

**DEDICATED SCHOOLS GRANT – EARLY YEARS BLOCK UPDATE 2018-19**

**Purpose of the Report**

1. To update the working groups and schools forum on issues related to the early years block for 2018-19 and the decisions that will need to be made as part of the budget setting process for 2018-19.
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 2018-19 is £27.047 million and comprises the following elements:

	£
Early Years - Free Entitlement 3&4 yo	17,651,612
Additional 15 hours entitlement	6,356,914
2 year old funding	2,751,600
Indicative EYPPG	176,638
Supplementary funding maintained nurseries	0
Disability Access Fund	110,085
<b>Total Provisional Early Years Block</b>	<b>27,046,848</b>

4. The allocations for the free entitlement for 3 and 4 year olds, and for 2 year olds are based on the January 2017 census and will be updated during the 2018-19 financial year for the January 2018 and January 2019 censuses. The funding for the additional 15 hours entitlement for working parents is an estimate and again will be updated for the census data during the year. Take up for 2017-18 is currently being analysed to give an indication as to whether take up is at or near this level. Early indications based on the autumn pupil count are that take up is lower than estimated by the DfE and it is likely that Wiltshire's DSG settlement will be amended downwards in order to reflect this.
5. The *operational guidance for early years entitlements: local authority funding of providers 2018-19* was published in November 2017. The key points on local authority funding of providers are that local authorities:
  - Should set a single funding rate for both entitlements for 3 and 4 year olds (that is, both the universal 15 hours and the additional 15 hours for working parents)
  - Must plan to spend at least 95% ("95% pass through requirement") of their 3 and 4 year old funding from government on the delivery of the government entitlements for 3 & 4 year olds
  - May request that the 95% requirement be disapplied in specific, exceptional circumstances
  - Should be moving towards a universal base rate for all types of provider in their local 3 and 4 year old formula, and should do this by 2019-20

- Must use a deprivation supplement in their local 3 and 4 year old formula, and any other supplements must fall within one of the allowable categories
  - Must not channel more than 10% of their funding for 3 and 4 year olds through funding supplements
  - Must provide a SEN Inclusion Fund for 3 and 4 year olds
  - Must pass on early years pupil premium (EYPP) in full to providers for eligible 3 and 4 year olds
  - Must pass on disability access fund (DAF) funding in full to providers for eligible 3 and 4 year olds
6. The DfE will monitor compliance with these requirements. Wiltshire is already compliant with the requirements of the formula, and the SEN Inclusion Fund, and there are no current circumstances where a disapplication of the 95% requirement is being recommended.
7. There are no pass through requirements for the 2 year old funding and no requirements for compulsory supplements. Local authorities are encouraged to fund providers for the entitlement for disadvantaged 2 year olds on the basis of a flat hourly rate for all providers. Wiltshire is compliant with this approach and passes through 100% of the 2 year old funding to providers.

### **Early Years Single Funding Formula**

8. The DSG settlement announced on 20<sup>th</sup> December 2017 confirms the hourly rate that Wiltshire will be funded at as £4.30 per hour for the 3 and 4 year old entitlements. These rates are unchanged from 2017-18 and Wiltshire remains on the funding floor for the early years national funding formula.
9. The current rates for providers in Wiltshire, agreed by schools forum in January 2017, are as follows:

<b>Hourly rate</b>	<b>Preferred Option</b>
Deprivation	£0.40
Rurality	£0.52
Basic Hourly Rate	£4.14

10. This was based on a pass through of 98% with 2% of funding being held centrally to support the administration of the new entitlement and to provide support for settings.
11. Whilst funding rates have not increased, modelling based on 2017-18 spend indicates that the estimated spend on supplements will be lower than that assumed in calculating the base rate for 2017-18. If the calculation for 2018-19 is updated to reflect the current levels of spend on supplements it is estimated that the base rate could be increased to £4.16 per hour in 2018-19. The rates for supplements would need to remain unchanged.
12. There are no proposals to increase the amount of funding held centrally from the early years block. It is assumed that the contribution of £110,000 to the SEN Inclusion Fund from the early years block will continue in 2018-19 with the remainder of the SEN Inclusion Fund to be met from the high needs block as in previous years. Schools Forum will need to consider the budget pressures on all DSG blocks and may look to reconsider the current funding position of the SEN inclusion fund. This would impact on the affordable hourly rate for providers.

### Compliance with % Pass Through

13. The above proposal meets the DfE requirements outlined above for a single rate for both entitlements for 3 and 4 year olds, a universal base rate for all types of providers, and for the inclusion of supplements in the local early years funding formula. 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	£23,231,526
	2	Anticipated budget for MNS lump sums for 3 and 4 year olds	£0
	3	Anticipated budget for supplements for 3 and 4 year olds: Deprivation (including funding to MNS)	£220,000
	4	Anticipated budget for supplements for 3 and 4 year olds: Quality (including funding to MNS)	£0
	5	Anticipated budget for supplements for 3 and 4 year olds: Flexibility (including funding to MNS)	£0
	6	Anticipated budget for supplements for 3 and 4 year olds: Rurality (including funding to MNS)	£25,000
	7	Anticipated budget for supplements for 3 and 4 year olds: EAL (including funding to MNS)	£0
	8	Anticipated budget for 3 and 4 year old SEN inclusion fund (top up grant element)	£110,000
	9	Anticipated budget for 3 and 4 year old contingency	£0
			Subtotal =
B	10	DfE initial quantum allocation to local authority of MNS supplementary funding	£0
C	11	Planned total base rate hours for universal 15 and additional 15 hours for 3 and 4 year olds	5,583,378
D	12	Equivalent average rate to providers for entitlement hours for 3 and 4 year olds = (A-B) / C = (lines 1+2+3+4+5+6+7+8+9 - 10) / (line 11)	£4.22
E	13	LA EYNFF hourly rate for 3 and 4 year olds (published alongside this document, or in DSG tables in future)	£4.30
F	14	Test of meeting requirement  F = (D / E) * 100 = ((line 12) / (line 13))*100	98.14%

### 2 Year Old Funding

14. The hourly rate for 2 year olds in Wiltshire has been confirmed as £5.32 for 2018-19. 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

15. 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
16. 4 year olds in primary school reception classes are not eligible for DAF funding.
17. 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.
18. Early years providers are ultimately responsible for identifying eligible children and local authorities must check that DAF eligibility requirements are met.
19. 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**

20. 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 2018-19.

### **Proposals**

21. 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 percentage pass through to providers.

*Report Author: Liz Williams, Head of Finance*

*Tel: 01225 713675 10 January 2018*

*e-mail: [elizabeth.williams@wiltshire.gov.uk](mailto:elizabeth.williams@wiltshire.gov.uk)*