



Schools Funding Forum 14th December 2017

ITEM 4 REVISED

Subject Heading:**Early Years Funding 2018-19****Report Author:****David Allen – Strategic Finance
Manager****Eligibility to vote:****All school and academy members and
the PVI representative**

SUMMARY

This item is to consider the LA proposals for the funding of providers of early years education in financial year 2018-19 following notification by the DfE of indicative funding allocations and consultation with providers.

RECOMMENDATIONS

That the Schools Funding Forum agrees the proposals as follows:

- i) to increase the basic hourly rate to providers to £4.53 (from £4.39) for 3 and 4 year olds
- ii) to have Deprivation as the only supplement to the basic rate
- iii) to bring the hourly IDACI rates in line with those used for the schools national funding formula (subject to approval of the NFF)
- iv) to increase the basic hourly rate to providers to £5.35 (from £5.28) for 2 year olds
- v) to retain contingencies of £803k and £85k for 3 & 4 and 2 year olds respectively to fund in-year provision
- vi) to retain £730k (5%) for LA statutory and quality assurance functions
- vii) to increase the Inclusion Fund to £200k (from £100k) to be funded 50/50 from the DSG early years and high needs blocks

REPORT DETAIL

Background

2017-18 was the first year of the operation of a national funding formula for early years. The following changes were implemented in Havering:

- implementation of the same formula across all providers
- an increase in the basic hourly rate to £4.39 (from £3.56)
- deprivation to be the only supplement using the same IDACI rates as the schools funding formula
- the hourly rate for 2 year olds held at £5.28
- contingencies retained for in year provision
- retention of £730k for LA statutory and quality assurance functions
- establishment of an inclusion fund of £100k funded 50/50 from the schools and high needs blocks

Early years providers have been consulted on LA proposals for funding arrangements in 2018-19.

Estimated funding through the DSG Early Years Block

The funding rates for local authorities were announced by the DfE on 17th November 2017. Havering's rate is £5.28 for 3 and 4 year olds and £5.66 for 2 year olds.

Unlike the DSG Schools Block which is calculated on the basis of the preceding October census, the Early Years Block is calculated on the January census prior to the start of the financial year and updated on the following January census to allow for growth between the two counts.

LAs must therefore budget for a contingency for funding provision that is not picked up in either census.

On the basis of current participation and anticipated growth, the LA has estimated that it will fund the following hours of provision in financial year 2018-19:

3 and 4 year olds

15 hours entitlement	2,288,965
Additional 15 hours	474,534

Applying the published hourly rate of £5.28 the estimated funding will be:

15 hours entitlement	£12,085,734
Additional 15 hours	<u>£2,505,540</u>
Total	£14,591,274

2 year olds

15 hours entitlement	275,463
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Applying the published hourly rate of £5.66 the estimated funding will be:

15 hours entitlement £1,559,688

Proposals

From the estimated funding above, decisions need to be made on funding to be held centrally, supplements to be used and the basic hourly rate that will be applied to the funding of provision in 2018-19.

- i) In 2018-19, the required pass through rate of grant to providers is 95% with 5% retained by LAs for statutory duties on quality assurance, sufficiency planning, business support, data collection and analysis, finance etc.

Proposal: To retain £730k (5%) centrally.

- ii) Because the DSG Early Years Block is allocated on the basis of a January census, estimates need to be made on the hours of provision to be funded that is not captured in the census. This is estimated as follows:

3 and 4 year olds

15 hours entitlement	107,250	£533,033
Additional 15 hours	54,270	<u>£269,722</u>
		£802,754

2 year olds

15 hours entitlement	16,095	£84,982
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Proposal: To retain £802,754 contingency for 3 & 4 year olds and £84,982 for 2 year olds provision

- iii) In 2017-18 an Inclusion Fund of £100,000 was established to allocate to providers in support of children with special educational needs and disabilities. This is funded 50/50 from the Early Years and High Needs Blocks.

Proposal: To double the amount held in the Inclusion Fund, increasing the commitment from the Early Years Block from £50k to £100k.

- iv) Deprivation to be the only supplement factor with funding allocated using the same IDACI rates as the schools.

Schools are being consulted separately on the implementation of a national funding formula. If approved, school IDACI rates will change as follows:

IDACI band	2017-18	2018-19
A (0.50-1.0)	£645	£622.17
B (0.40-0.50)	£630	£454.46
C (0.35-0.40)	£275	£422.00
D (0.30-0.35)	£275	£389.53
E (0.25-0.30)	£125	£259.69
F (0.20-0.25)	£0	£216.41
G (0.00-0.20)	£0	£0

It is estimated that £438,836 (3.2% of the pass-through rate) will be allocated to providers through this factor based on predicted deprivation.

Proposal: **To apply IDACI hourly rates based on school IDACI rates as above (subject to approval of the national funding formula for Havering schools)**

- v) Having deducted contingencies, inclusion fund contributions and estimated sums to be allocated through a deprivation supplement, the balance of funding is allocated to providers through a basic hourly rate. Because of the increase in the hourly rate used to allocate funding to the LA, this can increase to £4.53 (from £4.39) for 3 and 4 year olds and to £5.35 (from £5.28) for 2 year olds.

Proposal: **To apply basic hourly rates of £4.53 for 3 and 4 year olds and £5.35 for 2 year olds for 2018-19.**

Consultation

These proposals were presented to the Early Years Provider Reference Group at the meeting held on 28th November who were largely in favour and supportive of directing most of the funding through the basic hourly rate. There was concern expressed about access to the inclusion fund although this should not affect the proposal to increase the amount held.

A presentation of the proposals was also made at the Early Years Managers meeting on 1st December. The proposals have been sent to all providers and a summary of responses will be tabled at the meeting.

It should be noted that at the time of the consultation the sums required for contingencies were understated and the figures below were included in the consultation rather than the updated amounts in (ii) above.

3 and 4 year olds

15 hours entitlement	107,250	£533,033
Additional 15 hours	19,500	<u>£96,915</u>
		£629,948

2 year olds

15 hours entitlement	9,750	£51,480
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