

TO: SCHOOLS FORUM
DATE: 15 MARCH 2018

**BFC PROPOSALS FOR EARLY YEARS
FUNDING ARRANGEMENTS FROM APRIL 2018
Director of Children, Young People and Learning**

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to seek agreement from the Schools Forum on proposals for 2018-19 Early Years budgets, including the values to be attributed to the Bracknell Forest Council Early Years Funding Formula (EYFF). There is also a decision for the Forum to consider in line with the statutory funding framework.
- 1.2 Comments are being sought so that these can be presented to the Executive Member on 20 March when a formal decision on these matters is planned to be taken.

2 EXECUTIVE SUMMARY

- 2.1 Final proposals for next year's funding arrangements for Early Years budgets are now being made. They are substantially the same as those reported to the Forum in January and propose:

1. Setting funding rates paid to providers for 3 and 4 year olds to increase on average by 5.7% to £4.64 per hour
2. Retaining funding rates paid to providers for 2 year olds at the current £5.46 per hour
3. Setting aside 1.4% of funds into a Special Educational Needs Inclusion fund to support access to the free entitlement
4. Setting aside 1.5% of funds into a provider contingency to meet unforeseen costs, including changes in hour funding rates of number of hours delivered
5. Retaining 3% of funds to fund services to providers to be directly provided by the council.

3 RECOMMENDATIONS

That the Forum AGREES:

3.1 That the Executive Member

1. **sets the total initial Dedicated Schools and other grant funded budgets at £7.013m, it incorporates the changes set out in the supporting information, and relevant budgets are therefore updated to those summarised in Annex A**
2. **sets the hourly funding rates paid to providers:**
 - a) **for 3 and 4 year olds, at the amounts set out in Table 2 at paragraph 6.9;**

- b) for 2 year olds, unchanged from the £5.46 rate currently being paid, which reflects the affordable position as a result of the Department for Education freezing rates paid to LAs at 2017-18 amounts.
- 3.2 In its role of statutory decision maker, that there are appropriate arrangements in place for Early Years provision.

4 REASONS FOR RECOMMENDATIONS

- 4.1 The proposals made are considered to be the best available, taking account of the national and local priorities, provider responses from the recent consultation and the estimated level of available resources.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 These have been considered in earlier reports to the Schools Forum.

6 SUPPORTING INFORMATION

Background

- 6.1 This report presents proposals on the Early Years Block (EYB) element of Dedicated Schools Grant (DSG) that the Department for Education (DfE) allocates to Local Authorities (LAs) to fund provisions and support for children up to 5, including:
1. funding for three and four year olds entitlement to free education and childcare
 2. participation funding for disadvantaged two year olds
 3. the early years pupil premium
 4. the disability living allowance
 5. specialist and general support services.

DfE Reforms

- 6.2 The Forum has previously received an update on DfE funding proposals in respect of EY services with 2018-19 being the second and final year of transition to the new arrangements. In order to deliver the new national policy objective of enabling more families to work by extending the free entitlement to childcare from 15 to 30 hours per week for parents that want to work, there would be £1 billion additional funding by 2019-20 to increase provider funding rates to encourage the development of the additional places that will be required from increased take-up. The key issues and changes are:
1. the extension to 30 hours per week for eligible children would commence from September 2017
 2. to encourage providers to increase capacity to ensure sufficient places are available, funding rates should increase

3. to ensure funds are allocated to Local authorities (LAs) on a consistent and objective basis rather than continue with historic spending levels, an Early Years National Funding Formula (EYNFF) would be introduced
4. changes would be made to the way LAs could implement their local EY funding arrangements including:
 - a. changing the factors that can be taken into account in the determination of a provider's hourly funding rate
 - b. requiring at least 95% of an LAs EY funding to be passed on to providers, with at least 90% of the amount paid to providers having to be allocated through a uniform base rate that must be set at the same amount for all providers, irrespective of the setting type or characteristics
 - c. clarifying the expectation of arrangements to be put in place to ensure children with special educational needs or disabilities (SEND) can properly access the free entitlement.

Provisional estimate of Early Years Block DSG income

- 6.3 The Early Years National Funding Formula (EYNFF) that is used to distribute DSG grant to LAs for provisions for 3 and 4 year olds comprises the following component parts:
1. A universal base rate for each 3 and 4 year old to be paid at £3.53 per hour for each eligible child;
 2. Deprivation addition, based on eligibility to Free School Meals of pupils in Key Stages 1 and 2, to be paid at £2.13 per hour for each eligible child;
 3. English as an additional language (EAL) addition, based on Key Stages 1 and 2 numbers, to be paid at £0.29 per hour for each eligible child;
 4. Disability Living Allowance (DLA) addition, based on Department for Works and Pensions data of eligible children under 5, to be paid at £0.79 per hour for each eligible child.
- An Area Cost Adjustment (ACA) is then applied, based on addition labour costs and a Nursery rateable value cost adjustment. The uplift for BF is a factor of 31%.
- 6.4 Taking account of the estimated number of eligible children in each element of the EYNFF and the ACA uplift, the DfE has calculated the hourly funding rate for BF at £4.93. This is an increase of £0.27 per hour (+5.8%) from the £4.66 paid to BFC in 2017-18.
- 6.5 The basis of resourcing LAs for the most disadvantaged 2 year olds was not changed through these latest reforms as it is a relatively new funding allocation from the DfE, although rates were increased by 7.1% from April 2017. For the new financial year, there will be no change to the current £5.88 per hour funding rate received by BFC.
- 6.6 In addition to the funding set out above that will be delivered through the EYNFF, LAs will also receive additional, specific resourcing for the EY Pupil Premium at £0.53 per hour per eligible child, and a Disabled Access Fund (DAF) to be paid to providers at £615 per eligible child. DfE estimate funding of £22,970 and £20,910 respectively for these items which are ring-fenced and must be allocated by LAs to providers in accordance with DfE requirements.

- 6.7 The calculation of estimated EY DSG income for the universal 15 hours free entitlement for 3 and 4 year olds is based on actual take up in the 2017-18 financial year, as is the funding anticipated for eligible 2 year olds. For the additional 15 hours free entitlement for working families, as this was introduced for the first time in September 2017, there is only 2 terms of available data from what is a new initiative with an expectation that take up will tend to increase. However, in the absence of any data from the spring term which includes the highest intake to providers, the initial budget assumption is that each provider offering the extended hours will admit the same proportion of children for additional hours as in the first 2 terms of the new initiative. Total estimated funding from the EY DSG Block in 2018-19 is therefore £7,013,470, as summarised below in Table 1. Annex A provides a more detailed break down of the calculation.

Table 1: Estimated EY Block DSG income for 2018-19

Item	Estimated amount
Funding for 3 & 4 year olds: existing 15 hours	£4,725,000
Funding for 3 & 4 year olds: additional hours	£1,637,340
Sub total: 3 & 4 year olds	£6,362,340
Funding for 2 year olds	£607,250
Funding for Early Years Pupil Premium	£22,970
Funding for Disability Access Fund	£20,910
Total	£7,013,470

EY DSG income is recalculated in-year to reflect actual participation at each January census and therefore all amounts in Table 1 are estimates and subject to change once relevant data becomes available.

Funding decisions already taken by the Forum

- 6.8 The January meeting of the Forum reviewed the outcomes from the provider consultation on proposed changes for 3 and 4 year olds for April 2018, which reflected on the first year of operation of the new arrangements and in particular, sought views on whether the factors in the BF EYFF should be changed and how to allocate the additional 5.8% in per pupil funding that would be received from the DfE in the final year of transition to the new funding arrangements. The key decisions agreed were:
1. That the EYFF should be amended to increase funding allocated through the uniform base rate paid to all providers through the application of the 5.8% increase in funds, together with reduced funding allocations for quality and the removal of the flexibility of provision incentive.
 2. Maintain the current proportion of funds distributed by the deprivation supplement, but change the weighting so that a greater proportion of funds distribution is by reference to the EY Pupil Premium and less through the IDACI¹ score.

¹ Income Deprivation Affecting Children Index (IDACI), a geographical measure at post code level of deprivation calculated by the government from data on families on low income.

3. Increase the proportion of funds available to support children with Special Educational Needs (SEN) through the SEN Inclusion Fund from 1% to 1.4%.
4. Reduce the proportion of funds held in the contingency for changes in take up of the free entitlement and unforeseen events from 1.9% to 1.5%.
5. Update the criteria used to access money from the SEN Inclusion Fund.

Indicative funding rates for each factor in the EYFF were also reported.

New decisions to agree

- 6.9 The previous Forum meeting received information on indicative funding rates from the proposals being made at that time. These have now been reviewed in light of the most up to date information, with a change proposed to the universal base rate which should be set at £4.31 per hour rather than £4.30. All other proposed rates remain unchanged. For completeness, Table 2 below sets out all of the proposed funding rates, which the Forum is recommended to endorse.

Table 2: Summary of the proposed BF Early Years Funding Formula

EYFF Element	Weighting	Proposed hourly funding rate	% total EY funding
Deprivation Supplement	3% of EYFF via IDACI scores where more than 1 in 5 children are from low income families. Top up funding increase where 1 in 4 and again where 1 in 3 children are from low income families. 2% of EYFF via child eligibility to EYPP	£0.13, £0.26 or £0.39 £1.54	
Quality Supplement	2% of EYFF via setting leadership qualification Level 5 and above	£0.14	
Uniform base rate	93% of EYFF	£4.31	
	Indicative EYFF average provider rate	£4.64	94.1%
	Average SEN funding	£0.07	1.4%
	Average contingency funding	£0.08	1.5%
	Sub total to Providers	£4.79	97.0%
	Average BFC funding (max 5%)	£0.14	3.0%
	Indicative funding from DfE to BFC (+5.8%)	£4.93	100.0%

- 6.10 In respect of hourly funding rates to be paid to providers delivering the free entitlement to eligible 2 year olds, the DfE has confirmed that there will be no change to the hourly funding rate paid to LAs next year as this is a relatively new funding allocation to LAs and does not therefore need updating. On this basis, the Forum is recommended to agree that the rate paid to providers also remains unchanged at £5.46. This will result in 92.9% of anticipated funding received by the council being directly paid to providers, another 4.1% set aside for allocations expected to be made to providers in-year through the SEN Inclusion Fund and contingency, with 3% retained by the LA to fund an Outreach post intended to support the delivery of sufficient places so that all eligible children can access the free entitlement. Annex A sets out the calculations in more detail.
- 6.11 In making these budget proposals, there is £0.007m unallocated funding as a result of roundings which is recommended to be added to the provider contingency.

Next Steps

- 6.12 The Forum is recommended to agree this approach to setting the Early Years Block related budgets to the Executive Member and also confirm that as a consequence, appropriate arrangements are in place for Early Years provisions, which the LA is required to consult with the Forum on each year. This will allow for the new Funding Formula to be implemented at April 2018 and hourly funding rates to be confirmed to providers.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal issues are addressed within the main body of the report.

Borough Finance Officer

- 7.2 The financial implications arising from this report are set out in the supporting information and can be managed from within the overall level of resources anticipated for Early Years provisions and support services.

Impact Assessment

- 7.3 There are no specific impact assessments arising from this report as the admissions policy is not being changed.

Strategic Risk Management Issues

- 7.4 The most significant issue anticipated from the proposals is failure to deliver the number of additional free hours required by parents. This is being mitigated by provider funding rates increasing by an average of 5.8% next year and over 20% over the last 2 years.
- 7.5 There is also the possibility that with a new funding formula, funds allocated to providers will exceed the budget. This could be as a result of additional hours needing to be paid, or providers becoming eligible to higher rate top up payments than those currently anticipated. There could also be additional cost pressures to support children with SEN. These will be managed through the £0.114m contingency and High Need Block budgets.

- 7.6 The council is working closely with all providers offering business and practice advice, support and guidance and encouraging collaborative working between providers. This will also mitigate some of the above risks.

8 CONSULTATION

Principal Groups Consulted

- ## 8.1 All providers in Bracknell Forest; trades unions and other interested parties.

Method of Consultation

- ## 8.2 Responses to a written consultation document.

Representations Received

- 8.3 The representations received were previously reported to the Forum and have been used to develop the changes now being proposed.

Background Papers

None

[Contact for further information](#)

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Provisional 2018-19 EY Budgets

<u>2018-19 EY Budget</u>	3 and 4 year olds						2 year olds			
	Hourly / fixed funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total Funding	%	Hourly / fixed funding rate	Funded hours per week	Total Funding	%
<u>Forecast DSG funding from the DfE:</u>										
15 hours free entitlement funding forecast	£4.93	15	38	958,418	£4,725,000		£5.88	103,274	£607,250	
30 hours free entitlement funding forecast	£4.93	15	38	332,118	£1,637,340		-	-	-	
Total BFC estimate of EY DSG funding	£4.93			1,290,536	£6,362,340		£5.88	103,274	£607,250	
2017-18 rate	£4.66						£5.88			
Change	£0.27		5.79%				£0.00		0.00%	
<u>For allocation through the EY Funding Formula:</u>										
Basic rate	£4.31	93.00%	of total available funds	£5,567,870			£5.46	103,274	£563,880	
Deprivation supplement (average)	£0.23	5.00%	of total available funds	£299,350			-	-	-	
Quality (average)	£0.09	2.00%	of total available funds	£119,740			-	-	-	
Total BFC estimate of EY Funding Formula allocation	£4.64	(average)		£5,986,960	94.10%		£5.46	103,274	£563,880	92.86%
2017-18 rate	£4.39						£5.46			
Change	£0.25		5.67%				£0.00		0.00%	

2018-19 EY Budget	3 and 4 year olds						2 year olds			
	Hourly / fixed funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total Funding	%	Hourly / fixed funding rate	Funded hours per week	Total Funding	%
<u>Funding to be managed by the Council</u>										
<i>Outside the 5% cap of EY Funding Formula:</i>										
SEN Inclusion Fund	1.4%	of total available funds			£89,070				£8,500	
Provider Contingency	1.5%	of total available funds			£95,440				£9,110	
Unallocated balance to be added to Contingency				£0					£7,540	
					£184,510	2.90%			£25,150	4.14%
Total within the 95% allocation to providers					£6,171,470	97.00%			£589,030	97.00%
<i>Inside the 5% cap of EY Funding Formula:</i>										
BFC Services	3.0%	of total available funds								
Outreach: To support delivery of sufficient places				£1,910				£18,220		
Support to providers: Development Officers / Advisory Teacher				£100,000				£0		
Management of the EY Funding Formula etc				£47,750				£0		
EAL Specialist Support				£30,000				£0		
Free milk				£11,210				£0		
					£190,870	3.00%			£18,220	3.00%
Total BFC estimate of funding to be managed by the Council										
Total BFC estimate of EY funding					£6,362,340	100.00%			£607,250	100.00%
Transfer between 3 and 4 year olds and 2 year olds						£0				£0
<u>Other Income</u>										
Early Years Pupil Premium					£22,970					
Ring fenced Disability Access Fund		£615 per child	34		£20,910					
Total anticipated income - DSG and other						£7,013,470				