

# DARLINGTON SCHOOLS FORUM

15th January 2019

ITEM NO 6

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## EARLY YEARS FUNDING FORMULA 2019/20

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### Purpose of Report

1. To update Forum regarding the proposed unit values for the Darlington early years funding formula for 2019/20.

### 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 2019/20

4. ESFA published operational guidance to local authorities for 2018/19 in November 2018. 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 2018/19 with the following changes,
  - a. The Local Authority must use a universal rate for 3 & 4 year old payments for all providers
  - b. Clarification on rules on the use of the quality – system leadership, supplement
6. The key points of the formula requirements are the same as in 2018/19, these are summarised below,
  - a. There must be a single rate for both 3 & 4 year old universal and extended entitlement
  - b. There must be a pass through of at least 95% of three and four year old funding to providers
  - c. The Local Authority can continue to use lump sums to distribute funding to maintained nurseries
  - d. The formula must use a deprivation supplement within the 3 & 4 year old entitlement and any other supplements used must be in an allowable category
  - e. The total amount of funding allocated through supplements in 3 & 4 year old entitlement must not exceed 10%.
  - f. The Local Authority must provide a SEN Inclusion Fund.

- g. The Local Authority must pass on Early Years Pupil Premium (EYPP) to providers in full.
  - h. The Local Authority must pass on all Disability Access Fund (DAF) funding to providers in full.
7. As Darlington formula already has a universal rate for three and four year old entitlement and does not use a quality supplement, the changes for 2019/20 do not affect the current formula.

### **Darlington's Early Years Formula 2018/19**

8. The following table below summarises the early years funding rates agreed for 2018/19.

<b>Provision</b>	<b>2018/19 Rate</b>
<b><u>3 &amp; 4 Year Old Children</u></b>	
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
<b><u>2 Year Old Children</u></b>	
All Providers – Per hour per child	£5.20

9. The rates above are paid in line with the following notes.
10. 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.
11. 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.
12. 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.

13. A disabled access fund is paid to settings for qualifying children at £615 per year in line with the national guidance.
14. All funding received through the supplementary funding for maintained nursery schools, is passed onto the two maintained nursery schools in equal shares.
15. The two year old rate of £5.20 per hour is paid to all providers.

#### Central Funding

16. The Local Authority holds £113,754 of funding centrally to provide funding into the Council's early years team. This central allocation represents 2% of the 2018/19 funding allocation and is therefore well within the maximum 5% allowable for 2018/19.

#### SEN Inclusion

17. 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 2018/19. This allocation covers children accessing universal entitlement and also children accessing the 30 hour entitlement.

#### Funding Limits

18. The funding that was agreed for 2018/19 kept within the national limits of less than 10% of total funding going through supplements and that at least 95% of funding should be passed through to providers.

#### **Current Year Budget Position**

19. At the time of writing it is unknown what the take up of places will be in the spring 2019 term, therefore any projected year end budget position is subject to considerable change.
20. Based on the actual spend to date it is expected that there will be net underspend across the early years budgets of £147,000. However, as Forum will be aware the early year's budget allocation given by ESFA is subject to change following the January census. As this census has not taken place as yet, it is unknown what the final budget for early years will be for 2018/19, hence it is difficult to make an accurate projection of the current budget position at this stage of the year. As the vast majority of funding received for early years is passed over to providers through the hourly rate and supplements, it is likely that the projected underspend is a result of lower numbers of children in placements in comparison to the indicative funding allocation. If this is the case ESFA will reduce the budget (as they did in 17/18) and hence the saving will be considerably less.
21. Forum will be updated on the 2018/19 budget position at their March 2019 meeting.

#### **Budget Allocations**

22. The following DSG allocations for early years were received from ESFA on 17th December. Again Forum are reminded that at this point these allocations are only draft as

they are based on the January 2018 census, the final allocation will be based on the January 2019 and January 2020 census and therefore as in previous years will not be known until after the end of the financial year.

Area	Allocation 2019/20 (Provisional) £
3 & 4 Year old universal entitlement	3,870,000
3 & 4 Year old 30+ enhanced	1,494,000
2 Year entitlement	1,121,000
Early Years Pupil Premium (EYPP)	94,000
Disabled Access Fund (DAF)	36,000
Maintained Nursery Supplementary Funding	211,000
<b>TOTAL</b>	<b>6,826,000</b>

23. 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 2018/19. 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.
24. 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 2018/19.
25. The EYPP allocation is based on a unit rate of £0.53 per hour. This is the same rate as was received for 2018/19.
26. The DAF allocation is based on £615 per child, this is the same rate as received in 2018/19.

### **Darlington's Early Years Formula 2019/20**

27. As the funding rates received for 3 & 4 year old entitlements, 2 year old entitlement, EYPP & DAF are the same as received in 2018/19 there is no scope within those allocations to increase funding rates for 2019/20.
28. At this stage it is unknown if there will be any underspend in the current years early years budget. Therefore at this stage there is no spare funding from 2018/19 to allocate to the 2019/20 rates.
29. As a result of the above two paragraphs it is therefore proposed that all the unit rates for 2019/20 remain at the 2018/19 level as per the table below.
30. 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 £105,500 in 2019/20.

31. Although at this stage the SEN inclusion fund is projected to be on target in 2018/19, there is growth in the number of children needing support from this budget which may result in pressures in 2019/20. It is however, not proposed to reduce the provider's hourly rates in 2019/20, to transfer funding into the inclusion budget in 2019/20. Any pressures occurring with the inclusion fund will be the first call on any underspend that is carried forward into 2019/20 from 2018/19.
32. The central allocation of £113,754 will remain in 2019/20 to contribute towards the Council's early year's team. (This equates to 2%, which is below the 5% maximum allowable).
33. The DAF payment will remain at the national level of £615 per child per year.

<b>Provision</b>	<b>Proposed 2018/19 Rate</b>	<b>2019/20 Rate</b>	<b>Change</b>
<b><u>3 &amp; 4 Year Old Children</u></b>			
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
<b><u>2 Year Old Children</u></b>			
All Providers – Per hour per child	£5.20	£5.20	£0.00

34. 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 less than 2% which is less than the 10% maximum requirement.

### **Recommendations**

35. That Forum approve the central allocation of £113,754
36. That Forum notes the proposed early years formula and rates for 2019/20.

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