

TO: SCHOOLS FORUM
DATE: 14 MARCH 2019

2019-20 PROPOSALS FOR THE EARLY YEARS BLOCK BUDGET
Executive Director: People

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to seek agreement from the Schools Forum to proposals for 2019-20 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 21 March when a formal decision 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 that in the context of a cash freeze in funding from the government, that the hourly rates paid to providers of the free entitlement to childcare in 2019-20 remain unchanged from those in place for 2018-19.
- 2.2 Proposals are also being made to ensure that all of the specific funding received from the Department for Education (DfE) to support disadvantaged children and those with disabilities is passed on in full to providers.

3 RECOMMENDATIONS

That the Forum AGREES:

3.1 That for the 2019-20 financial year, the Executive Member:

- 1. sets the total initial Dedicated Schools Grant funded budgets at £7.566m, it incorporates the changes set out in the supporting information, and relevant budgets are therefore updated to those summarised in Annex 1**
- 2. retains the hourly funding rates paid to providers of the free entitlement for 3 and 4 year olds at the amounts paid in 2018-19 as summarised in Table 2.**
- 3. retains the hourly funding rate paid to providers of the free entitlement for 2 year olds at the £5.46 paid in 2018-19**
- 4. sets a ring-fence on funding allocations received from the government in respect of the Early Years Disability Access Fund and Early Years Pupil Premium to ensure where affordable, all funds are allocated to providers (paragraph 6.21)**

3.2 That there are appropriate arrangements in place for Early Years provisions.

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 most recent consultations and the estimated level of available resources.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 None. The proposals reflect the views of providers from the most recent consultations and overall affordability within the financial settlement allocated by the government.

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 the age of 5. It covers:

1. the 15 hours free entitlement to education and childcare for disadvantaged 2 year olds
2. the universal 15 hours free entitlement to education and childcare for all 3 and 4 year olds
3. the additional 15 hours free entitlement to education and childcare for eligible working parents of 3 and 4 year olds
4. the early years pupil premium (EYPP)
5. the disability access fund (DAF)
6. the Special Educational Needs Inclusion Fund (SENIF)
7. other specialist and general support services.

- 6.2 The statutory regulatory framework requires the council to decide on the arrangements to be put in place to meet the requirements for children up to the age of 5 and associated resources, and for the Forum to comment on their appropriateness. Final decisions are expected to be taken by the Executive Member for Children, Young People and Learning on 21 March.

National EYB Funding Framework

- 6.3 The DfE uses an Early Years National Funding Formula (EYNFF) to distribute DSG income to LAs for **provisions for 3 and 4 year olds** which comprises the following elements:

1. A universal base rate 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 The new Framework was introduced in April 2017 with a three year period of transitional funding protection which allowed for LAs gaining to move to their new hourly funding rate at Year 2 (April 2018), with those losing funding moving to their new rate at Year 3 (April 2019).
- 6.5 There is no limit on the gains that LAs can experience through the new framework, with the BFC hourly funding rate increasing to £4.93 (+30%) between April 2016 and April 2018. Areas losing money have reductions capped to no more than 5% per annum over each of the first 2 years, with a second protection of a minimum “floor” hourly funding rate in place of £4.30 irrespective of the amount due through the EYNFF. For 2019-20, the DfE has confirmed that no LA will receive an increase to their 2018-19 hourly rate, meaning BFC continues to receive £4.93.
- 6.6 The basis of resourcing LAs for the most disadvantaged 2 year olds did not change through these latest reforms as it was a relatively new funding allocation from the DfE, although rates were increased by 7.1% from April 2017. There have been no subsequent increases to the hourly funding rate, with the DfE confirming that BFC will continue to be funded at the current £5.88 per hour compared to an average LA funding rate of £5.45.
- 6.7 In addition to the funding set out above that will be delivered through the EYNFF, LAs also receive additional, specific resourcing for the EYPP at £0.53 per hour per eligible child, and a DAF to be paid to providers at £615 per eligible child.

Local EYB Funding Framework

- 6.8 Forum members will be aware that the key requirements on LAs in setting their EYB budgets for **3 and 4 year olds** are:
 1. To develop and maintain a local EY Funding Formula (EYFF) in accordance with the parameters set by the DfE, undertaking consultation with providers and the Schools Forum when any changes are proposed, where the EYFF:
 - a. should include a single funding rate (including the same base rate and supplements) for both entitlements (that is, both the universal 15 hours, and the additional 15 hours for working parents)
 - b. must plan to pass on at least 95% of funding directly to providers – the “pass through rate”.
 - c. must use a universal base rate, paid at the same value to all providers
 - d. must use a deprivation supplement to target additional funds to the providers admitting the most disadvantaged children
 - e. can include other, discretionary supplements, which the DfE restricts to rurality / sparsity, flexibility of provision, English as an additional language (EAL) or quality of provision.

- f. supplements selected by an LA can generally use any measure of eligibility, provided it is applied equally to all providers in a transparent and fair way
 - g. must not allocate more than 10% of funding through supplements
2. that a Special Educational Needs Inclusion Fund (SENIF) must be created to support children with lower level or emerging SEN
 3. required to pass on the EYPP to providers to support eligible disadvantaged children
 4. required to pass on DAF funding to providers to support disabled children's access to the entitlements
- 6.9 Requirements on funding providers for **the most disadvantaged 2 year olds** is more straightforward than for 3 and 4 year olds, with no "pass through rate" or payment of additional funding supplements with the DfE encouraging LAs to pay a single flat rate amount. Neither is there a requirement for the SENIF to apply to 2 years, although this is permitted and included in arrangements in the BF SENIF.

Provisional estimate of Early Years Block DSG income

- 6.10 To reflect potential fluctuations in take-up of the entitlements, and therefore costs, the DfE uses 2 census points to calculate each LAs Early Years Block DSG income. January 2019 part-time equivalent actual head count data of eligible children age 2, 3 or 4 for 15 or 30 hours are used to calculate funds the first 5 months of the financial year from April to August 2019; with the equivalent January 2020 data used to fund the 7 months from September 2019 to March 2020.
- 6.11 At this stage, neither of the data sets used for funding purposes have been validated and therefore the likely DSG income will need to be estimated. The approach taken is to forecast DSG income against the current BFC estimate of the actual January 2019 census data and assume this remains at a similar level in January 2020. There is one exception to this approach. Take up for 2 year olds at the January 2019 head count data is considered to be unrepresentative, with an increase expected during the year, and reflected in the forecasts.
- 6.12 Table 1 below provides a summary of the £7.566m anticipated EYB DSG income for 2019-20. Annex 1 provides a more detailed break down of the calculation.

Table 1: Estimated EY Block DSG income for 2019-20

Item	Estimated amount
Funding for 3 & 4 year olds: universal 15 hours	£4,980,610
Funding for 3 & 4 year olds: additional 15 hours for working parents	£2,070,240
Sub total: 3 & 4 year olds	£7,050,850
Funding for 2 year olds	£460,850
Funding for Early Years Pupil Premium	£31,700
Funding for Disability Access Fund	£22,750
Total	£7,566,150

Funding decisions previously taken by the Forum

- 6.13 To gather views from providers on appropriate funding arrangements for BF, provider consultations were undertaken in both December 2016 and December 2017. Reflecting on the outcomes, and the DfE requirements on LAs relating to the EY Funding Framework (paragraphs 6.8 and 6.9), the Forum has previously agreed parameters for setting the EYB budget as follows:
1. Funding to be managed centrally by the council will be capped at 3% of income compared to the 5% maximum
 2. The SENIF should be set at 1.4%
 3. The provider contingency should be set at 1.5%
 4. The EYFF should allocate 94.1% with:
 - a. The uniform base rate set at around 93% compared to the minimum of 90%.
 - b. The deprivation supplement set at around 5%.
 - c. The quality supplement set at around 2%
 - d. No supplements to be paid for rurality / sparsity, EAL or provider flexibility
 5. The DAF and EYPP funding allocation should be allocated to providers at the same funding rate as received from the DfE.

Proposals for 2019-20

- 6.14 As set out above, the DfE has delivered a cash flat funding settlement to BFC for the 2019-20 EYB with all funding rates remaining unchanged from those in place for 2018-19. This means that there is no scope to increase the hourly funding rates paid to providers delivering the free entitlement.
- 6.15 In terms of the payments made to providers, these have to be based on the actual number of entitlement hours delivered in each term, which clearly differs from the methodology used by the DfE to fund LAs and therefore creates budget risks. Current data suggests there will be no significant change in 2019-20 from the actual number of hours delivered in 2018-19. Budget provision for payment to providers will therefore be based on current actual hours multiplied by individual provider hourly funding rate, of which some will change through the annual data update to calculate provider eligibility to funding supplements i.e. a provider's deprivation supplement will change if there is a relatively significant change in the deprivation profile of children attending the setting. Again there has been an adjustment to the estimated cost for 2 year olds to reflect the anticipated in-year increase in take-up.
- 6.16 Table 2 below sets out all of the unchanged 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.	£0.13, £0.26 or £0.39		
	2% of EYFF via child eligibility to EYPP	£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		
	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%	
	DfE funding to BFC	£4.93	100.0%	

- 6.17 The DfE has also confirmed that there will be no change to the hourly funding rate paid to LAs next year for the free entitlement for 2 year olds, and on this basis, the Forum is recommended to agree that the rate paid to providers also remains unchanged at £5.46.
- 6.18 In respect of the funding proposed to be managed centrally by the council on behalf of providers, based on the budget proposals set out above, this results in total funding of £0.225m (3% of total income). This is proposed to be spent generally in line with activities agreed for the current year, such as Development Officers, Advisory Teacher time, outreach to support the delivery of sufficient places, EAL specialist support, free milk and management of the funding framework and other Early Years related support services.
- 6.19 As highlighted in January, there is one new cost that is proposed to be funded from the centrally managed funds which relates to increased ICT costs associated with supporting data transfers to and from providers and enabling parents to access relevant data bases to make on-line enquiries and checks. Recent changes to processes and procedures, whilst introducing benefits, do require appropriate ICT systems, with associated cost increases being experienced of £0.016m in relation to:
- Provider Portal Headcount – secure online provider portal for funded providers to input and submit headcount data for children accessing their free entitlements

- Two Year Old Funding (2YOF) – secure online portal that enables parents, providers and professionals to quickly establish whether a child is eligible for two year old funding
- Citizens Portal - 30 Hours – secure online parent portal that enables parents to check their 30 hour code directly and provides parents with a personalised dashboard that shows check results, earliest date 30 hours can be funded from, reconfirmation dates and results of rechecks. Parents are able to share their eligibility code with funded providers of their choice in a secure manner.
- Self-Update Portal (SUP) – secure online provider portal that enables the digital collection of capacity, vacancy and sufficiency data at any time and the digital collection of Early Years Census data.

Taking account of the expected increase in overall funding for the free entitlement as hours of participation have increased, mainly through the first full year of additional 15 hours for eligible 3 and 4 year olds, this additional cost can be funded from within the 3% cap currently in place on centrally managed budgets.

Annex 1 sets out more details on the proposed use of centrally managed funds.

- 6.20 The overall budget proposals are expected to result in 94.2% of anticipated funding received by the council being directly paid to providers, another 2.8% set aside for allocations expected to be made to providers in-year through the SENIF and contingency, with 3% retained by the LA to fund activities that support providers.
- 6.21 In considering the use of funds allocated to providers to support the most vulnerable children through the DAF and EYPP, with the amount allocated to the council calculated through reference to estimated head count basis, this can result in potential under spendings when actual numbers are confirmed. From 2019-20, as part of the year end accounts process, it is proposed to review total expenditure on these funds and where there is an under spending, to pass the relevant unspent amount to relevant providers as a uniform percentage increase to the core funding received, which is initially based on the amount DfE pay to the council, provided there are sufficient funds in the overall EYB budgets. The Forum is recommended to agree this approach.

Next Steps

- 6.22 The views of the Schools Forum regarding the 2019-20 budget proposals from the council will be considered, and where agreed, included in the final budget proposals that will be presented for approval by the Executive Member on 21 March. The Forum is recommended to agree 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 hourly funding rates to be confirmed to providers.
- 6.23 The parameters agreed for the calculation of funds to be distributed through the EYFF, as set out in paragraph 6.13, need to be reviewed as provider eligibility to the supplements have changed over time meaning the current hourly rates no longer result in the target percentage allocation being distributed. This will be discussed with providers to consider whether a change needs to be made for 2020-21.

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.

Director of Finance

7.2 The financial implications arising from this report are set out in the supporting information with total costs expected to be within the overall level of resources expected to be received 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 There is the possibility that 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 £0.106m provider contingency and £0.105m SENIF

8 CONSULTATION

Principal Groups Consulted

8.1 Relevant Officers and People Directorate Management Team.

Method of Consultation

8.2 Draft report.

Representations Received

8.3 The representations received are included in this report.

Background Papers

None

Contact for further information

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Proposed 2019-20 EYB Budgets

<u>2019-20 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	1,010,266	£4,980,610		£5.88	78,376	£460,850	
30 hours free entitlement funding forecast	£4.93	15	38	419,927	£2,070,240		-	-	-	
Total BFC estimate of EY DSG funding	£4.93			1,430,193	£7,050,850		£5.88	78,376	£460,850	
2018-19 rate	£4.93						£5.88			
Change	£0.00	0.00%					£0.00	0.00%		
<u>For allocation through the EY Funding Formula (notional split by supplement):</u>										
Basic rate	£4.31	93.00%	of total available funds		£6,170,410		£5.46	80,690	£440,570	
Deprivation supplement (average)	£0.24	5.00%	of total available funds		£331,740		-	-	-	
Quality (average)	£0.09	2.00%	of total available funds		£132,700		-	-	-	
Total BFC estimate of EY Funding Formula allocation	£4.64	(average)			£6,634,850	94.10%	£5.46	80,690	£440,570	95.60%
2018-19 rate	£4.64						£5.46			
Change	£0.00	0.00%					£0.00	0.00%		

<u>2019-20 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>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			£98,710				£6,450	
Provider Contingency	1.5%	of total available funds			£105,760				£0	
					£204,470	2.90%			£6,450	1.40%
Total within the 95% allocation to providers - the "Pass through rate"					£6,839,320	97.00%			£447,020	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 / maximise take-up					£6,280				£13,830	
Support to providers: Development Officers / Advisory Teacher					£100,190				£0	
Management of the EY Funding Formula etc					£47,750				£0	
EAL Specialist Support					£30,000				£0	
Free milk					£11,210				£0	
ICT - software annual maintenance					£10,600				£0	
ICT - Server costs					£5,500				£0	
Total BFC estimate of funding to be managed by the Council					£211,530	3.00%			£13,830	3.00%
Total BFC estimate of EY funding					£7,050,850	100.00%			£460,850	100.00%
<u>Other Income</u>										
Early Years Pupil Premium					£31,700					
Ring fenced Disability Access Fund		£615 per child	37		£22,750					
Total anticipated income - DSG and other					£7,566,150					