

Early Years Forum

Title: Buckinghamshire Early Years Funding Formula Update

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Author: Jane Nicholls, Head of Service- Early Years

Contact officers: Jane Nicholls, Janaki Try

Local members affected: All

1. Purpose of Agenda Item

- 1.1 To review the Early Years paper submitted to School Forum 15th January and decision taken - (items 2-7.1)
- 1.2 To review current budget position and consider options for DAF and Inclusion Fund 18/19
- 1.3 To review proposed budget and Early Years National Funding Formula (EYNFF) for 2019/20

2. Background

2.1 The Department of education (DfE) provides local authorities with six relevant funding streams which together form the Early Years block of the Dedicated Schools Grant (DSG). They are:

- the early years universal entitlement for three and four year olds (15 hours)
- the early years additional entitlement for three and four year old children of eligible working parents (additional 15 hours)
- the early years entitlement for disadvantaged two year olds (15 hours)
- supplementary funding for Maintained Nursery Schools (MNS)
- the Early Years Pupil Premium (EYPP)
- the Disability Access Fund (DAF), £615 per pupil per year

2.2 The DfE published in November 2018, its 'Early years entitlements: local authority funding of providers' Operational guide 2019 to 2020. The main change from last year is as follows:

- 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).

3. 2019-20 DfE Early Years Initial Allocations

3.1 The 2019-20 initial allocations are as follows:

| Universal entitlement for 3 and 4 year olds (£millions) | Additional 15 hours entitlement 3 and 4 year olds (£millions) | Funding allocation for 2 year old entitlement (£millions) | Early Years Pupil Premium (£millions) | Disability Access Fund (£millions) | Maintained nursery school supplementary funding (£millions) | 2019-20 Total early years block (£millions) |
|---|---|---|---------------------------------------|------------------------------------|---|---|
| 21.248 | 6.000 | 3.005 | 0.123 | 0.089 | 0.222 | 30.687 |

3.2 The 2019-20 Early Years National Funding Formula (EYNFF) allocation to Buckinghamshire County Council (BCC) remains the same as for last year, although the funding has been updated for pupil numbers:

- LA hourly rate for 3 and 4 year olds remains at £4.64
- LA hourly rate for 2 year old entitlement remains at £5.71

3.3 The block allocations are initial allocations, and are based on Schools, Early Years and Alternative Provision censuses data from January 2018. These allocations will be updated based on January 2019 and January 2020 census data.

3.4 The majority of the 2019-20 allocations remain the same as for the 2018-19 updated allocations (updated in November 2018) as they are both based on January 2018 census data. In 2019-20 we see a small decrease in allocations for Disability Access Fund (DAF) and supplementary funding for Maintained Nursery Schools (MNS) as shown below.

| Early Years 2018-19 | | Updated allocation as at November 2018 | | | | |
|---|---|---|---------------------------------------|------------------------------------|---|---|
| Universal entitlement for 3 and 4 year olds (£millions) | Additional 15 hours entitlement 3 and 4 year olds (£millions) | Funding allocation for 2 year old entitlement (£millions) | Early Years Pupil Premium (£millions) | Disability Access Fund (£millions) | Maintained nursery school supplementary funding (£millions) | 2019-20 Total early years block (£millions) |
| 21.248 | 6.000 | 3.005 | 0.123 | 0.097 | 0.225 | 30.697 |
| Increase (+) / Decrease (-) to 2019-20 allocations | | | | | | |
| 0.000 | 0.000 | 0.000 | 0.000 | -0.008 | -0.003 | -0.011 |

DAF allocations are based on the latest Department of Works & Pensions (DWP) data for children in receipt of Disability Living Allowance. MNS supplement allows LAs to protect their 2016-17 MNS funding level for the universal 15 hours by considering the difference between the 2016-17 MNS

funding rate and EYNFF 2019-20 'provider equivalent rate'.

(Additional text inserted post School Forum publication to explain change in allocation)

4. 95% Pass-through requirement for three and four year olds funding

- 4.1 Local authorities are required to pass at least 95% of their three and four year old funding from Government to early years providers. This pass-through requirement ensures that the vast majority of Government funding reaches providers so that they can deliver the free entitlements. Excluded from this calculation is the funding for: the entitlement for disadvantaged two year olds; payments to MNS from the MNS supplementary funding allocation; the Disability Access Fund (DAF) and the Early Years Pupil Premium (EYPP).
- 4.2 There is no pass-through requirement for 2 year olds, but BCC will continue to allocate some of the 2 year old funding to central spend to support this service provision, as agreed in 2017-18 and 2018-19.
- 4.3 Local authority compliance with the 95% pass-through requirement is measured with reference to local authorities' planned budgets. The DfE will monitor compliance via the annual s251 budget returns and may consider the future use of s251 outturn data to monitor compliance with the pass-through.

5. Buckinghamshire County Council Hourly Rates

- 5.1 As the hourly allocations to BCC have not changed from last year, there is little scope to amend the hourly rates to providers. The additional 15 hours for 3 and 4 year olds, introduced in September 2017, is still bedding down and progress will be monitored.
- 5.2 A reserve of £500k has been earmarked to help manage any amendments the DfE will make to BCC's 2018-19 allocations based on January 2019 census data, expected after the end of this financial year in June 2019. Currently provider payments are made on the basis of pupil count at 3 points in the year and an adjustment will be expected each year. Spend will be monitored closely to comply with the 95% pass-through requirement.
- 5.3 The 5% central spend will also be monitored against the eligible criteria as set out in the operational guidance. Following a recent review of the Early Years support service managed by BCC, including the service previously supplied by BLT which has now returned to BCC, means a more integrated support service will be available.

5.4 The following tables sets out the 2019-20 hourly rates and 95% high pass through requirement:

| 2019-20 Summary of Buckinghamshire County Council's Early Years Funding Formula | | | |
|--|----------------------------------|-----------------------|--|
| | DfE Budget Allocation (£) | Hourly Formula | Notes |
| Universal 3 & 4 year olds | £21,247,945 | | |
| Additional 15 Hours 3 & 4 year olds | £6,000,307 | | Working parents |
| Total | £27,248,252 | £4.64 | Amount allocated to LA |
| Buckinghamshire's EY Funding Formula 3 and 4 year olds: | | | |
| | Budget (£) | Hourly rate | Notes |
| Base hourly rate | £24,957,989 | £4.25 | |
| Deprivation (Average) | £352,850 | £0.06 | Allocated on family economic criteria |
| Optional supplements | 0 | £0.00 | Local agreement |
| Contingency | £100,000 | £0.02 | Allocated on setting sustainability criteria |
| Inclusion Fund | £475,000 | £0.08 | Allocated on child's assessed needs |
| Total 95% High pass-through rate | £25,885,840 | £4.41 | 95% of £4.64 |
| Total Central spend 5% | £1,362,413 | £0.23 | 5% of £4.64 |
| Total Budget | £27,248,252 | £4.64 | 100% |
| 2019-20 Summary of Buckinghamshire County Council's Early Years Funding Formula : | | | |
| | DfE Budget Allocation (£) | Hourly Formula | Notes |
| 2 year old funding: | £3,004,675 | £5.71 | Amount to LA |
| Buckinghamshire's EY Funding Formula 2 year olds: | | | |
| | Budget (£) | Hourly rate | Notes |
| Provider rate | £2,857,336 | £5.43 | 95% of £5.71 |
| 5% central spend | £147,340 | £0.28 | 5% of £5.71 |
| Total Budget | £3,004,675 | £5.71 | 100% |

6. Recommendations

6.1 Schools Forum members are asked to note the information set out in this report and to agree the proposed rates as set out in 5.4 above.

7. School Forum Agreement:

7.1 RESOLVED: Members of the forum voted unanimously to support the recommendation with the caveat that early years colleagues could make minor amendments.

8. Early Years Forum :

- 8.1 To review current budget position and consider options for DAF and Inclusion Fund 18/19
- 8.2 To review proposed budget and Early Years National Funding Formula (EYNFF) for 2019/20 in light of School Forum decision in 7.1.

8.3 The following tables sets out the current budget, forecast outturn and 2019-20 hourly rates and 95% high pass through requirement:

| | DfE Adjusted Budget Allocation 18-19 | Forecast outturn 18-19 | DfE Budget Allocation (£) 19-20 | Hourly Rate | Notes |
|-------------------------------------|--------------------------------------|------------------------|---------------------------------|-------------|-----------------------------------|
| Universal 3 & 4 year olds | 21,247,945 | | £21,247,945 | | |
| Additional 15 Hours 3 & 4 year olds | 6,000,307 | | £6,000,307 | | Extended Offer for working parent |
| Total | 27,248,252 | 27,011,445 | £27,248,252 | £4.64 | Amount allocated to LA |

Buckinghamshire's EY Funding Formula 3 and 4 year olds:

| | DfE Adjusted Budget Allocation 18-19 | Forecast outturn 18-19 | Budget (£) 19-20 | Hourly rate | Notes |
|----------------------------------|--------------------------------------|------------------------|--------------------|--------------|--|
| Base hourly rate | 24,965,512 | 24,841,331 | £24,965,512 | £4.25 | |
| Deprivation (Average) | 323,327 | 350,701 | £448,327 | £0.076 | Allocated on family economic criteria |
| Locally agreed supplements | 22,000 | 16,000 | 22,000 | £0.004 | Local agreement, Service Children Pupil Premium |
| Contingency | 100,000 | 66,000 | £75,000 | £0.013 | Allocated on setting sustainability criteria |
| Inclusion Fund | 475,000 | 375,000 | £375,000 | £0.064 | Low level and emerging SEND, allocated on assessment |
| Total 95% High pass-through rate | 25,885,839 | 25,649,032 | £25,885,839 | £4.41 | 95% of £4.64 |
| Total Central spend 5% | 1,362,413 | 1,362,413 | £1,362,413 | £0.23 | 5% of £4.64 |
| Total Budget | 27,248,252 | 27,011,445 | £27,248,252 | £4.64 | 100% |

EY 3 & 4 YO Supplements

| | DfE Adjusted Budget Allocation 18-19 | Forecast outturn 18-19 | Allocation (£) 19-20 | rate | Notes |
|------------------|--------------------------------------|------------------------|----------------------|----------------|---|
| DAF | 96,555 | 41,835 | 88,560 | £615pa | Underspent due to 17/18 reclaims from providers |
| MNS | 224,844 | 195,247 | 222,168 | | |
| EY Pupil Premium | 123,109 | 123,109 | 123,109 | 0.53p per hour | For eligible pupils |

Buckinghamshire's 2 YO DfE Allocation

| | DfE Adjusted Budget Allocation 18-19 | Forecast outturn 18-19 | DfE Budget | Hourly Formula | Notes |
|---------------------|--------------------------------------|------------------------|----------------|----------------|--------------|
| | | | Allocation (£) | | |
| 2 year old funding: | 3,004,675 | 2,808,641 | £3,004,675 | £5.71 | Amount to LA |

Buckinghamshire's EY Funding Formula 2 year olds:

| | DfE Adjusted Budget Allocation 18-19 | Forecast outturn 18-19 | Budget (£) | Hourly rate | Notes |
|------------------|--------------------------------------|------------------------|------------|-------------|---------------------------|
| Provider rate | 2,854,441 | 2,719,646 | £2,857,336 | £5.43 | 95% of £5.71 |
| 5% central spend | 150,234 | 88,995 | £147,340 | £0.28 | 5% of £5.71, actual 3.2%, |
| Total | 3,004,675 | 2,808,641 | £3,004,676 | | |

**Options for consideration:
18-19 budget year –**

BCC recently received a notice from DfE regarding DAF stating:

‘.....However, it still may be the case that authorities receive more DAF funding from government than they distributed. In such circumstances, as with last year, we expect authorities to spend any additional funding over and above DAF actually paid out in 2018-19 on services in line with the principles and aims of DAF.’

In 17-18 DAF was distributed to providers based on provider self-declaration for having seen evidence of eligibility. Following an audit it was identified that many of the claims were inaccurate and subsequently £53k was reclaimed from providers. This adjustment now shows as an underspend in 18-19 actuals - £54,720 (Page 5). We are required to distribute this sum to providers.

LAs were required to establish an Inclusion Fund in 2017 as part of the new formula. Inclusion Fund is to support low level and emerging SEND.

| Inclusion Fund | Budget | Actual 17-18 | Forecast 8-19 |
|-----------------|---------|--------------|---------------|
| 2 Year Olds | 50,000 | 16,791 | 15,000 |
| 3 & 4 Year Olds | 475,000 | 134,415 | 375,000 |

A contingency Fund was established in 2017 to support providers in financial difficulties.

| | Budget 18-19 | Actual 17-18 | Forecast 18-19 |
|------------------|--------------|--------------|----------------|
| Contingency Fund | 100,000 | 68,838 | 66,000 |

Inclusion and Contingency form part of the High Pass Through 95% to providers. Added to DAF there is a forecast underspend of £188,720.

Option 1: Distribute the under spend based on SEN children + deprivation factor.

3 levels of funding: £900, £1500 & £2,100

Option 2: Distribute DAF based on SEN children + deprivation factor. 3 levels of funding: £300, 500, & £700.

Distribute remaining £134k through 2p on the hourly 3 & 4 YO rate for this year. (£58,725 required to add 1p to the rate based on take up 18-19)

2019-20 Budget Options:

Maintained Nursery Schools (MNS)

Para 2.2 above sets out a change in the Operational Guidance for 19-20, stating LAs can only have one hourly base rate. Currently in Buckinghamshire our 2 maintained nursery schools received £4.55 per hour for 3 & 4 year olds which is an additional 30p per child hour. This cost is taken from the LA Supplementary Funding for MNSs and cannot be used as part of the High Pass Through for all providers.

We proposed to increase the lump sum element of the MNS supplementary funding by the equivalent 30p enhancement so that our MNS allocation from DfE is not reduced and MNSs continue to be funded at the same level as 2016-17 when the formula was introduced. MNSs would then receive £4.25 per hour as a base rate.

High Pass Through Funding 19-20:

DfE funding to LAs is not changing next year except to support increases/decreases in pupil numbers. Therefore there is no capacity to change the hourly rate. However, as stated above, there is a slight underspend in Contingency and Inclusion Fund which form part of 95% High Pass Through. We proposed to reduce the budgets for Inclusion and Contingency Funding to ensure that we fully passport 95% to providers.

Option 1:

Increase deprivation budget to allow greater financial support to settings based on cohort of deprivation identified through family home post codes. Currently the budget is £323k which allows an average of 6p per child per hour to be allocated, the range of payments is from 0-18p. This year PVI providers receive the following deprivation supplement:

0p – 120 providers
1-5p – 187 providers
6-9p – 151 providers
10-17p – 53 providers
17p – 3 providers

Reduce Contingency to £75k and Inclusion Fund to £375k which releases an additional £125k to increase the deprivation budget. Deprivation would increase in total to £448k which would be a 1/3 increase in available allocations.

Option 2:

Every 1p on the rate, based on current population requires £58k budget. Increase the hourly rate for universal and extended hours to £4.27. A setting with 24 children attending 570 hours per year would receive an additional £274 per year.