

REPORT TO: Schools Forum

DATE: 13 June 2018

REPORTING OFFICER: Divisional Manager, Revenues and Financial Management Division

SUBJECT: Early Years Funding Review 2018-19

WARD: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To report to the School Forum the review of the Early Years Funding position for 2018/19.

2.0 RECOMMENDATION: That

- 1) The review and revised 2018/19 Early Years Funding Formula is noted; and
- 2) The revised basic rate paid to early year providers of £4.41 is noted.

2.0 SUPPORTING INFORMATION

2.1 Schools Forum received a report on 21 March 2018 setting out the Early Years funding position for 2018/19. The report noted a decrease to the early year setting hourly rate as a result of a reduction to the Government funded hourly rate from £5.40 in 2017/18 to £5.13 in 2018/19.

2.2 Following the Schools Forum March 2018 meeting the Council received representation from early year providers querying the level of funding which was proposed to be passed through to providers. The Council is required to pass through 95% of three and four year old funding from Government to early year providers. This pass through requirement ensures that the vast majority of Government funding reaches providers so that they can deliver free entitlements.

2.3 The Council agreed to an immediate review of the pass through rate, this was undertaken by colleagues from another North West Council. The review was taken in line with calculations provided by the Education and Skills Funding Agency, through a February 2018 operational guide titled 'Early Years Entitlements: Local Authority Funding of Providers'.

2.4 The finding of the review was the Council were in marginally in breach of the pass through rate, for Halton this was calculated at 94.6%. The main reason for this wasn't as a result of the amount held back centrally but as a result of the number of hours funding received from Government compared to the

hours Halton had used in the pass through calculation, based on the January 2018 census figure. This has increased by approximately 51,000 (3.4%).

3.0 REVISED FUNDING FORMULA

3.1 As a result of not meeting the pass through rate the funding formula has been updated as shown in Table 1. The formula used is as per ESFA guidance, referred to in para 2.3

TABLE 1:

CALC		Funding Formula as per March 2018 School Forum Report (£)	Revised Funding Formula (£)
A	Basic Allocation	6,722,402.73	6,563,470.02
B	Maintained Nursery Schools (MNS) Lump Sum	62,060.00	105,561.72
C	Deprivation Supplement	365,682.75	356,710.33
D	Quality Supplement	219,051.00	214,026.20
E	Enhanced Provision	80,000.00	80,000.00
F	Contingency	59,520.00	180,000.00
G: SUM(A:F)	Sub-Total	7,508,716.48	7,499,768.27
H	Less: MNS Supplementary Funding	-62,060.00	-105,561.72
I: SUM(G-H)	Pass Through Total	7,446,656.48	7,394,206.55
J	Total Base Rate Hours	1,538,307.3	1,487,358
K: SUM(I/J)	Equivalent Average Rate to Providers	4.84	4.97
L	Halton Early Years National Funding Formula Rate	5.13	5.13
M: SUM(K/L)	2018.19 Pass Through Rate	94.4%	96.9%

3.2 The Government allocation for 3 and 4 universal and additional provision is £7.630m, from this the Council have deducted £0.235m for central expenditure (an additional £0.044m is funded from the two year old allocation), £0.080m for enhanced provision and £0.180m for contingency. This leaves an amount of £7.135m for distribution between the basic allocation and deprivation and quality supplements, as per 2017/18 this is apportioned accordingly 92%, 5% and 3%.

3.3 There is no change to central expenditure, this remains as reported to Schools Forum in March 2018.

- 3.4 The increase in the maintained nursery lump sum element is as a result of an increase in confirmed allocations from Government.
- 3.5 The total base rate hours used in the March 2018 funding formula are as per the January 2018 census. This is a notable difference from the hours used in the Government allocation and results in the low pass through rate. In order to show the true picture of the pass through rate the hours used are as per Government figures from the January 2017 census.
- 3.6 The significant increase in contingency reflects the increase in hours from the census position from January 2017 to January 2018. There is no guarantee the Council will receive all the additional funding to cover this increase and subsequently the contingency has been increased. Contingency is set at 2.7% of the basic allocation.
- 3.7 To help understand how both the revised and original funding formula reconcile back to the Council's 2018/19 early years allocation, a calculation is provided in Table 2.

TABLE 2:

	Funding Formula as per March 2018 School Forum Report (£)	Revised Funding Formula (£)
2018.19 Initial Early Years Allocation	9,479,357.14	9,479,357.14
Expenditure		
Pass Through Total	7,446,656.48	7,394,206.55
Maintained Nursery Schools (MNS) Lump Sum	62,060.00	105,561.72
Two Year Old Funding Allocation	1,572,817	1,586,059.20
Early Years Pupil Premium	120,270.00	120,074.68
Disabled Access Fund	43,050.00	37,515.00
Central Expenditure (3& 4 Year Old)	235,940.00	235,940.00
Rounding Balance	-1,436.34	
Expenditure Total	9,479,357.14	9,479,357.15

4.0 PROVIDER RATES

- 4.1 The base rate to be paid to early year providers will be £4.41, an increase from the amount of £4.37 reported in the March 2018 School Forum meeting. This is calculated from the available base rate divided by the number of base rate hours.
- 4.2 Providers will continue to be paid on a monthly basis and adjusted for the actual number of hours provided. If actual number of hours is greater than the

base position the Council may be notified of an increase in funding, although this is currently uncertain. If the Council is notified during the financial year that the grant allocation is increasing for 3 and 4 year olds and the increase is material, we are allowed to apply to the Secretary of State to change the formula during the year.

5.0 NEXT STEPS

5.1 At the time of writing the report we are awaiting a response from the Education and Skills Funding Agency on the formal steps the Council need to take to amend the funding formula. We are proposing to write to the Secretary of State to ask for a disapplication of the original formula.

5.2 It is further proposed the Council retrospectively apply the revised base rate of £4.41 back to 01 April 2018. This will be done with effect to payments for the hours of July 2018 pending approval being given by the Secretary of State to approve the disapplication. This also provides an opportunity for early year providers to respond and provide comments to the revised funding formula before the revised rate is applied.

6.0 FINANCIAL IMPLICATIONS

6.1 The Council are required to pass through 95% of the 3 and 4 year old grant allocations to ensure provision for universal and additional support continues. This is an increase from the rate of 93% which was applied in 2017/18.

7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

7.1 The Local Authority must discharge its statutory responsibilities in relation to all schools and settings.

8.0 RISK ANALYSIS

8.1 There is a risk if the number of hours provided by settings increases the Council will not be fully funded by Government to meet both the pass through rate and spend held back to fund central services. The Council has reviewed the contingency set aside to cover lack of funding to ensure this risk is mitigated.

9.0 EQUALITY AND DIVERSITY ISSUES

9.1 Funding is available within the 2018/19 Early National Funding Formula to cover both the Disabled Access Fund and Early Years Pupil Premium. Halton has been allocated an amount of £37,515 for the Disabled Access Fund and £120,075 for Early Years Pupil Premium. This amounts will be ring-fenced and allocated accordingly.

**10.0 BACKGROUND PAPERS UNDER SECTION 100D
OF THE LOCAL GOVERNMENT ACT 1972**

Document	Place of Inspection	Contact Officer
Early Years Entitlements: Local Authority Funding of Providers Operational Guide 2018 to 2019	Revenues and Financial Management Division, Kingsway House, Widnes	Steve Baker