

Schools Forum

Title: Buckinghamshire Early Years Funding Formula Update

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Local members affected: All

Summary:

From 1st April 2017, a new national funding formula (EYNFF) for Early Years (EY) was introduced. Funding is allocated by Department for Education (DfE) through the Dedicated Schools Grant (DSG) into the EY block and funds the Free Entitlement for eligible 2, 3 & 4 year olds.

Key changes:

- Limit to central spend (7% 2017/18 reducing to 5% 21018/19)
- All settings to be funded at the same base rate except maintained nursery schools
- Deprivation funding allocation reduced (local decision) in Buckinghamshire, offset by increase in base rate
- Disability Access Fund (DAF) – new funding established, eligibility is Disability Living Allowance (DLA), £615 annual payment per eligible child
- New Inclusion Fund established reducing demand on High Needs Funding (HNF) to support emerging need for 2, 3 & 4 year old children
- New Contingency allocation established locally to support sustainability
- 7/12th Allocation for Extended Entitlement (30 hours) from September 2017

Review of implementation:

The universal base rate to providers for 3 & 4 year olds increased by 14p per hour and the two year old rate by 10p. Deprivation for 3 & 4 year olds has reduced by an average of 7p per hour depending on the home post codes of children in attendance. Local authorities are still waiting for consultation to move maintained nursery schools to the universal base rate which was due for implementation 'more than two years' from the implementation of the new formula.

Small changes to the regulation have allowed providers to introduce some charges for the Free Entitlement but the sector continues to report under funding and challenges in recruitment which are exacerbated with the significant expansion to develop additional services to meet demand for the Extended Entitlement (30 hours).

The first DAF payments will be allocated to providers in the spring term 2018 following census. Some LAs are allocating this funding in the first term when the child is identified but potentially this approach will cause an over spend against DfE allocations. In Buckinghamshire providers have agreed to review the payment process next year once our IT payment system is fully functioning and we have a better understanding of our internal controls to manage funding within our allocation.

A budget of £475k was established for Inclusion Funding. Early into the summer term, it was identified that an additional allocation for two year olds would be required so the budget was topped up by £50k from the two year old allocation, reducing central spend. Internal criteria and processes have been agreed for allocation of the Inclusion Fund using the existing processes for HNF. A task and finish group is reviewing EY early intervention which will eventually replace the existing process and criteria but is currently a work in progress.

High Needs Funding (HNF) Block set aside £50k for EY complex needs. The regulation states that complex needs must be funded through HNF. This is not new spend but itemising spend within the total allocation. At the time of setting the budget a definition for complex need had not been set. It has now been agreed that complex will refer to children with SEN and an agreement to assess for an Education Health Care Plan. Funding will be allocated from HNF from the point of the decision to assess. Reviewing the criteria against previous year's spend indicates the allocation in HNF needs to be increased to £150k.

A budget of £100k was established for contingency. School Forum challenged whether this amount was too high but reached agreement that any underspend will roll forward as part of next year's EY Block. £30,938 has been allocated year to date to three settings. 1 application was declined as not sustainable and 2 other applications are under review with a third one pending.

Extended Entitlement (30hours) spend is still emerging. The implementation in September was lower than anticipated due to back office issues with eligibility at HMRC and the Minister choosing not to implement a national communication campaign. In Buckinghamshire we were forecasting demand of about 3000 places but as at 10th October only 2405 applications have been triggered, some of which are for spring 2018. This will result in an underspend in this area which DfE will claw back and will have an impact on our maximum central spend in 2018/19. Initial autumn term claims indicate approximately 1500 children taking some Extended Entitlement hours.

Maintained Nursery Schools (MNS) are funded through a base rate which is enhanced by 30p per hour due to unique costs plus a lump sum per school. Last year MNS received £4.59 per pupil per hour, the new formula could only afford to fund at £4.55 per hour and maintain the existing lump sum. In addition the average rate for deprivation has reduced so MNSs actually now receive a lower income per pupil than previously.

The figures below show Extended Entitlement as breaking even as it is too early to forecast outturn. However, it is likely that actual take up will be significantly below

budget and therefore central spend will need to reduce in ratio. 5% of the budget allocation is £194k.

Recommendations:

1. LA DfE allocations in 18/19 will remain at the current level except where pupil numbers are adjusted therefore there is no scope to increase base rate funding to providers.
2. A clawback fund from central spend must be established to offset reduced take up of Extended Entitlement.
3. Contingency to continue at the current level to enable support to providers through a period of significant change.
4. Inclusion Fund to continue at current level as the effect of Extended Entitlement on emerging SEN support needs is not yet quantified. Any under spend to be carried forward to next year and distributed through high pass through funding to providers.
5. The allocation to the LA for maintained nursery schools (MNS) has been increased from the original allocation. DfE conducted a review of MNS costs through an assurance exercise. Our return included Business rates as a cost, plus an increase in pupil numbers has resulted in an increased allocation. Recommendation it to continue to fund on the current basis until the DfE consults on future changes.

Summary of Buckinghamshire's EYNFF:

DfE Allocation to LA	Indicative Budget	Oct Adjusted Budget 2017 census	Difference		
Universal 3 & 4 year olds	22,401,519	21,458,088	-943,431		
Additional 30 Hours – 7/12ths	4,189,011	4,189,011	0		
Total 3 & 4 YO EYNFF allocation	£26,590,530	25,647,099	-943,431		
Supplementary Funding	379,844	417,613	37,769		
2 year old allocation	3,518,785	3,181,189	-337,596		
Total EY DSG	£30,489,159	29,245,901	-1,243,258	4.1%	
3 & 4 YO rate to LA	£4.64	£4.64	-		
2YO rate to LA	£5.71	£5.71	-		
Buckinghamshire's EYNFF:					
Buckinghamshire's EYNFF:	SF Agreed Budget	Budget in SAP As at P6	Realigned budget Oct 17	Forecast outturn	Variance against Oct. budget
Schools universal base + Dep. rate		5,402,626	5,188,799	6,543,574	1,354,775
PVI universal base + dep. rate		15,376,664	14,465,742	13,255,690	-1,210,052
Provider base rate	20,488,716	-	-	-	-
Additional 30 hours	3,884,765	3,884,765	3,884,765	3,884,765	-
EY Armed Forces		22,000	22,000	22,000	-
Deprivation	312,522	-	299,350	-	-299,350
Total Base rate	24,686,003	24,686,055	23,860,656	23,706,029	-154,627
Contingency	100,000	100,000	100,000	70,000	-30,000
3 & 4 YO Inclusion Fund	475,000	475,000	475,000	350,000	-125,000
Total High pass Through	£25,261,003	£25,261,055	24,435,656	24,126,029	-309,627
High Pass through %	95%	95%	95%	96%	
Central spend	1,329,526	1,329,361	1,211,443	996,024	-215,419
Central spend %	5%	5%	4.7%	4%	
Total 3 & 4 YOs	£26,590,529	£26,590,416	25,647,099	£25,122,053	-525,046
Providers Hourly rate	4.25	4.25	4.25	4.25	4.25
MNS enhanced rate	0.30	0.30	0.30	.30	0.30
Average deprivation hourly rate	0.08	0.08	0.08	.-	-
Supplementary 3 & 4 YO allocations:					
Supplementary 3 & 4 YO allocations:	SF Agreed Budget	Budget in SAP As at P6	Realigned budget Oct 17	Forecast outturn	Variance against Oct. budget
Maintained Nursery School	173,229	173,229	201,990	196,359	-5,631
EY Pupil Premium	114,365	114,365	122,773	122,773	-
Disability Access Fund	92,250	92,250	92,850	92,850	-
Supplementary Total	£379,844	379,844	£417,613	417,613	-5,631

2 year old funding:	SF Agreed Budget	Budget in SAP As at P6	Realigned budget Oct 17	Forecast outturn	Variance against budget Oct.
Provider base rate		3,292,800	3,024,934	2,976,612	-48,322
2 YO Inclusion Fund		50,000	50,000	40,000	-10,000
Total	3,342,846	3,342,800	3,074,934	3,016,612	-58,322
Hourly rate	£5.43	£5.43	£5.43	£5.43	
Central spend	175,939	175,939	106,855	114,402	7,547
Central spend %	5%	5%	3.4%	3.7%	
Total 2 YO DSG	£3,518,785	3,518,739	3,181,789	£3,131,014	-50,775
Central Spend	SF Agreed Budget	Budget in SAP As at P6	Realigned budget Oct 17	Forecast outturn	
Central overhead	45,000	0	0		
Place development	615,000	629,058	629,058	641,426	12,368
Claims & data	145,000	145,000	145,000	145,000	-
Qualifications	250,000	153,260	153,260	130,000	-23,260
Staffing	450,465	206,482	206,482	194,000	-12,482
Clawback	0	371,500	184,498	207,872	23,374
Total	£1,505,465	£1,505,300	£1,318,298	£1,318,298	-
Pupil Numbers (Pte)	Initial indication 17/18, Jan 16 census	Jan 2017 Census	Difference	£ difference	
2 year olds	1081.17	977.33	-103.84	-337,596	103.7 PTEs
3 & 4 YO MNS	181	211	30	28,761	
3 & 4 YO schools	1,870	1,958.83	88.83	-943,431	
3 & 4 YO PVI	6,419	5,943.5	-475.5		
Total Universal	8,470	8,113.33	-356.67	-914,670	
3 & 4 Yo 30H 7/12th	1,583.87	1,583.87	0	0	
Total 3 & 4 YOs	10,053.87	9,697.2	-356.67	-914,670	345.8 PTEs
EY Pupil Premium	378.57	406.33	27.76	8,408	
DLA	150	150	0	600	
Total adjustment				-£1,243,258	