

EARLY YEARS SINGLE FUNDING FORMULA REVIEW 2017-18

Purpose of the Report

1. To present the outcomes of modelling work to review the Wiltshire Early Years Single Funding Formula (EYSFF) for 2017-18 following the DfE consultation on a national formula for Early Years and the implementation of the additional entitlement for children of working parents.
2. To enable Schools Forum to agree the EYSFF from April 2017.

Main Considerations

3. In August 2016 the government issued a consultation on early years funding. Specifically the consultation included proposals to change the way in which early years funding is distributed to local authorities and also to change the way in which LAs allocate funding to settings for delivery of the free entitlement for 3 & 4 year olds. The consultation included an announcement of additional funding to support the implementation of the additional entitlement to 30 hours free childcare for children of working parents.
4. The DfE is proposing that funding is allocated to local authorities through a national formula. As part of the supporting material for the consultation proposed funding allocations were issued indicating that Wiltshire would receive funding for 3 & 4 year olds at an hourly rate of £3.97. Nationally, the average hourly rate is £4.71 and despite having received an increase in funding it should be noted that Wiltshire has fallen in the overall early years funding table and will be 143rd out of 151 local authorities in terms of funding.
5. It should be noted that the DfE has yet to respond to the consultation and therefore all of the work to carry out the formula review has been on the assumption that the proposals in the consultation will be confirmed and that councils will still be required to implement the new formula from April 2017.

EYSFF Review

6. For the purposes of the modelling work a number of assumptions have had to be made:
 - a. Overall funding coming in to Wiltshire has been assumed at £3.97 per hour and the number of hours to be funded has been taken from the DfE documents. As funding is on a participation basis no assumption has been made in terms of a % take up of funded places, it has been assumed that Wiltshire will only receive funding for those children who are recorded on the relevant EY census.
 - b. Following discussions at the September meeting of the Early Years Reference Group it has been assumed that Wiltshire will not include supplements within the formula to reflect Efficiency or Flexibility. This is consistent with the Wiltshire approach to maximise the amount of funding included within the basic hourly rate within the formula, therefore maximising the funding allocated to each child.
 - c. An option has been included to allow a supplement for the delivery of the additional 15 hours for children of working parents.
 - d. The implementation of the additional entitlement will have an additional administration cost and therefore it has been assumed that an amount to

reflect the staffing costs of administering the entitlement is to be top sliced from the Early Years block. The funding regulations allow funding to be retained centrally for the purposes of determining:

- i. the eligibility for free school meals of a pupil who is being provided with early years provision;
 - ii. the eligibility of a child for prescribed early years provision; or
 - iii. the eligibility of a child for the early years pupil premium
- e. Work has been carried out to estimate the amount of additional funding that will need to be included within the Inclusion Support Fund to support children with additional needs to access the additional hours. The existing fund in Wiltshire is funded from the High Needs Block which remains under pressure. The regulations allow for the Early Years block to fund the Inclusion Support budget and so an assumption has been made that the increase in the Inclusion Support Fund will need to be met from the early years budget. This would need to be confirmed by Schools Forum but for modelling purposes it has been built in to the EY block.
7. A number of options have been modelled and these will be worked through in the meeting. In summary:

Option Zero

8. "Option Zero" has been included to demonstrate the impact on the basic hourly rate of the increased funding if nothing else changes ie., if no top slice is made for administration or inclusion and that the rurality and deprivation supplements within the current formula remain unchanged. Because of the costs of implementing the new entitlement this option is not viable, however it demonstrates that if everything else remained unchanged the basic hourly rate within Wiltshire would increase to **£3.91** per hour.
9. This is important to demonstrate as DfE exemplifications published with the consultation indicated that providers in Wiltshire should expect to receive £3.97 per hour. This is not deliverable as the deprivation supplement is mandatory and therefore will always be a call on the funding before the basic hourly rate can be calculated.

Option 1

10. Option 1 assumes that a top slice of £150,000 is made for administration costs (0.8%) and that the inclusion support fund needs to be increased by £110,000. All other formula factors have remained unchanged.

Option 2

11. As per option 1 but with a % increase applied to the hourly rates for Deprivation and Rurality in line with the overall increase in the funding.

Options 3 & 4

12. In these options a supplement has been included to increase the hourly rate for the additional entitlement. The purpose of including this supplement is to support providers in delivering the additional entitlement. By increasing the hourly rate paid for the additional 15 hours, however, there is a negative impact on the value of the universal basic rate.
13. For the purposes of the model an hourly rate of £4 for the additional hours has been used but different figures can be used in the meeting to demonstrate the impact of this supplement.
14. The difference between option 3 and option 4 is the same as between options 1 & 2 ie., a different hourly rate for deprivation and rurality has been used.

15. The impact on the basic hourly rate of each model is summarised below:

| Hourly rate | Option 1 | Option 2 | Option 3 | Option 4 |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| Deprivation | £0.39 | £0.40 | £0.39 | £0.40 |
| Rurality | £0.50 | £0.52 | £0.50 | £0.52 |
| Basic Hourly Rate | £3.86 | £3.85 | £3.83 | £3.83 |
| Additional Entitlement | | | £4.00 | £4.00 |

16. It is clear that, with top slices for admin and inclusion, if a supplement is applied to the additional hours then the impact on the basic hourly rate is to reduce below the current levels.

Recommendations of the Early Years Reference Group

17. The Early Years Reference Group (EYRG) met on 18th November and discussed the options for the 2017-18 formula. The group agreed to recommend Option 2 to Schools Forum.

18. The group further discussed whether they would support the proposed top slices for administration costs and for the increase to the inclusion support fund.

Local Authority Sufficiency Duty

19. The recommendation from the EYRG does not include any additional supplement for providers to offer the additional 15 hours entitlement for children of working parents. To secure sufficient childcare places, local authorities are required by legislation to: Secure sufficient childcare, so far as is reasonably practicable, for working parents, or parents who are studying or training for employment, for children aged 0-14 (or up to 18 for disabled children).

20. It is difficult to project whether the inclusion of a supplement would incentivise providers to deliver the additional 15 hours. There are issues of affordability across the sector for delivery of the additional entitlement and the level of impact varies across different providers and/or types of provider.

Proposals

Schools Forum is asked to:

21. Agree that £150,000 (0.8%) should be held centrally from the Early Years Block to fund the administration of the additional entitlement

22. Agree whether £110,000 for the increase in the Inclusion Support Fund should be funded from the Early Years block.

23. Decide on which option for the EYSFF should be implemented from April 2017

Report Author: Liz Williams, Head of Finance

Tel: 01225 713675

e-mail: elizabeth.williams@wiltshire.gov.uk