

REPORT TO: Schools Forum

DATE: 23 January 2017

REPORTING OFFICER: Senior Finance Officer, Financial Management Division

SUBJECT: Early Years Funding for 2017-18

1.0 PURPOSE OF REPORT

1.1 To report to the School Forum the Early Years National Funding Formula for 2017-18.

2.0 RECOMMENDATION: That

- (1) The report be noted;
- (2) To agree the local Early Years Funding Formula as tabled at the meeting; and
- (3) To agree centrally retained budgets as tabled at the meeting

3.0 SUPPORTING INFORMATION

3.1 Background

Following the Early Years National Funding Formula (EYNFF) consultation in August, guidance was issued on 1st December on what factors and limitations are in place for 2017-18. This report sets out the options available and the outline of the consultation sent to all Halton providers in early January 2017.

Two options have been modelled for Halton's Early Years Funding Formula and this has been included within the consultation with providers (see attached). Recommendations will be tabled at Schools Forum although the final decision rests with the local authority.

3.2 Funding retained by LA's for central spend

The proposals in the DfE consultation last summer to require local authorities to pass the majority of funding for 3 and 4 year old provision to providers is now set within the guidance. For 2017-18 local authorities are required to pass through a minimum of 93% to providers with this figure rising to a minimum of 95% in 2018-19.

The guidance sets out a worked example to ensure all LA's are working to the same criteria.

Local authorities are allowed to hold a contingency fund for in-year demographic growth which would not be counted as central spend as it is eventually shared with providers. Such contingency fund is to be kept at a minimum level to maximise the hourly rate going to providers.

3.3 Funding to providers – the proposed National Funding Formula

The main, mandatory factor is the Universal Base Rate can be the same for ALL providers or we can have a transitional period for a maximum of two years where the Maintained Nursery Schools are funded at a different rate. The rate (or rates) will also be the base rate(s) for the additional 15 hours per week free entitlement for working parents from September 2017.

3.4 Supplementary factors

There are five supplementary factors, one mandatory and four discretionary.

The mandatory factor is the deprivation supplement. Nationally the current deprivation factor passes about 4% of funding to providers. Most local authorities including Halton use the Income Deprivation Affecting Children Index (IDACI) which is an area-based measure. We would look to continue to use IDACI for this factor.

The four discretionary supplements are: Rurality/Sparsity and Flexibility as set out within the EFA consultation plus new supplements of Quality and English as an Additional Language. Local authorities have the freedom to choose which, if any, discretionary supplements to use and the criteria and amounts for each supplement up to a maximum of 10% of the funding being passed to providers.

Rurality/Sparsity – to recognise the additional costs incurred by small providers in rural, sparsely populated areas, similar to the Sparsity factor within the Schools Block funding formula. As we are such a compact local authority no schools qualify under the criteria within the Schools Block funding formula and we feel it would be more beneficial to all providers to not use this factor.

Flexibility – a supplement to support providers in offering provision for parents. There is no clear criteria on how a provider would be measured as attaining 'Flexibility' within the consultation with local authorities given the discretion of what kind of flexibility they wish to promote. As we would need to develop and monitor the criteria for this factor which would place more work on providers, we again feel it would be more beneficial to all providers to not use this factor.

The proposal for an Efficiency supplement has been rejected following the EFA consultation.

The responses to the EFA consultation have resulted in the Quality supplement being re-instated to either support workforce qualifications or support system leadership (supporting high quality providers leading other providers in the local area).

A supplementary factor to support English as an Additional Language is also now permitted although no criteria has been set.

3.5 Transitional protection for Maintained Nursery Schools

Transitional protection is in place for two years for Maintained Nursery Schools to recognise the additional costs incurred because of their structure as a school. The additional funding is supposed to take account of the maintained nursery schools' current costs and provide much needed stability to this sector.

3.6 Special Educational Needs and Disabilities

Currently in Halton we identify High Needs Block DSG funding to support children in early year's settings with SEN. Local authorities are required under the National Funding Formula to set up an Early Years Inclusion Fund to resource support for the needs of 3 and 4 year old children with SEN. The Inclusion Fund would be a mix of Early Years block and High Needs block DSG funding. The current way in which children with SEN taking the free entitlement are supported fulfils this requirement.

The Disability Access Fund (DAF) is a new fund set up to aid access to early years places. This funding would be paid to providers for each child in receipt of Disability Living Allowance taking up a place in their setting. Providers will be able to decide how the funding should be deployed, it could be used the child's specific needs, to improve the setting for a cohort of children or increase the setting's capacity to take more disabled children.

Four year old children in Reception classes are not eligible for Disability Access Funding.

The Disability Access Fund would build on the Early Years Pupil Premium model and would be passed to providers via the LA as an annual lump sum of £615.00 rather than an increase on the hourly rate.

3.7 Two year old funding

The way in which funding is allocated to local authorities for eligible 2 year old provision is already on a formulaic basis and the DfE do not wish to change this. However the DfE have confirmed that the funding rate to LA's will be raised from £5.09 to £5.39 per hour. The hourly rate to providers will be increased once the grant allocation and level of provision is known.

3.8 Local consultation

We are required to consult with providers on our local formula. Responses to the consultation are required by Wednesday, 18th January 2017 to allow time and the outcome of the consultation will be tabled at School Forum on 23rd January 2017.

4.0 **POLICY IMPLICATIONS**

4.1 None

5.0 **OTHER IMPLICATIONS**

5.1 None