

Report to the Schools Forum 13 January 2017

Early Years Funding Formula 2017/18

1 DfE Funding Changes

1.1 As part of the move towards national funding formulas for DSG, the DfE has confirmed details of a national funding formula, at LA level not setting level, for early years. LAs will continue to determine a local funding formula for early years, albeit within new DfE constraints.

1.2 The full details of this can be found here:

<https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance>

1.3 There follows a summary a summary of the main point of this. A fuller description of some of these areas can be found in Appendix A, which is the report provided to the recent Early Years Finance Group.

2 Year Old Funding

- There is an increase in hourly funding for T&W from April 2017, from £4.85 per hour to £5.20 per hour, i.e. an increase of 35p per hour.

3 and 4 year old funding

- There is an increase in hourly funding for T&W from £4.03 per hour to £4.36 per hour.
- The funding provided by the DfE to LAs and the local funding formula to allocate this funding to settings, will both be the same for the first 15 hours and the extended entitlement to 30 hours for working families from September 2017.
- There are new restrictions on the amount of funding able to be utilised for 'supplements' to the basic hourly rate of funding meaning that a maximum of 10% of the money in the funding formula can be distributed through supplements
- LAs have to pass through at least 93% of the total funding to providers in 2017/18 and at least 95% in 2018/19.

Across early years

- There is a requirement for each local authority to have an inclusion fund.
- A new Disability Access Fund will be distributed to LAs on the basis of children eligible for the Disabled Living Allowance (DLA) in the area. It must then be passed to settings educating children eligible for DAF at the rate of £615 per year. The DfE has released estimated DAF allocations for 2017/18 showing T&W receiving £49,200.

2 T&W Proposals

2.1 T&W is proposing the following for 2017/18:

- increase the hourly funding rate for 2 year olds, increasing it from £4.85 per hour to £5.11 per hour.

- increase the basic hourly funding rate for 3 and 4 year olds, based on draft calculations, from £3.47 per hour in 2016/17 to £3.76 per hour in 2017/18;

- a possible change in the method of funding deprivation. Currently an hourly rate for each setting is calculated by taking the postcodes of the previous years children, mapping them against deprivation measures for the postcodes, and calculating an average deprivation rate for the setting. We are considering changing this either to only using the most deprived 50% of postcodes to count towards the deprivation measure, or to using Early Years Pupil Premium data to allocate funding.

- continue to allocate additional funding to settings that offer flexible options for taking up the funded hours, using the minimum options outlined in the DfE's statutory guidance, as a basis. Settings that offer other patterns of provision in addition to 5 hours per day over 3 days of the week and 3 hours per day over 5 days of the week will qualify for flexibility funding.

- continue paying an additional lump sum to nursery schools at the same sum as 2016/17, i.e. £148,329.

- retain some funding to enable T&W to promote the extended offer and so increase take-up by eligible families and in case we need to incentivise provision in particular areas of T&W. We are proposing a retention of £50,000 from 3 and 4 year old funding for this.

- retain £160,000 from 3 and 4 year old funding for the inclusion fund and £40,000 from 3 and 4 year old funding, making a total of £200,000. This retention is in the context of the rising amount of high needs and the increase to 30 hours entitlement for working parents from September. The fund will be used to support a mixture of direct staffing support and payments to settings, continuing and extending current arrangements.

- retain £3,644 to pay for the LA to carry out early years pupil premium grant eligibility, representing a cost of £8.50 per child checked. The number of children is that estimated by the DfE in their draft 2017/18 funding paper. The alternative is for settings to do this themselves, or enter into individual agreements with the Benefits team – each of these alternatives is likely to be more time consuming.

2.2 We have queried with the DfE whether 'supplements' includes any lump sum paid to nursery schools, as the guidance is unclear on this point. Including the lump sum, our current formula delivers over 14% via supplements, excluding the lump sum, it delivers around 11% via supplements.

2.3 At present we are assuming that supplements exclude the nursery lump sum and have scaled down the deprivation and flexibility supplements by the same percentage (%) to stay within 10%. If the DfE is including nursery school lump sum in their definition of a 'supplement' it is possible that we will convert the nursery school lump sums into a higher hourly rate, in order to avoid having to significantly scale back the deprivation and flexibility supplements.

2.4 **Generally, the Forum is asked to express its views on the proposals for 2017/18 early years funding. Specifically, the Forum is asked to approve:**

- the central retention of £50,000 of early years funding to fund the promotion of the 30 hours offer for working parents and to ensure sufficient capacity is available locally for all eligible parents wishing to take-up the extended entitlement. Any unspent funds will be added to amounts available for funding early years in 2018/19.

- the central retention of £3,644 for EYPPG eligibility checks.

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