

# School Forum

12<sup>th</sup> January 2017

## Early Years Funding Formula

### 1. INTRODUCTION

The purpose of this report is to update the Schools Forum about changes to the funding of early years education and childcare for three- and four-year old children.

### 2. BACKGROUND

The Department for Education (DfE) consulted on proposed changes to the Early Years Funding Formula in September 2016. A response to this consultation was published last month setting out mandatory changes, some of which will be implemented from April 2017.

### 3. EARLY YEARS NATIONAL FUNDING FORMULA

The key aspects of the funding reforms in respect of three- and four- year olds are as follows:

- a national funding formula for local authorities will be in place for the financial year 2017/18;
- the national formula will consist of a base rate, an additional needs factor, and an area cost adjustment;
- an overall increase in funding for most local authorities;
- the amount of funding that can be retained centrally will be capped;
- a single base rate for all early years providers must be in place by 2019/20 at the latest;
- the use of supplements will be restricted;
- local authorities will be required to have SEN inclusion funds in place to support children with additional needs.

The current St Helens early years funding formula comprises an hourly rate plus a deprivation supplement. The current formula is compliant with the new requirements although some changes to the existing arrangements will be required for 2017/18:

- the hourly base rate will need to be raised to reflect the overall increase in funding;

- an inclusion fund to support pupils with additional needs will be established;

The table below shows the current level of funding received through the Early Years block of the DSG in respect of three- and four- year olds, and the 2017/18 indicative level of funding.

	<b>Baseline Funding 2016/17 (£)</b>	<b>Early Years National Funding Formula 2017/18 (£)</b>
Universal entitlement for 3- and 4-year olds	5.592m	6.879m
Additional funding for working parents of 3- and 4- year olds	n/a	1.056m
<b>Total</b>	<b>5.592m</b>	<b>7.935m</b>
Hourly rate	3.54	4.35
Early Year Pupil Premium	0.132m	0.132m
Disability Access Fund	n/a	0.067m

#### 4. PROPOSED APPROACH

As stated above, the existing St Helens early years formula is compliant with the requirements in that the formula simply comprises a base rate plus a deprivation supplement. The current hourly rates are:

- £2.86 for primary schools (with a nursery class);
- £3.42 for a nursery school;
- £3.37 for private nurseries;
- £3.32 for playgroups and childminders
- the deprivation supplement ranges from 5p to 20p (banded in 5p increments). Deprivation funding represents approximately 3.5% of the total funding that is allocated to providers.

It is proposed that the existing basic formula (an hourly rate plus a deprivation supplement) is retained for 2017/18, pending a more detailed review of the formula. A short consultation has recently been undertaken to seek the views of providers in respect of the following:

- the proposal to continue to apply a basic hourly rate plus a deprivation supplement for 2017/18;
- the weighting allocated to the deprivation supplement;
- the eligibility criteria that ought to be in place for the SEN Inclusion Fund;
- how the SEN Inclusion Fund could be best used to support children with SEN;
- the application and administration processes in respect of the SEN Inclusion Fund.

The closing date for responses was 11<sup>th</sup> January 2017.

The proposed allocation of the Early Years DSG block for 2017/18 is set out below:

		<b>£000</b>	<b>£000</b>
Indicative DSG Early Years block 2017/18			7,935
Less, central expenditure (capped at 7%) ie Free Early Education Entitlement team, Early Years Quality and Inclusion team, Bridge Centre			555
<b>Remaining funding</b>			<b>7,380</b>
To be allocated as follows:			
Nursery school lump sum		110	
Deprivation funding		253	
SEN Inclusion Fund		250	
Contingency		150	
<b>Base rate funding</b>		<b>6,617</b>	<b>7,380</b>

Further work is being undertaken in respect of:

- finalising the base rate(s) that will be paid in respect of 2017/18. Various rates have been modelled and it is proposed that these are subject to further discussion with provider representatives later this month;
- the process by which providers may request additional funding through the SEN Inclusion Fund;
- technical advice that has been requested from the DfE in respect of a number of funding issues.

There are no changes to the formula funding arrangements in respect of 2-year olds. It is proposed that the hourly rate for 2017/18 is set at £4.96 (after allowing for 5% to be centrally retained), which is an increase from the current rate of £4.85.

## 5. RECOMMENDATIONS

The Schools Forum is requested to:

- note the contents of the report;
- approve the proposed allocation of the 2017/18 DSG Early Years block in respect of three- and four- year olds as set out in section 4 above;
- approve that further work is undertaken with providers, as described, in order to finalise the hourly rate that will be paid for 2017/18. The outcome will be presented to the next meeting of the Forum for ratification.