

Division(s):

CABINET MEMBER FOR EDUCATION - 21 FEBRUARY 2017

FORMAL APPROVAL OF EARLY YEARS FUNDING FORMULA 2017-18

Report by Director for Children's Services

Introduction

1. The local authority is required to set a funding formula for Early Years provision. The 2017/18 formula is proposed in line with the new Department for Education (DfE) national formula and reflects comments received from consultees including Schools Forum.
2. The local authority is responsible for making the final decisions on the formula.

Recent National Formula Changes

3. Significant changes to the Early Years formula were published in the Operational Guidance issued in December 2016. These changes were captured in the Schools and Early Years Finance Regulations 2017, which came into force on 16 February 2017.
4. The new funding formula applies to the existing 15 hour entitlement for 3 and 4 year olds and the extended 30 hour offer that is effective from September 2017

Specific Issues to Address for the 2017-18 Formula

5. There are a number of new requirements on how local authorities are able to allocate funding to providers from 2017/18. The DfE state that these requirements are intended to ensure that funding provided by the Education Funding Agency (EFA) is fairly distributed to providers.
6. Each change is discussed further below. More detailed information is available in the report to Schools Forum attached as Appendix A.
7. The main changes are:
 - A) A minimum amount of funding to be passed through to providers : There are new requirements on the amount of funding for 3 and 4 year olds that local authorities must pass to providers. This high 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 will be constrained to a maximum of 7% in 2017/18 and 5% from 2018/19.

The Formula proposed by Oxfordshire will meet this requirement.

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- B) A local universal base rate for all types of provider, to be set by local authorities by 2019/20 at the latest: local authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider, by no later than 2019/20.

The consultation indicated that providers wanted to move to the universal rate in 2017/18. The proposed Oxfordshire hourly rate is £4.01.

- C) Supplementary funding for maintained nursery schools, for “the duration of this Parliament”: as the universal base rate is introduced, the DfE will allow local authorities to continue to provide a higher level of funding to maintained nursery schools via supplementary funding.
- D) Reforms to mandatory and discretionary supplements local authorities are able to use: amounts of funding which are given in addition to the base rate to reflect local needs or policy objectives. The total value of supplements used in any authority must not be more than 10% of the total value of planned funding to be passed through to providers. Deprivation is the only mandatory supplement. Local authorities can choose the amount of funding to channel through this supplement as long as the total value of all supplements used does not exceed the 10% cap. There are four discretionary supplements that are allowable; Rurality/Sparsity; Flexibility; Quality and English as an additional language (EAL). (It was made clear in the local consultation documentation that channelling funding into supplements reduces the level of the universal base rate to all providers).

The result of the consultation was to only include the mandatory deprivation supplement and to allocate this on Early Years Pupil Premium. The Oxfordshire formula allocates £200k for this, resulting in an additional 26p an hour on top of the early years pupil premium of 53p per hour.

- E) The introduction of a disability access fund (DAF) : 3 and 4 year olds will be eligible for the DAF if they are in receipt of child disability living allowance and receive free early education.
- F) A requirement for authorities to establish a special educational needs (SEN) inclusion fund: the fund is to support work with providers to address the needs of individual children with SEN. The operational guidance requires the majority of this fund to be allocated on a case by case basis. Previously this funding was allocated to nursery schools and nursery classes schools as a lump sum.

The fund will be established at £600k, a similar level to previous years. Feedback from Schools Forum, which reflects a concern raised by officers, is the level of administration and bureaucracy allocating the

money on a case by case basis may cause.

Officers will consider further the exact operation of the fund and will discuss with providers as part of the annual "Local Offer".

Financial and Staff Implications

8. The report deals with the funding formula for Early Years for 2017/18. The proposed formula has been modelled to remain within the funding allocation available from the DfE. There are three main risks, the level of take-up of hours, the adequacy of the Inclusion Fund and sufficiency of provision for 30 hours.
9. Each year, there is uncertainty around the take-up of the number of hours. For 2017/18, this is increased by the uncertainty around the 30 hour offer. The County Council had retained a contingency if hours exceed those modelled. If the contingency is exceeded, the overspend will be carried forward and funded from 2018/19 Early Years Dedicated Schools Grant (DSG).
10. The SEN inclusion fund may be insufficient to meet need. If this is exceeded, there will be a call on the High Needs DSG block. This block is already under financial pressure.
11. Nationally, providers have reacted cautiously to the 30 hour offer, sighting low hourly rates as a barrier to offering the extended 30 hours. Officers are working closely with providers to encourage them to provide the offer but there has been some comments within the consultation that the hourly rate is insufficient.

Equalities Implications

12. Where the local authority continues to have discretion in funding decisions made, priority will be given to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

RECOMMENDATION

13. **The Cabinet Member is RECOMMENDED to approve the Early Years funding formula for 2017/18. This includes an hourly rate of £4.01, a deprivation supplement of £200k and an SEN inclusion fund of £600k.**

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Appendix A: Schools Forum paper 3.2 Early Years Funding Formula February 7th 2017

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