



Delegated Decisions by Cabinet Member for Education

***Tuesday, 21 February 2017 at 9.00 am
County Hall, Oxford OX1 1ND***

Items for Decision

The items for decision under individual Cabinet Members' delegated powers are listed overleaf, with indicative timings, and the related reports are attached. Decisions taken will become effective at the end of the working day on Wednesday 1 March 2017 unless called in by that date for review by the appropriate Scrutiny Committee.

Copies of the reports are circulated (by e-mail) to all members of the County Council.

These proceedings are open to the public

A handwritten signature in black ink that reads "Peter G. Clark." with a horizontal line underneath.

Peter G. Clark
Interim Chief Executive

February 2017

Contact Officer: **Deborah Miller**
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Note: Date of next meeting: 14 March 2017

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

Items for Decision

1. Declarations of Interest

2. Questions from County Councillors

Any county councillor may, by giving notice to the Proper Officer by 9 am two working days before the meeting, ask a question on any matter in respect of the Cabinet Member's delegated powers.

The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting) and the time for questions will be limited to 30 minutes in total. As with questions at Council, any questions which remain unanswered at the end of this item will receive a written response.

Questions submitted prior to the agenda being despatched are shown below and will be the subject of a response from the appropriate Cabinet Member or such other councillor or officer as is determined by the Cabinet Member, and shall not be the subject of further debate at this meeting. Questions received after the despatch of the agenda, but before the deadline, will be shown on the Schedule of Addenda circulated at the meeting, together with any written response which is available at that time.

3. Petitions and Public Address

4. Formal Approval of Early Years Funding Formula 2017-18 (Pages 1 - 28)

Forward Plan Ref: 2017/018

Contact: Sarah Fogden, Finance Business Partner Tel: 07557 082613

Report by Director for Children's Services (**CMDED4**).

The Early Years Funding formula has changed considerably from previous years reflecting new guidance and regulations published by the DfE. This report seeks approval of the County Council's funding formula. Responses from consultation with Early Years providers and School Forum are reflected in the proposal.

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.

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.

- 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.**

LUCY BUTLER
Director for Children's Services

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

Contact Officer: Sarah Fogden 07557 082613
February 2017

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Oxfordshire County Council
Schools Forum – 7 February 2017
Early Years Funding Formula 2017-18

Settings		Sector	
Academies	✓	Foundation Stage	✓
Maintained Schools	✓	Primary	✓
PVI Nurseries	✓	Secondary	✓
Special Schools		Special	
Local Authority	✓	16+	
Schools Forum	✓	High Needs	✓

1. Item for Consultation

2. Purpose of Report

- 2.1 The purpose of this report is to update Schools Forum on the proposed funding arrangements for early years for 2017-18. This is in the context of the new early years national funding formula (EYNFF) for three- and four-year- olds which was announced on 1 December 2016.
- 2.2 Local authorities were required to consult providers on the local early years funding formula (EYFF) and this report contains the outcomes of the consultation. The EYNFF operational guidance states that Schools Forums must be consulted on changes to the local EYFF, including agreeing central spend by 28 February 2017 (although the final decision rests with the local authority).

3. Background and overview

- 3.1 On 11th August 2016, the Department for Education (DfE) commenced a consultation on proposals for significant changes to early years funding arrangements for three- and four-year-olds. The consultation closed on 22nd September 2016 and the relevant documentation can be accessed online by following [this link](#).
- 3.2 The DfE published its [government response](#) to the consultation on early years funding reform, including the introduction of an Early Years National Funding Formula (EYNFF) on 1 December 2016.
- 3.3 The DfE also published the [EYNFF operational guidance](#) on 1 December 2016 (updated January 2017), which provides details for local authorities to plan the local implementation of changes to the early years funding system in the 2017-18 financial year. The guidance sets the overall framework and expectations on local authorities in implementing the new EYNFF. (The government laid the necessary legislation to formalise the rules and principles contained

within this operational guidance before Parliament on 25 January 2017. The School and Early Years Finance Regulations 2017 come into force on 16 February 2017).

- 3.4 The operational guidance and regulations include new limits on central expenditure and changes to how provision for children with special educational needs and disabilities is funded. The new formula relates to both the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year-old children of eligible working parents (the 30 hour childcare policy) when this begins in September 2017.
- 3.5 Local authorities were required to consult providers on their local formula. The DfE said that they recognised the challenging timetable for local authorities to determine their funding approach, consult with providers and schools forums and engage local democratic processes. The DfE expected local authorities to issue consultations before Christmas 2016 and to present outcomes and proposals to schools forums by 28 February 2017.
- 3.6 A local consultation was launched on 12 December 2016 to help establish principles about Oxfordshire's EYFF and this closed on 22 January 2017. The consultation document (copy with this report) took the form of a description of key principles, Oxfordshire's proposals in relation to these principles and sought provider responses to these. (Text boxes were also available for additional comments / proposals).

4. New Requirements for 2017-18

- 4.1 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. The main changes are:
 - A minimum amount of **funding to be passed through to providers** - There are new requirements on the amount of funding for three- and four-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.
 - 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.

- **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.
- 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 introduction of a **disability access fund (DAF)**. Three- and four-year olds will be eligible for the DAF if they are in receipt of child disability living allowance and receive free early education.
- A requirement for authorities to establish a **special educational needs (SEN) inclusion fund**.

5. Early Years Block Funding for Oxfordshire

- 5.1 The DfE published figures on 2017-18 early years allocations for local authorities on 1 December 2016. These will be updated in spring 2017, using data from the January 2017 censuses. Final funding allocations to the LA for the 2017-18 core 15 hours will continue to be based on 5/12th of January 2017 child numbers and 7/12th of the January 2018 child numbers. For the additional hours (from September 2017), final funding allocations will be based on the January 2018 censuses. Final allocations will not therefore be known until June / July 2018 – after the end of the 2017-18 financial year. There is therefore considerable uncertainty regarding the final level of funding for 2017-18 until after information is received regarding the January 2018 child numbers.
- 5.2 The total allocation (universal and additional working parents’ entitlement) published on 1 December for Oxfordshire is £34.37m for 7.83 million hours, which equates to an indicative hourly rate for 3-4 year olds of £4.39 per hour. This is inclusive of amounts for central services, supplements (Deprivation supplement is mandatory) and a SEN inclusion fund.

- 5.3 The figures published on 1 December 2016 also included an initial allocation of £226,927 (as 2016-17) for Early Years Pupil Premium and an illustrative figure of £116,850 for the Disability Access Fund. The indicative funding for 2-year olds was also published on 1 December - £3.4m, for 615,657 hours, giving an hourly rate of £5.52. The published figures are set out in the table below:

Early Years figures - Published by the DfE on 1 December 2016	No. of part-time equivalent children	Initial allocations to the LA £
Universal 3-4 year old entitlement funding	11,619.5	£29,075,475
Additional 3-4 year old funding for working parents (part-year from September 2017)	2,116.8	£5,296,869
Total	13,736.3	£34,372,344
Total hours (Part time 3-4 year olds)	7,829,691	
Indicative hourly rate for 3-4 year olds Before retained services deducted		£4.39
Other 3-4 year old funding: Maintained Nursery supplementary funding		£649,661
Early Years Pupil Premium		£226,927
Disability Access Fund (Illustrative figure)		£116,850
<u>2-year old funding</u>	1080.1	£3,398,427
Total hours	615,657	
Indicative hourly rate for 2 year olds		£5.52

6. Central Services

Central services budgets were agreed at previous school forum meetings (6 October 2016 – Paper 4 and update at 1 December 2016 – Paper 5d), referring to the DSG figures published in July 2016. This figure is unchanged at £1.979m. (A sum of £5k has been retained for allocation in exceptional circumstances).

7. Deprivation

- 7.1 A Deprivation Supplement is mandatory under the new arrangements and the LA can determine the methodology. In the current year a Deprivation factor is paid as a lump sum to each setting based on the number of children in specified bands for the Income Deprivation

Affecting Children Index (IDACI). The index is based on post codes and is not varied in year. The IDACI scores measure the probability of children aged up to 15 in a particular area being from deprived families. Schools Forum agreed weightings for the bands, so that there would be a gradually increasing targeting to more deprived pupils.

- 7.2 For 2016-17, unit rates for each child in each band were maintained at the same levels as prior years. For 2016-17 the IDACI data was updated by central government for the first time since 2010 and this resulted in a significant fall in the numbers of eligible children. For 2017-18 central government has adjusted the bandings in recognition of the previous turbulence.
- 7.3 Two potential methodologies for allocating the mandatory deprivation supplement for 2017-18 were included in the local consultation documentation. The first was to continue using IDACI data and the second was to use Early Years Pupil Premium (EYPP). Using EYPP actual take up would mean that there would no longer be an estimated allocation paid upfront as a one-off sum, but an enhancement paid on top of the EYPP funding. For modelling purposes a deprivation supplement of £200k was used. EYPP is paid at a rate of 53p per hour. Adding a further 50% or 26p on the hourly rate (bringing it to 79p) equates to approx. £200k (26p x 7,829,691 hours, using the estimated hours for 2017-18, including the additional hours entitlement for working parents from September 2017, as published by the DfE).

8. Inclusion Fund (SEN)

- 8.1 Under the new arrangements, all LAs are required to establish an inclusion fund in local funding systems for three- and four-year-olds with SEN taking up any number of hours free entitlement. The purpose of this fund is to support work with providers to address the needs of individual children with SEN. This structure also supports LAs to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014. LAs are expected to target the fund at children with lower level or emerging SEN. (Children with more complex needs and those in receipt of an Education and Health Care Plan continue to be eligible to receive funding via the high needs block of the DSG).
- 8.2 In 2016-17 low level or emerging SEN funding is delegated to nursery schools and nursery classes in primary schools and academies as a fixed sum of £2,000, plus a pupil amount based on IDACI bands as a proxy SEN indicator. This is allocated on a one-off basis at the start of the financial year and not varied in-year. For other providers, funding is allocated on a case by case basis.
- 8.3 The new arrangements will mean that SEN funding from the SEN Inclusion Fund will need to be allocated on a case by case basis for all providers, including schools and academies, increases workloads in

relation to this. There will no longer be a £2,000 initial allocation to schools and academies or an IDACI allocation at the start of the financial year. It is not possible to model the impact of this without data on the needs of individual pupils at each establishment. PVI providers already receive funding on a case by case basis.

- 8.4 LAs can combine the amount from either one or both of the early years and high needs block of DSG and consult with early years providers on the value. The proposal is to fund at current levels at £600k – funding £427k from the Early Years Block and £173k from the High Needs Block. This has been included in the modelling, with the assumption that this funding goes out to providers as top-up grants (DfE terminology). The HN staffing (SENCO etc.) associated with this case by case arrangement will be funded from within the HN Block. The LA will consult further on this as part of the preparation and review of Oxfordshire’s “Local Offer”.
- 8.5 This is an area of risk in terms of the level of demand and whether this will be accommodated within the size of the fund.

9. Local Consultation

Oxfordshire consultee invitations were sent to all providers by direct email on 12 December 2016 and details were also published in Schools News. A number of reminders were also sent out. Following the deadline of the consultation on 22 January 2017, results were analysed (details are at Annex 2, and a one-page summary at Annex 3) - key points are as follows:

- 142 responses, 69 of which (48.6%) were from Childminders. Low number of responses from Maintained schools and Academies (Details as Question 1, Annex 2). Wide geographical spread (Question 2, Annex 2).
- Support for introduction from 2017-18 (Question 3, Annex 2 – 81% agreed).
- High pass through – Comments (Question 4) including referring to the importance of centrally provided services.
- Majority support for LA proposals relating to Deprivation supplement (Question 5, Annex 2) and for no other supplements (maximising the universal provider rate) – Question 7, 8, 9 &10, Annex 2.
- Majority support for Deprivation Supplement being allocated on the basis of EYPP rather than IDACI (Question 6, Annex 2). (Further information below).
- Majority support for level of SEN Inclusion Fund (Question 11) and case by case approach (Question 12, Annex 2).
- Majority support for 2 year old inclusion fund (Question 3), but this would need to be funded from the 2 year old hourly rate and this was not specifically consulted on. (Potentially for the future as discussed with HN colleagues, following development of the 3 and 4 year old SEN inclusion fund).
- Plans for offering the additional 15 hours entitlement for working parents (Question 15, Annex 2 – Yes 42.2%, No 18.5%, Unsure 39.3%).

10. Modelling of hourly rates

10.1 A key aspect of the new requirements is the high pass through to providers – Minimum of 93% in 17-18, and 95% from 2018-19. The DfE published an indicative hourly rate for Oxfordshire of £4.39 – This rate includes all funding. This covers centrally retained funding, the SEN Inclusion Fund, all supplements and the underlying provider rate. Oxfordshire providers are familiar with underlying provider rates that exclude deprivation and SEN funding. The rates for 2016-17 are included in the table below. In order to compare “like with like”, a provider rate for modelling purposes (excluding additional funding for supplements and the SEN Inclusion fund) was quoted in the consultation documentation at £3.99 per hour. (This linked in with the DfE provider rate of £4.02 published in the illustrative figures for the LA earlier in the year, with the £4.02 including funding for supplements). Taking account of feedback from the local consultation and further officer comment, the modelling hourly rate has been increased from £3.99 to £4.01 per hour. This has been achieved, in part, by reducing the level of the allowable contingency fund to £400,000.

10.2 In 2016-17 the underlying hourly rates for providers, excluding Deprivation and SEN allocations, are set out below

	2016-17	2017-18 Proposed Rate	Difference	Notes
Standalone Nursery Schools	£5.90	£4.01	-£1.89	Supplementary Funding to offset
Nursery classes (and attached Nursery)	£3.86	£4.01	£0.15	Will no longer receive £2k SEN lump sum /IDACI allocations – to be allocated on a case by case basis
PVI Providers	£3.98	£4.01	£0.03	

11. High pass through to providers

A key aspect of the new requirements is the high pass through to providers – Minimum of 93% in 17-18, and 95% from 2018-19. The DfE provided specific details of how compliance is to be checked and what is to be included. Data will be collected from LAs as part of the S251 budget submission. The methodology for this is set out in the Operational Guidance (updated in January 2017) and The School and Early Years Finance Regulations 2017. A diagram showing the compliance checking is attached at Annex 1, along with monitoring policy notes from the Operational Guidance. How this applies to Oxfordshire is included in the following simplified summary (excluding the MNS Supplementary Funding and showing only the mandatory deprivation supplement).

Early Years National Funding Formula - Compliance of pass-through percentage - Required to be equal to or greater than 93% in 2017-18

Calc	Line	Description	Budget Model	Notes re Budget Model
	1	Anticipated budget for base rate (including funding to MNS) for 3 and 4 year olds	£31,361,344	Excluding £200k Deprivation Supplement (£31,561,344 less £200,000) Plus £61,488 from Contingency)
	2	Anticipated budget for Deprivation supplement (Mandatory) for 3 and 4 year olds - no other supplements	£200,000	
	3	Anticipated budget for 3 and 4 year old SEN Inclusion Fund (top up grants)	£600,000	£427k from EY Block and £173k from High Needs Block
	4	Anticipated budget for 3 and 4 year old contingency	£400,000	Reduced by £61,488 (from £461,466 in 2016-17)
A		Subtotal =	£32,561,344	
B	5	Planned total base rate hours for core 15 and additional 15 hours for 3 and 4 year olds	7,829,691	As published by DfE
		2,965,000 hours		
C	6	Equivalent average rate to providers for three-and four-year old entitlement hours = (A/B)	£4.16	Needs to be equal to or > £4.08 to meet pass through requirement £4.08/£4.39x100=93%
D	7	LA EYNFF hourly rate for three-and four-year olds (published alongside government response, in DSG tables)	£4.39	
E	14	Test that meeting pass through requirement F = (C/D) * 100% = ((line 5) / (line 7)) * 100% Provider % must be equal or > 93% in 2017-18 (from 2018-19 must be equal or > 95%)	94.73%	Exceeds minimum requirement of 93%
Hourly rate excluding supplements / SEN Inclusion - For comparison with 2016-17 rates				
		Direct to providers excluding Deprivation Supplement and SEN Inclusion Allocations	£31,361,344	
		Hourly rate	4.005438273	
		Direct Provider Hourly rate rounded (Excludes Deprivation and SEN Inclusion Fund)	4.01	For comparative purposes with 2016-17 (Comparative PVI rate £3.98 in 2016-17)
Reconciliation to published DSG Total:				
		Direct to providers before Deprivation supplement and SEN Inclusion Fund	£31,361,344	
		Deprivation Supplement	£200,000	
		Inclusion Fund (£427K EY Block plus £173k from HN Block)	£600,000	
		Contingency	£400,000	
		Retained as previously agreed by Schools Forum - Paper 4, 6 October 2016 and Paper 5d, 1 December 2016	£1,979,000	
		Exceptional circumstance provision	£5,000	
		Total	£34,545,344	
		Less Inclusion Fund met from HN Block	-£173,000	
		Total EY Block for 3 and 4 Year Olds (excluding MNS Supplementary Funding)	£34,372,344	
		3 and 4 year old DSG total as published	£34,372,344	
		Variance	£0	

12. Equivalent average rate to providers

- 12.1 The high pass-through requirement is that the equivalent average rate to providers (Calculation C in the table above) must be equal to or greater than 93% of the EYNFF hourly rate published by the DfE (£4.39 for Oxfordshire). This therefore needs to be at least £4.08 (£4.39 x 93%). The modelling represented in the table above shows that this requirement has been exceeded, with an equivalent average rate to providers (including the deprivation supplement and SEN Inclusion funding) of £4.16.
- 12.2 When the Deprivation supplement funding and SEN Inclusion funding is deducted, the underlying provider rate is shown as £4.01 (and is in a form more familiar to providers when comparing with prior year rates).
- 12.3 The 94.73% in the table above indicates that the at least 93% pass-through requirement has been met in the model for 2017-18. It is also very close to what is required for the pass-through rate in future years (when the requirement rises to 95% from 2018-19). There are, however, considerable uncertainties.

13. Risks and uncertainties

- 13.1 Uncertainties include the projected level of take up of the additional 15 hours for working parents from September 2017. The projected number of hours in the table above is as published by the DfE and actual take up may vary considerably. The ability of the LA to meet its statutory requirements regarding provision is not yet clear. Some indications are provided in the responses to a supplementary question (Q15) in the local consultation document, but this is far from comprehensive. 2017-18 is also a part-year position for the additional 15 hours for working parents (commencing in September), so does not represent full year risks and uncertainties.
- 13.2 There are also uncertainties about the level of demand on the SEN Inclusion Fund.
- 13.3 The DfE early years allocations published on 1 December 2016, will be updated in spring 2017, using data from the January 2017 censuses. Final funding allocations to the LA for the 2017-18 core 15 hours will be based on 5/12th of January 2017 census numbers and 7/12th of the January 2018 census numbers. For the additional hours (from September 2017), final funding allocations will be based wholly on the January 2018 censuses. Final allocations will not therefore be known until June / July 2018 – after the end of the 2017-18 financial year. There is therefore considerable uncertainty regarding the final level of funding for 2017-18 until after information is received regarding the January 2018 censuses.

- 13.4 For 2017-18 the DfE indicate that compliance of the high pass-through (in terms of the equivalent average rate to providers) will be measured through the S251 budget return. It is not indicated if this will be reviewed again in terms of actuals, but as the £4.16 is higher than the minimum requirement (£4.08) there is some flexibility here in terms of maintaining compliance.
- 13.5 It was noted above that the increased rate of £4.01 was partly achieved by decreasing the level of allowable Contingency Fund. The level of Contingency Fund stated in earlier guidance was 3.7% unless a lower amount was reported in the S251 return. Oxfordshire's contingency fund figure in the Section 251 return was £461,688. This is significantly lower than the theoretically allowable figure at 3.7%. Oxfordshire's contingency is therefore comparatively low. The figure of £461,688 has been reduced to £400,000 to achieve a provider rate (excluding the Deprivation supplement, SEN Inclusion Fund and the Contingency Fund) of £4.01. In the current 2016-17 financial year, the DSG blocks can still be reviewed across all blocks and any potential pressures on the EY Block can be reviewed in this context. In contrast, should the Contingency Fund not be required in 2017-18, the DSG Blocks will be separately monitored and any underspend will be potentially available against future risk or for allocation to providers.

14. Maintained Nursery Schools Supplementary Funding

- 14.1 A figure of £649,661 was published for MNS Supplementary funding on 1 December. However, the operational guidance indicates that a further exercise will be undertaken with regard to confirming this amount. As this is a specific amount, outside of the universal rate calculation, it does not impact on agreeing the universal rate.
- 14.2 On 31 January 2017 correspondence was sent from the DfE (Helen Stephenson -Director, Early Years and Childcare) to all Directors of Children's Services and Early Years Leads. This confirmed that the supplementary funding for maintained nursery schools would be extended at least up until the end of this Parliament, and reiterated that this was "enough to allow local authorities to maintain their current levels of expenditure on maintained nursery schools". The email indicated that the exercise to confirm figures (as reported in S251) was likely to take place in March.
- 14.3 The email also said the following: "Given that this exercise will take place soon, and that it could result in revisions to supplementary funding allocations, it is important that decisions are not taken now about the future of your nursery schools. There is a risk that a local authority that had under-reported expenditure on nursery schools will conclude from the resulting low illustrative allocation that their nursery schools are no longer viable. This would be the wrong conclusion to draw given that the data is only illustrative, and we would strongly encourage you to delay any decisions about nursery schools until after

we have notified you of your final supplementary funding allocation". Some detail of the exercise was included and the full text of the email is attached at Annex 4.

- 14.4 A further issue has been raised with the DfE regarding deferred entry to schools and children attending nursery provision for 25 hours. An initial positive response regarding funding has been received to an enquiry to the EFA. However, further clarification is sought.

15. One-off funding from 2012-13 DSG Balances

Although not part of the EYFF, EY providers will receive an additional one-off allocation relating to 2012-13 remaining DSG balances, as discussed at Schools Forum on 12 January 2017. This equates to 1p per hour and will be allocated on the same basis as the one-off funding in 2016-17.

6. Financial and Staff Implications - centrally and for schools

This paper already deals with the financial implications of the EYFF for 2017-18, so no further comment is made.

7. Equal Opportunities Implications and Impact on Equality Groups

The changes that are proposed are being imposed nationally on all LAs. Where the LA continues to have discretion in the funding decisions made, it will continue to give priority to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

8. Conclusions

This paper updates and consults with Schools Forum on the EYFF for 2017-18.

9. Contact Details of Lead Officer/Author

If you have any queries or comments in advance of the Schools Forum meeting about this report, please contact:

Name: Margaret Whitaker, Senior Financial Adviser (Schools)

Telephone Number: 07393 001263

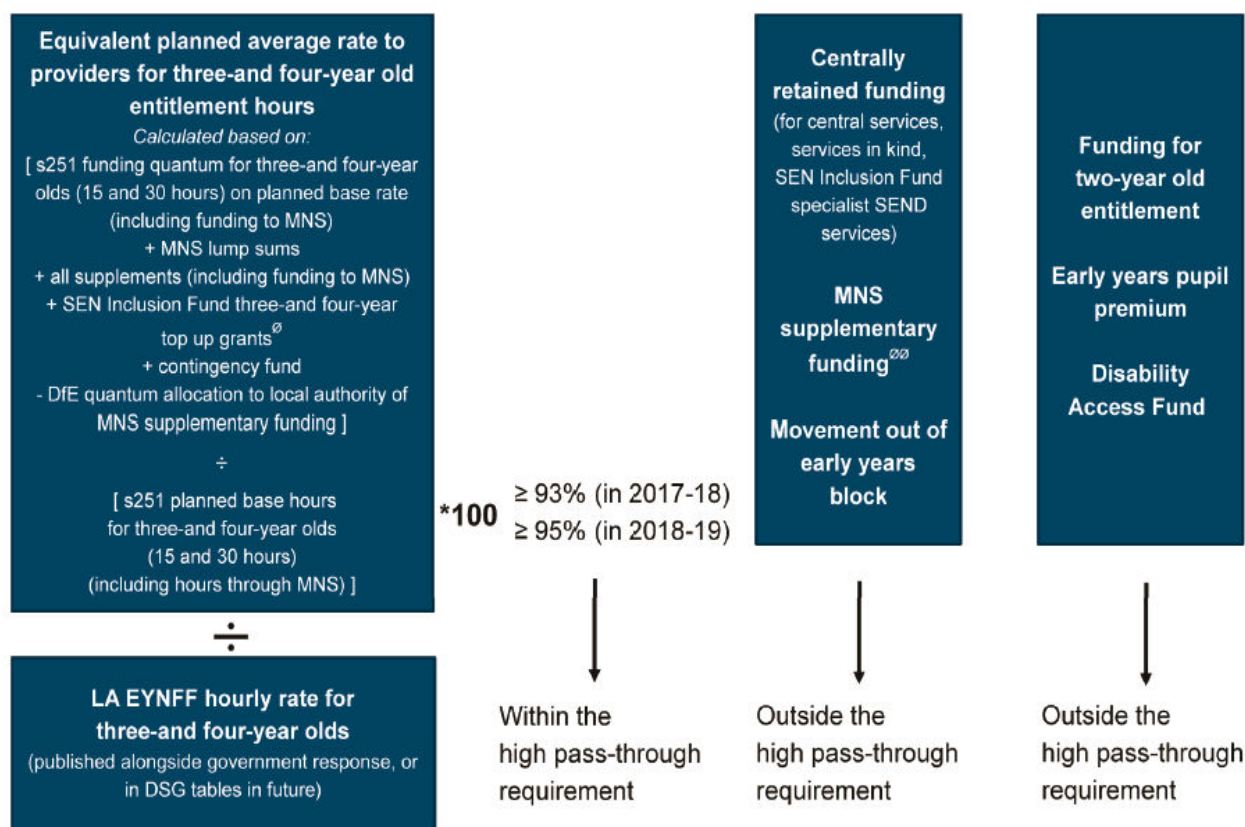
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Telephone Number: 07557 082613

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Annex 1 –Extract of EYNFF Operational Guide – High pass-through calculation



[∅] SEN Inclusion Fund must be established by combining an amount from either one or both of their early years block and high needs block.

^{∞∞} DfE allocated MNS supplementary funding quantum to local authority

Monitoring policy compliance of the high pass-through – extract of operational guide

19. The pass-through is based on local authority planned budget, and we will monitor policy implementation through annual s251 budget returns. The calculation to determine compliance will be made as follows:

A = s251 funding quantum for 3-and 4-year olds on planned base rate (including funding to MNS), MNS lump sums , all supplements (including funding to MNS), SEN Inclusion Fund top up grants, contingency fund.

B = DfE quantum allocation to local authority of MNS supplementary funding (published alongside government response).

C = s251 planned base hours for three-and four-year olds (including hours through MNS).

D = equivalent average rate to providers for three-and four-year old entitlement hours = (A-B) / C.

E = LA EYNFF hourly rate for three-and four-year olds (published alongside government response, or in DSG tables in future).

F = (D / E) * 100%.

A local authority will be considered meeting the requirement if:

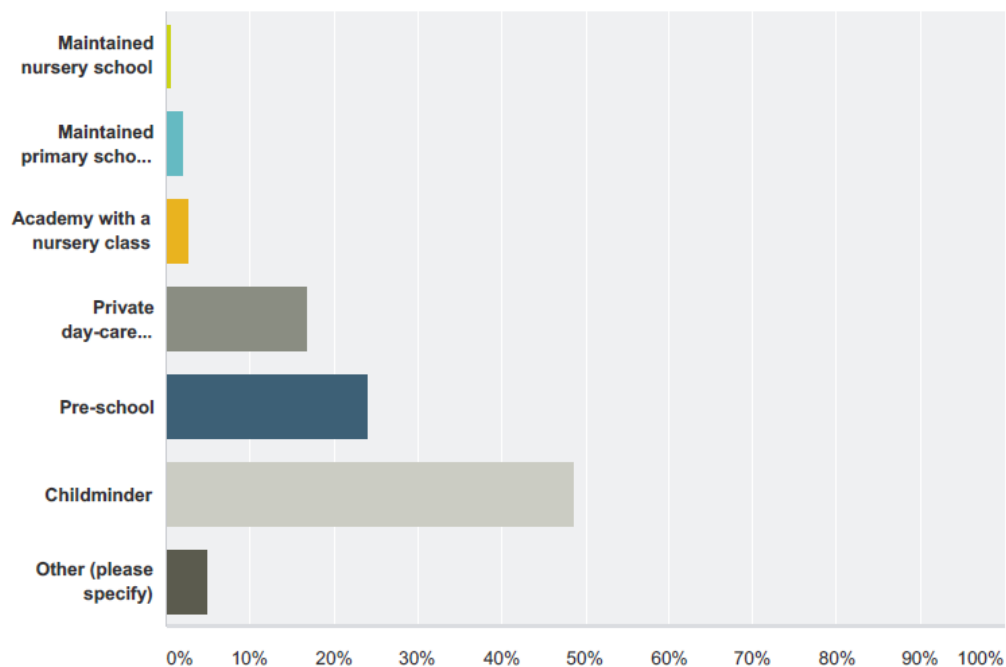
F ≥ 93% (in 2017-18) or 95% (from 2018-19).

20. While MNS supplementary funding is not considered in the determination of the high pass-through, we would expect local authorities to use this to maintain MNS stability.

(The table above was simplified to exclude MNS supplementary funding etc.)

Annex 2 – Oxfordshire’s EYFF 2017-18 Consultation – Responses
(Excluding free text responses)

1. Break down of providers:



Answer Options	Response Percent	Response Count
Maintained nursery school	0.7%	1
Maintained primary school with a nursery class	2.1%	3
Academy with a nursery class	2.8%	4
Private day-care provider	16.9%	24
Pre-school	23.9%	34
Childminder	48.6%	69
Other (please specify)	4.9%	7
<i>answered question</i>		142
<i>skipped question</i>		0

2. **Location-** Those responses that provided a postcode have been plotted on the below map.



- 3. Implementation Timeline** - Do you agree with the LA proposal that a new funding formula for providers, including a universal provider base rate (Note: Maintained Nursery Schools receiving the specific government supplementary funding), should be implemented from April 2017?

	Question 3	
	Yes	No
Academy with a nursery class	3	1
Childminder	56	14
Maintained nursery school	1	0
Maintained primary school with a nursery class	2	0
Pre-school	28	6
Private day-care provider	20	4
Other (please specify)	5	2
% Totals	81.0%	19.0%

4. High pass-through – Comments

- 5. Deprivation Supplement - Amount** - Do you agree with the LA proposal that the mandatory Deprivation Supplement is funded at a similar level to the current year (currently £165k, to be uplifted for 2017-18 for the part-year effect of the additional 15 hours for eligible working parents from September 2016)?

	Question 5	
	Yes	No
Academy with a nursery class	4	0
Childminder	54	8
Maintained nursery school	1	0
Maintained primary school with a nursery class	2	0
Pre-school	31	2
Private day-care provider	18	5
Other (please specify)	5	2
% Totals	87.1%	12.9%

6. Deprivation Supplement – Method - Which method of allocation do you propose?

	Question 6	
	Option 1 IDACI	Option 2 EYPP
Academy with a nursery class	1	3
Childminder	22	33
Maintained nursery school		
Maintained primary school with a nursery class	0	2
Pre-school	11	22
Private day-care provider	10	14
Other (please specify)	3	4
% Totals	37.6%	62.4%

7. Quality Supplement - Do you agree with the LA proposal that there is no quality supplement?

	Question 7	
	Yes	No
Academy with a nursery class	2	2
Childminder	40	22
Maintained nursery school	0	1
Maintained primary school with a nursery class	2	0
Pre-school	19	14
Private day-care provider	15	9
Other (please specify)	4	3
% Totals	61.7%	38.3%

8. Flexibility Supplement - Do you agree with the LA proposal that there is no flexibility supplement?

	Question 8	
	Yes	No
Academy with a nursery class	2	2
Childminder	40	23
Maintained nursery school	1	0
Maintained primary school with a nursery class	2	0
Pre-school	29	5
Private day-care provider	19	5
Other (please specify)	4	3
% Totals	71.9%	28.1%

9. EAL Supplement - Do you agree with the LA proposal that there is no EAL supplement?

	Question 9	
	Yes	No
Academy with a nursery class	0	4
Childminder	44	22
Maintained nursery school	0	1
Maintained primary school with a nursery class	1	1
Pre-school	21	12
Private day-care provider	18	6
Other (please specify)	4	2
% Totals	64.7%	35.3%

10. Rurality/sparsity supplement - Do you agree with the LA proposal that there is no rurality/sparsity supplement?

	Question 10	
	Yes	No
Academy with a nursery class	3	1
Childminder	43	23
Maintained nursery school		
Maintained primary school with a nursery class	2	0
Pre-school	22	11
Private day-care provider	16	8
Other (please specify)	5	1
% Totals	67.4%	32.6%

11. The proposal is to set the value of the SEN Inclusion Fund at the level of existing provision for lower level and emerging SEN, at £600,000. (Maintaining at the current level will also help to maintain universal base rates). Do you agree that the LA should implement this proposal?

	Question 11	
	Yes	No
Academy with a nursery class	3	1
Childminder	61	2
Maintained nursery school	1	0
Maintained primary school with a nursery class	2	0
Pre-school	30	3
Private day-care provider	21	2
Other (please specify)	5	1
% Totals	93.2%	6.8%

12. Do you agree with the principle that the LA should allocate the majority of the SEN inclusion fund on a case by case basis?

	Question 12	
	Yes	No
Academy with a nursery class	4	0
Childminder	57	4
Maintained nursery school	1	0
Maintained primary school with a nursery class	2	0
Pre-school	32	0
Private day-care provider	24	0
Other (please specify)	5	0
% Totals	96.9%	3.1%

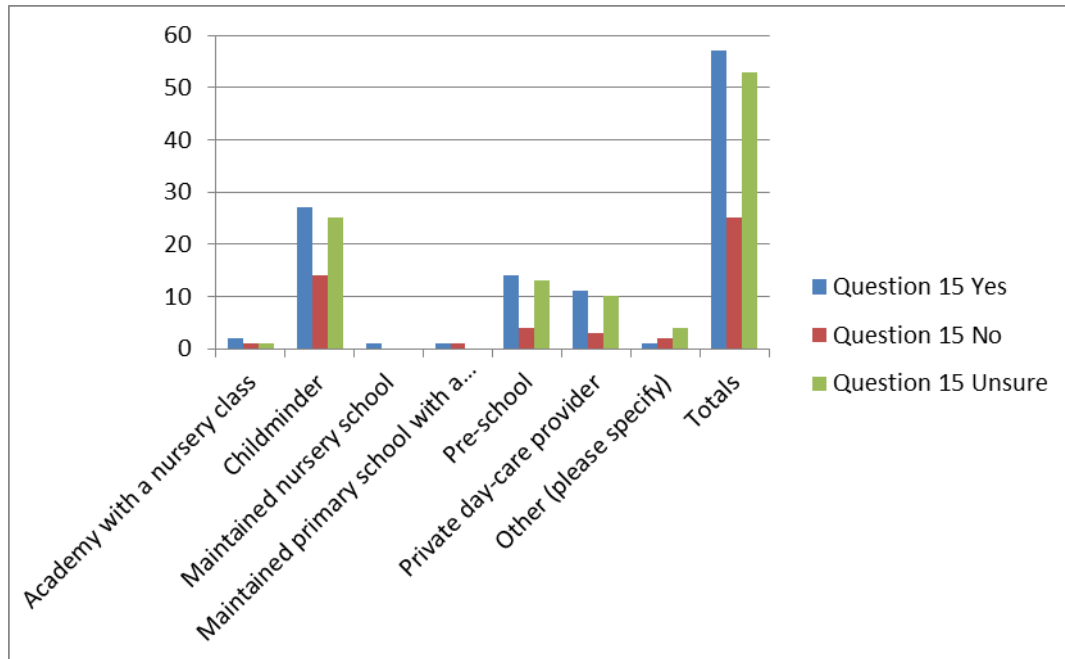
13. Do you agree with the LA proposal to have an inclusion fund for 2- year-olds with lower level or emerging SEN, to be allocated on a case by case basis?

	Question 13	
	Yes	No
Academy with a nursery class	4	0
Childminder	57	6
Maintained nursery school	1	0
Maintained primary school with a nursery class	1	1
Pre-school	32	1
Private day-care provider	23	1
Other (please specify)	6	0
% Totals	93.2%	6.8%

14. Are there any further comments you would wish to be considered by the local authority in the development of the Early Years Funding Formula (EYFF) for 2017/18? - Comments

15. This question is not part of the formal consultation on Oxfordshire’s EYFF, but it would be helpful for the LA to receive information on whether providers are planning to offer the additional 15 hour entitlement for working parents (the 30 hour childcare policy), when this commences from September 2017?

	Question 15		
	Yes	No	Unsure
Academy with a nursery class	2	1	1
Childminder	27	14	25
Maintained nursery school	1	0	0
Maintained primary school with a nursery class	1	1	0
Pre-school	14	4	13
Private day-care provider	11	3	10
Other (please specify)	1	2	4
% Totals	42.2%	18.5%	39.3%



Annex 3 - Summary of responses to Oxfordshire EYFF 2017-18 Consultation	Agree introduce Universal Base from April 2017?		Agree Deprivation Supplement?		Method for allocating Deprivation Supplement?		Agree to have No Quality Supplement?		Agree to have No Flexibility Supplement?		Agree to have No EAL Supplement?	
	Question 3		Question 5		Question 6		Question 7		Question 8		Question 9	
	Yes	No	Yes	No	IDACI	EYPP	Yes	No	Yes	No	Yes	No
Academy with a nursery class	3	1	4	0	1	3	2	2	2	2	0	4
Childminder	56	14	54	8	22	33	40	22	40	23	44	22
Maintained nursery school	1	0	1	0			0	1	1	0	0	1
Maintained primary school with a nursery class	2	0	2	0	0	2	2	0	2	0	1	1
Pre-school	28	6	31	2	11	22	19	14	29	5	21	12
Private day-care provider	20	4	18	5	10	14	15	9	19	5	18	6
Other (please specify)	5	2	5	2	3	4	4	3	4	3	4	2
% Totals	81.0%	19.0%	87.1%	12.9%	37.6%	62.4%	61.7%	38.3%	71.9%	28.1%	64.7%	35.3%

Page 24	Agree to have No Rurality/sparsity Supplement?		Agree SEN Inclusion Fund at £600K?		Allocate SEN on case by case basis?		SEN Inclusion Fund for 2 Year Olds?		Planning to offer additional 15 hours entitlement for working parents from September 2017?		
	Question 10		Question 11		Question 12		Question 13		Question 15		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Unsure
Academy with a nursery class	3	1	3	1	4	0	4	0	2	1	1
Childminder	43	23	61	2	57	4	57	6	27	14	25
Maintained nursery school			1	0	1	0	1	0	1	0	0
Maintained primary school with a nursery class	2	0	2	0	2	0	1	1	1	1	0
Pre-school	22	11	30	3	32	0	32	1	14	4	13
Private day-care provider	16	8	21	2	24	0	23	1	11	3	10
Other (please specify)	5	1	5	1	5	0	6	0	1	2	4
% Totals	67.4%	32.6%	93.2%	6.8%	96.9%	3.1%	93.2%	6.8%	42.2%	18.5%	39.3%

Annex 4

Email from Helen Stephenson (Director, Early Years and Childcare, DfE) 31.1.17

Subject: Local decisions about the funding of maintained nursery schools

To Directors of Children's Services and Early Years Leads,

As you will know, we published our response to the Early Years National Funding Formula consultation on 1 December. In it we announced that we would be extending the supplementary funding for maintained nursery schools (MNS) at least up until the end of this Parliament. This supplementary funding, worth approximately £55m a year, is enough to allow local authorities to maintain their current levels of expenditure on maintained nursery schools. It will give nursery schools stability during wider changes to the early years funding system and allow us time to consult on their future. These are important steps to take as we want to preserve this high quality provision, often in deprived areas and supporting high numbers of children with special educational needs and disabilities, and to ensure that MNS play a leadership role in the early years system.

In our response to the consultation we confirmed the methodology that we will use to allocate this supplementary funding across local authorities that have MNS. We also used information on planned expenditure on MNS from 2016-17 Section 251 returns to provide illustrative allocations by local authority. We committed to conducting a data assurance exercise to verify these levels of expenditure, which will underpin the final LA MNS allocations for 2017-18.

The purpose of this data assurance exercise is to allow local authorities to confirm or correct what they have previously told us, through their Section 251 returns, about expenditure on their nursery schools. Any revisions to information previously given to us will need to be supported by evidence of the need for change (for example a budget statement sent to a MNS) . We will then re-calculate the allocations of supplementary funding where there is sufficient evidence that the initial section 251 return did not accurately reflect the 2016-17 expenditure on maintained nursery schools. This will ensure that local authorities receive the DSG funding necessary to enable them to maintain current levels of funding for their maintained nursery schools.

Given that this exercise will take place soon, and that it could result in revisions to supplementary funding allocations, it is important that decisions are not taken now about the future of your nursery schools. There is a risk that a local authority that had under-reported expenditure on nursery schools will conclude from the resulting low illustrative allocation that their nursery schools are no

longer viable. This would be the wrong conclusion to draw given that the data is only illustrative, and we would strongly encourage you to delay any decisions about nursery schools until after we have notified you of your final supplementary funding allocation.

We will provide more details about the data assurance exercise when it begins, which we are anticipating to be in March. We intend to make it as easy as possible for you to take part, and will be using the EFA's established communication channels to send out templates which will be pre-populated with the information that you have previously provided. Where the figures are correct, no response will be necessary although nil returns would be appreciated. I also want to stress that this data assurance exercise will be a one-off exercise for 2017-18 only. Therefore it is really important that we receive accurate s251 data in future, as this will be used to re-calculate supplementary funding allocations for maintained nursery schools in future years.

We know that there is a wide range of approaches by local authorities to their nursery schools. The best of them make full use of nursery schools, not only helping them to support the social mobility of disadvantaged communities, but also giving them a wider role in the leadership of the early years system. Some local authorities have even commissioned their nursery schools to develop and implement quality improvement strategies for their areas. This makes very good use of nursery schools' pedagogical expertise and experience, and if you do not already use your nursery schools in this way, I would encourage you to do so. We would be happy to put you in touch with other authorities that do this if you wanted to learn more.

Summary of Key consultation areas for Schools Forum:

- Central services budgets and implementation timescale agreed at previous Schools Forum meetings (6 October 2016 – Paper 4 and update at 1 December 2016 – Paper 5d)
- Supplements - Deprivation supplement
- Deprivation Supplement methodology - allocated on the basis of EYPP or IDACI
- Other supplements
- Level of SEN Inclusion Fund and case by case approach
- Overall local EYFF
- Views on potential future 2 year old inclusion fund and funding from the 2 year old hourly rate

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