

CABINET MEMBER FOR EDUCATION & CULTURAL SERVICES - 13 FEBRUARY 2019

Formal Approval of Early Years Funding Formula 2019/20

Report by Director for Children's Services

RECOMMENDATION

1. **The Cabinet Member for Education & Cultural Services is RECOMMENDED to approve the Early Years funding formula for 2019-20 with an hourly rate of £4.04.**

Executive Summary

2. The local authority is required to set a funding formula for 3 and 4-year-old provision. The 2019-20 formula proposed is in line with the Department for Education (DfE) national formula introduced in 2017-18.
3. The local authority is responsible for making the final decisions on the formula.
4. Schools Forum will be consulted on 4 February and the decision from that meeting will be presented to this meeting.

Introduction

5. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). The new funding formula applies to the existing 15-hour entitlement for 3 and 4-year olds and the extended 30 hour offer that was introduced from September 2017.
6. The structure of the local formula for Oxfordshire incorporates the 2019-20 requirements of the Early Years Operational Guide. The principles adopted in the 2017-18 formula have been maintained for 2019-20, whilst increasing the base rate for providers. The rate of hourly funding received from the DfE to deliver all elements of the formula remains unchanged at £4.39 per hour.

The Early Years Funding Formula

7. The DfE published the updated EYNFF Operational Guide (November 2018), which sets the overall framework and expectations on local authorities regarding the EYNFF.
8. Following consultation with all Early Years providers, an Oxfordshire Early Years Funding formula for 2017-18 was set and the 2018-19 and proposed 2019-20 formula follow these principles.

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9. The key elements of the formula, meeting DfE requirements, are:
- a. The 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) introduced in September 2017.
 - b. A minimum amount of funding to be passed through to providers – From 2017-18 there were 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 DfE reaches providers. The pass-through funding level was set by the DfE at 93% in 2017-18 and was increased to 95% for 2018-19 and 2019-20.
 - c. A local **universal base rate** for all types of provider, to be set by Local Authorities (LAs) by 2019-20 at the latest - LAs are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate that is the same for all types of provider, by no later than 1 April 2019. Following consultation, a universal base rate was introduced in Oxfordshire in 2017-18. This underlying base rate (excluding the mandatory Deprivation Supplement, SEN Inclusion Fund allocations and Contingency) was set at £4.01 in 2017-18, rising to £4.03 in 2018-19 and is proposed at £4.04 in 2019-20. (Note that the funding rate from the DfE has remained unchanged during this period at £4.39).
 - d. A mandatory **supplement for deprivation**. LAs had the freedom to choose the appropriate metric for allocating funding. Following consultation, the method of paying an enhancement on top of the Early Years Pupil Premium (EYPP) was implemented from 2017-18. The EYPP rate is 53p per hour and the deprivation supplement was set at 47p per hour, giving a total of £1 per hour for 15 hours of attendance. (The 47p supplement also applies to additional hours, although EYPP can only be paid on the universal 15 hours, as set out in the regulations). No further supplements have been used, thereby maximising the base rate to providers.
 - e. A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all three and four-year olds with SEN who are taking up free entitlements. This is to target funding at 3 and 4-year olds with lower level or emerging SEN.
 - f. Supplementary funding for maintained nursery schools (MNS). Local authorities received supplementary funding in 2017-18, 2018-19 and 2019-20 for MNS. The stated aim of the DfE was to enable local authorities to protect their 2016-17 funding rates for MNS (that is, the rates that existed before the EYNFF).

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- g. A contingency fund of £362,293 - LAs may hold back a percentage of their allocation in a contingency fund. This is to reduce the risks associated with potential overallocation of funding should actual participation rates throughout the year be higher than those funded at the snapshot points of the January censuses. The January censuses determine the funding to the LA and the final position on funding for 2019-20 will not be announced by the DfE until July 2020, after the end of the 2019-20 financial year. In the initial technical guidance on the EYNFF, the DfE indicated that they assumed that LAs retain either 3.7% of their universal and additional funding or, where they already retained less than this in contingency (as indicated by their 2015-16 S251 budget returns) they use the lower level. The Oxfordshire proposed Contingency (of £362K) represents 1.09% of overall 3 and 4-year-old funding, so represents a relatively low level of contingency. Where the contingency funding is not required to meet actual participation levels, there is the opportunity to consider reallocating this funding back to providers at a later date. If any overallocation exceeds the level of the contingency, any DSG overspend would need to be recouped in future years which could potentially necessitate a future reduction and turbulence to the provider rate. Consequently, a prudent approach to maintaining a level of contingency is required in order to reduce the risk of turbulence of funding to providers.
10. Additional funding streams for eligible 3 and 4-year olds are as follows:
- a. The disability access fund (DAF) – The DAF was introduced in April 2017 to support disabled children’s access to the entitlements for 3 and 4-year olds. Three- and four-year olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. LAs must fund all types of setting providing a place for DAF-eligible children at the fixed annual rate of £615 per eligible child.
- b. Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, where their family meets specified criteria/ they are being looked after by a LA or have left care through specified orders. As indicated above, the national rate is 53p per hour per eligible pupil up to a maximum of 570 hours (£302.10 per year). The Operational Guide indicates that in the “small number of cases where a child is also eligible for the additional 15 hours for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year”. The rate remains the same for 2019-20.

Changes for 2019-20

11. The main changes from the requirements for the 2018-19 financial year (as outlined in the Operational Guide 2019-20) is:
- LAs must use a universal base rate for all types of provider, including Maintained Nursey Schools, in their local 3 and 4-year old formula (but will continue to allocate the Maintained Nursery Schools Supplementary Funding through additional lump sums).

- There is no change to the EYNFF hourly funding rate that Oxfordshire receives from the DfE to deliver all elements of the formula - This remains at the same hourly rate as in 2017-18 and 2018-19 i.e. £4.39.
- No changes to the principles adopted in 2017-18 are proposed for 2019-20.

Proposed universal Funding Rate for 2019-20

12. Despite there being no increase to the funding rate from the DfE, the LA is proposing an increase to the underlying universal base rate to providers of 1p per hour, from £4.03 per hour in 2018-19 to £4.04 per hour in 2019-20. The cost of this is projected to be £76k based on the DfE budget figures. This is proposed to be achieved by reducing the LA's centrally retained funding by £38k and by redirecting resources (a further £38k) from the Contingency Fund to the universal base rate. This reduces the Contingency Fund to £362k (1.09% of overall 3 and 4-year old funding), as indicated above. An increase to the universal provider rate, at a time of static government funding, is acting favourably to providers and delivers an increase in funding for Private, Voluntary and Independent (PVI) providers of over 1.5% over 3 years, equating to approximately 0.5% a year. This aligns closely to the increase in funding delivered to schools under the implementation of the National Funding Formula (NFF) for schools (1% over two years).

Financial and Staff Implications

13. The report deals with the funding formula for Early Years for 2019-20. The proposed formula for 3 and 4-year olds has been modelled in line with the initial allocation published by the DfE. The key risk remains the level of take-up of hours. Final DSG funding allocations will be based on data from censuses – 5/12ths on January 2019 and 7/12ths on January 2020 censuses. The funding will not be confirmed until July 2020. There is risk that actual participation varies from these snapshot funding dates.
14. Each year, there is uncertainty around the take-up of the number of hours. If the contingency is exceeded, the overspend will be carried forward and funded from 2020-21 Early Years DSG.

Equalities Implications

15. 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.

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