend.
<b>3 &amp; 4 Year olds</b>		
Deprivation Supplement, most 10% deprived wards, all providers	£100 per term	Per qualifying child, per term
Deprivation Supplement, most 10 - 20% deprived wards, all providers	£50 per term	Per qualifying child, per term
Deprivation Supplement, most 20- 30% deprived wards, all providers	£25 per term	Per qualifying child, per term
EYPP qualifying children – All providers	£0.53 per hour	National rate
3 & 4 Year olds per hour – Private, Voluntary and Independent sector providers	£3.78 per hour	This rate includes 9p extra funding, funded through previous years underspend.
3 & 4 Year olds per hour – Nursery Schools and nursery classes in primary schools	£3.68 per hour	This rate includes 9p extra funding, funded through previous years underspend.

43. Modelling has been undertaken using the indicative allocations given in December to provide a funding rate in 2017/18 for Darlington providers. The rate for 3 & 4 year old entitlement has been set by taking the total resources available, reducing for the centrally allocated fund, the mandatory deprivation supplement and the proposed discretionary supplement amounts and dividing the balance by the number of hours upon which the allocation is set. Appendix one details the formula calculations.

44. It is proposed that the formula will have the following characteristics.

### Two Year Olds

45. As in the current and previous years it is proposed that all funding received for two year olds will be passed onto settings. It is therefore proposed that the rate for 2017/18 for all providers will be £5.20 subject to final confirmation of funding from the DFE.

### Three & Four Year Olds

46. Supplementary funding provided by the DFE for maintained nursery schools will be passed onto the two maintained nursery schools in line with the funding requirements.

47. Early Years Pupil Premium is outside of the formula and will continue to be funded to each qualifying child on the national rate of £0.53 per hour.

48. The disabled access fund will be paid to settings for qualifying children at £615 per year in line with the national guidance.
49. It is proposed to create a SEN inclusion fund of £150,000. Details of the criteria for accessing this fund will be published in addition to this report. This represents an increase of £24,000 on the current fund to extend the funding for the addition of working parent entitlement from September 2017.
50. The Local Authority will hold £113,754 of funding centrally to continue to provide funding into the Council's early years team. This team will continue to provide support to providers as in the current year free of charge.
51. It is the DFE's intention that the same base rate will be paid to all providers by 2019/20. Although this gives a few years to implement, it is strongly suggested that to give parity between providers, that base rates are the same as soon as possible. It is proposed at this stage that in Darlington the base rate will be the same for all providers.
52. No supplements are proposed other than the mandatory deprivation supplement.
53. It is mandatory to have a deprivation supplement. The value in the current formula of this supplement is as follows,
  - a. £100 per child per term for children residing in the top 10% most deprived postcodes in Darlington.
  - b. £50 per child per term for children residing in the top over 10% to 20% most deprived postcodes in Darlington.
  - c. £25 per child per term for children residing in the top over 20% to 30% most deprived postcodes in Darlington.
54. EYPP funding is provided to children who qualify based on their parent's entitlement to certain benefits. This can therefore be described as a deprivation based payment, however not all children that are eligible for the current deprivation supplement are entitled to EYPP.
55. The deprivation supplement could be viewed as a duplicate funding element alongside EYPP, therefore the current supplement could be decreased in value, with the saving being added to the hourly rate.
56. As detailed in appendix 1, three options are proposed for the deprivation factor as follows,
  - a. Retain the current values
  - b. Decrease the deprivation payments by 20% to £80, £40 and £20 respectively
  - c. Decrease the deprivation payments by 50% to £50, £25 and £12.50 respectively
57. Any decrease in deprivation rates would be added into the hourly rate and therefore the proposed hourly rate for each option would be as follows,
  - a. £4.08 per hour for all providers
  - b. £4.11 per hour for all providers
  - c. £4.15 per hour for all providers

58. All of the above options allow 98% of funding to be passed through to providers, which is in excess of the 93% requirement in 2017/18 and 95% requirement from 2018/19.
59. The above proposals for the deprivation supplement all provide a total supplement funding of less than 10% (option a 3%, options b & c 2%) in line with the DFE requirement.
60. It is projected that at the end on 2016/17, there will be underspend in the early years nursery budgets (see agenda item 4) at this stage it is not proposed to allocate any of this funding to top up nursery rates in 2017/18. As there are many changes to funding in 2017/18 (especially the introduction of the working parents entitlement) and estimates have been made in producing the funding allocations, it is proposed to hold any underspend in contingency to deal with any changes in demand/funding shortfall in early years during 2017/18.

### **Recommendations**

61. That Forum notes the content of this report.
62. That Forum makes any comments ahead of the consultation with providers.

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