

DEDICATED SCHOOLS BUDGET – EARLY YEARS BLOCK UPDATE 2017-18

Purpose of the Report

1. To update schools forum on issues related to the early years block for 2017-18 and the decisions that will need to be made as part of the budget setting process for 2017-18.
2. The operational guidance for the early years block confirms that schools forums must be consulted on changes to local early years funding formulae, including agreeing central spend, although the final decision rests with the local authority.

Main Considerations

3. The provisional early years block settlement for 2017-18 is £24.722 million. This is a significant increase on 2016-17 which reflects both an increase in the level of funding and the funding of new responsibilities. The funding settlement incorporates the increase in hourly rate to be paid through the new national funding formula and the implementation of the entitlement to an additional 15 hours of free childcare for children of working parents. In addition there is an allocation of £0.110m for the new Disability Access Fund to be paid directly to providers for children in receipt of Disability Living Allowance.
4. 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.
5. On the basis of that consultation, proposals were drawn up for the Wiltshire Early Years Single Funding Formula (EYSFF) and agreed by the Early Years Reference Group at its meeting on 18th November 2016. In December the government published its [response](#) to the consultation and revised [operational guidance](#) for the early years national funding formula. These documents superseded the proposals made by the early years reference group. The response confirmed the government's intention to introduce a national funding formula for early years and introduced a minimum funding rate of £4.30 per hour to local authorities, which is designed to give local authorities the scope to pay providers an average funding rate of at least £4.00 per hour. Wiltshire will receive this minimum funding rate of £4.30 per hour.
6. The requirements for how local authorities need to allocate funding to providers are:
 - A minimum amount of funding to be passed through to providers – set at 93% of 3 & 4 year old funding for 2017-18 and increasing to 95% in 2018-19.
 - A local universal base rate for all types of provider – *Wiltshire already has this in place*
 - Supplementary funding for maintained nursery schools to support the move towards the universal base rate – *Wiltshire does not benefit from this funding*
 - Reforms to the mandatory and discretionary supplements that can be used. No supplement is allowable to support the increase to 30 hours for children of working parents.
 - The introduction of a disability access fund

- A requirement for local authorities to establish a special educational needs inclusion fund – *Wiltshire already has this in place.*
7. The new levels of funding and the confirmation of pass through requirements now need to be reflected in the Wiltshire EYSFF so that the formula can be agreed and rates confirmed to providers.

Early Years Single Funding Formula

8. In considering the Wiltshire EYSFF the Early Years Reference Group were concerned to maximise the funding allocated to providers through the universal base rate. The option agreed at the meeting of 18th November kept the existing supplements for deprivation and rurality but did not include any further options for supplements. The preferred option based on the data presented at the time was for rates as follows:

Hourly rate	Preferred Option
Deprivation	£0.40
Rurality	£0.52
Basic Hourly Rate	£3.85
Additional Entitlement	

9. This was based on funding for the Council at an hourly rate of £3.97 and an assumed administration top slice of £150,000 to support the administration and assessment of eligibility for the additional entitlement. The model also assumed the early years block would need to fund a proposed increase to the early years inclusion support fund of £110,000.
10. Now that the funding rate has been confirmed at £4.30 per hour and the rules on % pass through to providers have been finalised, the model has been re-worked. A number of assumptions have been applied to the new model and the live model will be available at the meeting should schools forum wish to consider other alternatives. The assumptions applied to the model are as follows:
- Formula factors have been maintained as per the existing Wiltshire EYSFF ie., universal basic hourly rate, deprivation supplement (mandatory) and rurality supplement. No new supplements have been considered.
 - Hourly rates for deprivation and rurality have been maintained at the levels recommended by the early years reference group in November. These rates are slightly higher than the rates used in 2016-17.
 - It has been assumed that the early years block will need to fund the full cost of the inclusion support fund and not just the increase as previously assumed. This is also explored in the update report on the high needs block.
 - Administrative costs have been reviewed to include relevant costs of assessment and administering the eligibility of children for the additional free entitlement, early years pupil premium and the 2 year old offer, advisory teacher support to ensure that settings can retain Good or Outstanding in order to offer places for 2 year olds, and support for settings to deliver the additional 15 hours entitlement for children of working parents.
11. Applying these assumptions gives a basic hourly rate as follows:

Option 2**Apply % Increase of funding to Supplements & Rates**

Universal 3-4 year old entitlement funding	£18,057,205
Additional 3-4 year old funding for working parents	£3,574,375
Total illustrative 3-4 year old funding to LAs	£21,631,580

Less

Increased Deprivation Supplement based on £0.56	£308,444	
Increased Rurality/ Sustainability Supplement based on £0.44	£13,109	
Administration	£422,000	2.0%
ISF Budget	£467,300	
Adjusted Universal 3-4 year old entitlement funding	£20,420,727	

Illustrative PTE Hours for universal 3-4 year old	4,199,361
Illustrative PTE for additional 15 hours for 3-4 year olds	831,231
Total illustrative PTE 3-4 year old hours	5,030,592

Hourly Basic Rate for 3-4 year old funding 2017-18	£4.06
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12. This would give a basic hourly rate for settings of £4.06 per hour for the existing free entitlement and for the additional 15 hours for children of working parents.

13. The additional administration/support costs can be described as follows:

	£	
Admin of Free Entitlement	141,004	Element related to means testing, etc. Calculation is based on analysis of staff time within the Early Years and Childcare Team
Software/licence costs	50,000	Contribution towards development of existing system to support easier administration of free entitlement for Council and providers, including new information re children with FSM, etc
Support for settings to achieve or maintain "good" or "outstanding" to enable them to deliver 2 year old offer	59,700	Equivalent of 1 advisory teacher from EY Learning and Development Team including additional work on tracking tool. Outcomes in relation to disadvantaged children in Wiltshire have improved at higher rate than national average partly as result of strategies to reduce gaps
Support for Settings in delivering additional 15 hours for children of eligible working parents	170,900	Resource within Childcare Officer team to support the expansion of early years provision so that the additional 15 hours can be effectively delivered for all families who choose to take up this offer. Includes managing the projects for delivering additional capacity through new capital allocations, bid for by local authority.
	421,604	

14.

Compliance with % Pass Through

15. The above model meets the DfE requirements for providers to be receiving an average hourly rate of greater than £4.00. A compliance calculation has been provided within the operational guidance to ensure that the requirements on % pass

through of the early years block to providers are being met. Applying this calculation to the above model shows 98% pass through of the early years block with an average hourly rate calculated as £4.22 (including supplements and inclusion support funding).

Calc	Line	Description	Amount
A	1	Anticipated budget for base rate (including funding to MNS) for 3 and 4 year olds (<i>note deprivation funding also included here as DfE worked example did not include</i>)	£20,729,171
	2	Anticipated budget for lump sums (including funding to MNS) for 3 and 4 year olds	£0
	3	Anticipated budget for supplements for 3 and 4 year olds: Quality (including funding to MNS)	£0
	4	Anticipated budget for supplements for 3 and 4 year olds: Flexibility (including funding to MNS)	£0
	5	Anticipated budget for supplements for 3 and 4 year olds: Rurality (including funding to MNS)	£13,109
	6	Anticipated budget for supplements for 3 and 4 year olds: EAL (including funding to MNS)	£0
	7	Anticipated budget for 3 and 4 year old SEN inclusion fund (top up grants element)	£467,300
	8	Anticipated budget for 3 and 4 year old contingency	£0
		Subtotal =	£21,209,580
B	9	DfE quantum allocation to local authority of MNS supplementary funding	£0
C	10	Planned total base rate hours for core 15 and additional 15 hours for 3 and 4 year olds	5,030,592
D	11	Equivalent average rate to providers for three-and four-year old entitlement hours = (A-B) / C = (lines 1+2+3+4+5+6+7+8 - 9) / (line 10)	£4.22
E	12	LA EYNFF hourly rate for three-and four-year olds (published alongside government response, or in DSG tables in future)	£4.30
F	13	Test of meeting requirement $E = (D / E) * 100\% = ((\text{line } 11) / (\text{line } 12)) * 100\%$	98.0%

2 Year Old Funding

16. The hourly rate for 2 year olds in Wiltshire has been confirmed as £5.32. As in previous years it is proposed that the full hourly rate be passed on to providers delivering provision to 2 year olds.

Disability Access Fund

17. A new Disability Access Fund has been created and funded within the early years block. 3 and 4 year olds will be eligible for the fund if they meet the following criteria:

- The child is in receipt of child disability living allowance and;
- The child receives free early education

18. 4 year olds in primary school reception classes are not eligible for DAF funding.

19. Settings of 3 and 4 year olds eligible for the DAF will be entitled to receive a one off payment of £615 per year. Children do not have to take up the full 570 hours of early education they are entitled to in order to receive DAF.

20. Early years providers are ultimately responsible for identifying eligible children and local authorities must check that DAF eligibility requirements are met.
21. The DAF is payable as a lump sum once a year per eligible child. If a child is splitting their entitlement between two or more providers then parents should be asked to nominate the main setting. If a child receiving DAF moves from one setting to another within a financial year the new setting is not eligible to receive DAF for the this child within the same financial year.

Early Years Pupil Premium

22. Funding continues to be allocated through the early years block for the early years pupil premium (EYPP). There are no funding changes for EYPP proposed for 2017-18.

Proposals

23. Schools Forum is asked to note the update on the early years block and the proposals in relation to the early years single funding formula and central early years spend.

Report Author: Liz Williams, Head of Finance

Tel: 01225 713675

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