

Wiltshire Council

Early Years Reference Group
11th January 2019

Schools Funding Working Group
8th January 2019

Schools Forum
18th January 2019

DEDICATED SCHOOLS GRANT – EARLY YEARS BLOCK UPDATE 2019-20

Purpose of the Report

1. To update the working groups and schools forum on issues related to the early years block for 2019-20 and the decisions that will need to be made as part of the budget setting process for 2019-20.
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 2019-20 is £26.769 million and comprises the following elements:

	PTE (where applicable)	£ million
3 & 4 year old funding	9,781	23.972
2 year old funding	835	2.531
Disability Access Fund		0.123
Early Years Pupil Premium		0.143
Total “Initial” or provisional allocation for 2019-20		26.769

4. The allocations for the free entitlement for 3 and 4 year olds, and for 2 year olds are based on the January 2018 census and will be updated during the 2019-20 financial year for the January 2019 and January 2020 censuses. 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 2019-20* was published in November 2018. The **key points** on local authority funding of providers are that local authorities:
 - should set a single funding rate (including the same base rate and supplements) 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 pass on at least 95% of their 3 and 4 year old funding directly to providers to deliver the 3 and 4 year old entitlements
 - may request that the 95% requirement be disapplied in specific, exceptional circumstances

- must now use a universal base rate for all types of provider in their local 3 and 4 year old formula, including for Maintained Nursery Schools
 - may continue to use 'lump sums' to distribute additional funding to Maintained Nursery Schools
 - must use a deprivation supplement in their local 3 and 4 year old formula, and any other supplements used must fall within one of the allowable categories
 - must not channel more than 10% of their funding for 3 and 4 olds through funding supplements
 - must provide a Special Educational Needs Inclusion Fund (SENIF) 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.
- 8. Main changes from 18/19 Guidance are;**
- authorities must use a universal base rate for all types of provider, including Maintained Nursery Schools, in their local three and four year old formula (but will continue to be able to fund Maintained Nursery Schools through additional lump sums)
 - clarification of the rules on the use of the quality – system leadership – supplement – Wiltshire does not currently use quality as a funding supplement.

Early Years Single Funding Formula

9. The DSG settlement including an "initial" allocation for Early Years announced in December 2018 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 2018-19 and Wiltshire remains on the funding floor for the early years national funding formula.
10. The current rates for providers in Wiltshire, agreed by schools forum in January 2018, are as follows:

Hourly rate	2018/19
Deprivation	£0.40
Rurality	£0.52
Basic Hourly Rate	£4.16

11. Whilst DfE funding rates have not increased, modelling based on 2018-19 spend indicates that the estimated spend on supplements will be lower than that assumed in calculating the base rate for 2018-19. If the calculation for 2019-20 is updated to reflect the current levels of spend on supplements it is recommended that the base rate should be set at £4.18 per hour in 2019-20 assuming the average annual take up trend continues.
12. Historical trends show that on average, take up rates are less than 100%. An average across 2015/16 – 2017/18 was 96.97% take up. If we were to apply this to the estimated spend for 3& 4-year-old funding above, we could estimate the following:

Type of Spend	PTE
Per DfE PTE	9,781
Reduce by Wiltshire average take up rate 96.97%	9,485

13. In light of the high needs block funding pressures it is unlikely that schools forum will not be able to allocate any of the high need block funding to support early years expenditure. It is proposed therefore that the rate for 3 and 4 year olds is not raised on the basis that early years inclusion support funding will be fully funded from early years block and that the 19/20 take up rates will reflect historical trends.
14. The DfE guidance is clear that local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.
15. This paper proposes that the High Needs block contribution is withdrawn and the total budget is funded from the early years block.
16. 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 and this has been modelled.
17. Please refer to Appendix 1 for detailed modelling of the additional funding level scenarios as requested by the Early Years Reference Group at their meeting of the 11th January 2018. Please note that rurality and deprivation have been re-aligned in all scenarios based on 18/19 trends although actual allocations for both deprivation and rurality will be unknown until March when the idaci report is available.
18. Please refer to Appendix 2 for the calculations of compliance with the % pass through. All scenarios are compliant.
19. The under allocation in provisional budgets above would be added back to the general budget for 3 & 4 year olds, mitigating the risk of the DfE's lagged year adjustment for census data.

2 Year Old Funding

20. The hourly rate for 2 year olds in Wiltshire has been confirmed as £5.32 for 2019-20. 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

21. 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
22. 4 year olds in primary school reception classes are not eligible for DAF funding.
 23. 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.
 24. Early years providers are ultimately responsible for identifying eligible children and local authorities must check that DAF eligibility requirements are met.
 25. 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 this child within the same financial year. There is no change in allocated funding for 2019-20.

Early Years Pupil Premium

26. Ringfenced Funding continues to be allocated through the early years block for the early years pupil premium (EYPP). The EYPP allocation has increased from £0.110 million to £0.123 million for 2019-20 and it is proposed to increase the budget in line with the funding level.

Early Years Reference Group View

27. It is important for Schools Forum to understand that this report has been reviewed following the Early Years Reference Group on 11th January 2018 and a second proposal added which, the local authority can support. The group's view is that the Early Years Inclusion Fund continue to be majority funded by the High Needs Block and the rate be increased to £4.26. The local authority has done further modelling as requested as per Appendices 1 and 2 and unfortunately, the financial risks cannot be mitigated against at these levels when the High Needs Block is under such pressure and Schools Forum are being asked to approve the transfer as described in the High Needs Block Update 2019/20 report. If however, Schools Forum consider they would prefer not to change the High Needs Block contribution to the Early Years Inclusion Fund or, consider an equal split then it needs to be understood that the balance would need to be added to the transfer from Schools Block.

Proposals

28. Schools Forum is asked to note the update on the early years block and provide views on the proposals in relation to the early years single funding formula and percentage pass through to providers:
 - a. Local Authority preferred proposal – to increase the rate of 3 & 4 year old funding from £4.16 per hour to £4.18 per hour and for the early years block to fully fund the Early Years Inclusion Fund. This will leave headroom to cover; increased take up, military family return to Wiltshire, planned new housing and parental preference changes of £0.358 million or, 154 PTE.
 - b. Alternative proposal – to increase the rate of 3 & 4 year old funding from £4.16 per hour to £4.20 per hour and for the early years block to fully fund the Early Years Inclusion Fund. This will leave headroom to cover; increased take up, military family return to Wiltshire, planned new housing and parental preference changes of £0.250 million or, 104 PTE.

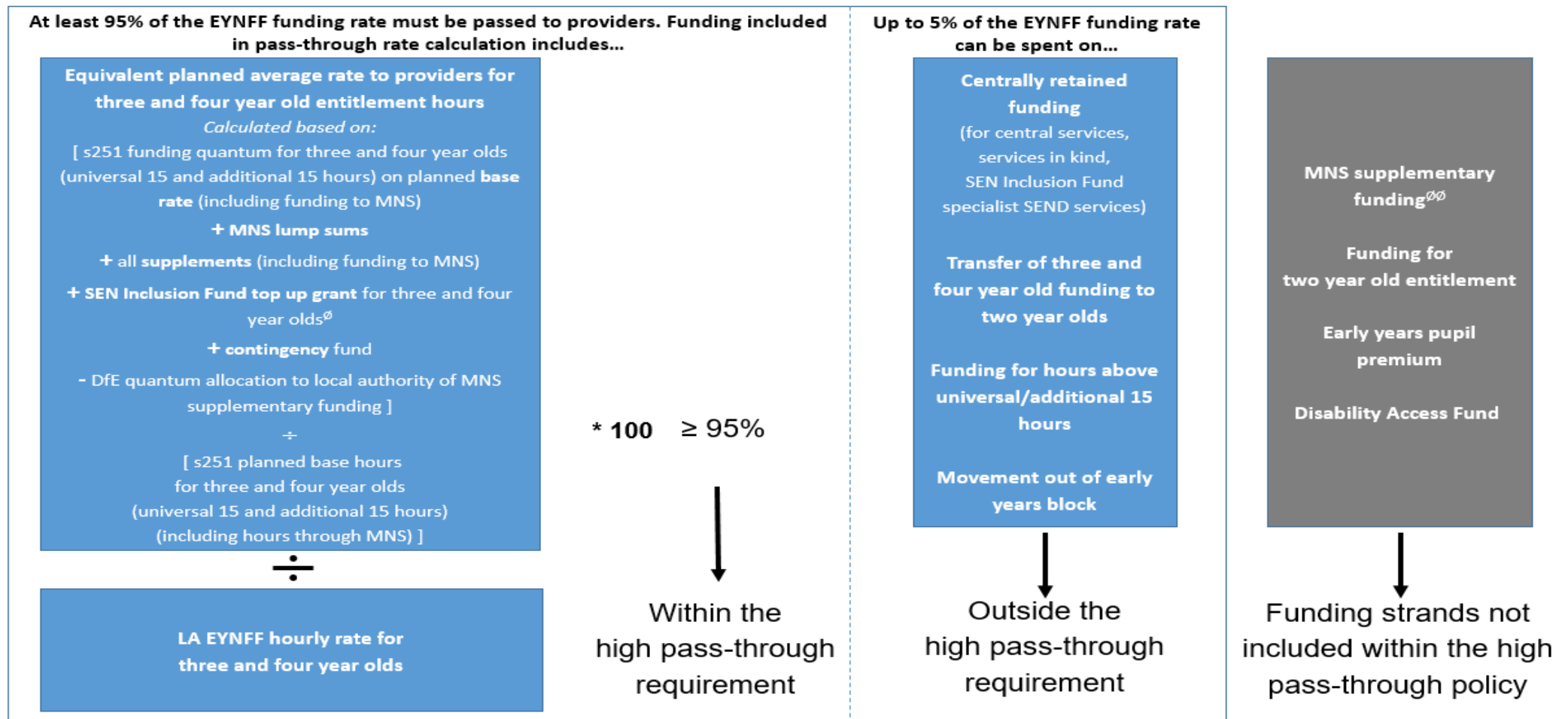
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Appendix 3

Extract from DfE guidance: Passporting Compliance



[∅] SEN Inclusion Fund must be established by combining an amount from either one or both of their early years block and high needs block.

^{∅∅} DfE allocated MNS supplementary funding quantum to local authority. Only the MNS funding from the EYNFF allocation is considered within the pass-through rate calculation.