

**CABINET MEMBER FOR PUBLIC HEALTH & EDUCATION -
19 FEBRUARY 2018**

**FORMAL APPROVAL OF EARLY YEARS FUNDING FORMULA 2018-
19**

Report by Director for Children's Services

Introduction

1. The local authority is required to set a funding formula for 3 and 4 year old provision. The 2018-19 formula proposed is in line with the Department for Education (DfE) national formula introduced in 2017-18.
2. The local authority is responsible for making the final decisions on the formula.

Background and overview

3. 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.
4. The structure of the local formula for Oxfordshire incorporates the 2018-19 requirements of the Early Years Operational Guide. The principles adopted in the 2017-18 formula have been maintained for 2018-19, 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

5. In 2017-18, the DfE introduced the Early Years National Funding Formula. The DfE also published the Early Years operational guidance (updated November 2017), which sets the overall framework and expectations on local authorities in implementing the EYNFF.
6. Following consultation with Early Years providers and Schools Forum, an Oxfordshire Early Years Funding formula for 2017-18 was set.
7. The key elements of the current formula 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 ESFA reaches providers. The pass-through funding level was set at 93% in 2017-18 and rises to 95% for 2018-19.
 - 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 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 Deprivation Supplement and SEN Inclusion Fund allocations) was set at £4.01.
 - d. Supplementary funding for maintained nursery schools (MNS). Local authorities received supplementary funding in 2017-18 for MNS. The stated aim of the Department for Education was to enable local authorities to protect their 2016-2017 funding rates for MNS (that is, the rates that existed before the EYNFF). LAs with MNS will continue to receive supplementary funding in 2018-19. The Operation Guide for 2018-19 states that the Department for Education “will continue to allow local authorities to provide a higher level of funding to MNS once the base rate becomes compulsory in 2019 to 2020”.
 - e. 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 for 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). Following consultation, no further supplements have been used, thereby maximising the base rate to providers.
 - f. 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 children with lower level or emerging SEN. A process was already in place to identify these children in the PVI sector and this is continuing for 2017-18 and 2018-19. Children in the school sector are identified through the school census (where identified as Category “K” children, excluding children with higher needs).
 - g. A contingency fund of £400,000.
8. Additional funding streams for eligible three- and four-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 three- and four-year olds. Three- and four-year olds are eligible for the DAF if they are in receipt of child disability living allowance and receive free early education. LAs must fund all settings 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 three and four-year-old pupils, where their family meets specified criteria. 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”. The rate remains the same for 2018-19.

Changes in the funding formula for 2018-19

9. The main change from the requirements for the 2017-18 financial year (as outlined in the Operational Guide 2018-19) is that the pass-through rate increases from 93% in 2017 to 2018 to 95% in 2018 to 2019. (The Oxfordshire formula delivered close to 95% in 2017-18, in excess of the minimum requirement at that time, to deliver a higher rate to providers as early as possible).
10. 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 i.e. £4.39.
11. The structure of the local formula for Oxfordshire incorporates the above, and no changes to the principles adopted in 2017-18 are proposed for 2018-19. However, an increase to the underlying universal base rate for providers from £4.01 in 2017-18 to £4.03 in 2018-19 is proposed, by reducing centrally retained funding and redirecting resources
12. The impact of the pass through requirement is to pay an equivalent average rate to providers of £4.17 (£4.03 plus averaged allocations for the deprivation supplement, SEN Inclusion funding and Contingency).

Financial and Staff Implications

13. The report deals with the funding formula for Early Years for 2018-19. 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 2018 and 7/12ths on January 2019 censuses. 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. The current year has seen the introduction of the 30 hour offer from September 2017. This is not fully embedded and so there remains uncertainty around take -up. 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 2019-20 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.

RECOMMENDATION

16. **The Cabinet Member is RECOMMENDED to approve the Early Years funding formula for 2018-19 with an hourly rate of £4.03.**

LUCY BUTLER

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Appendix A: Schools Forum paper 5. Early Years Funding Formula February 7th 2018

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