

SCRUTINY COMMITTEE

EARLY YEARS FUNDING

REPORT OF THE EXECUTIVE DIRECTOR OF CHILDREN'S SERVICES

1. Purpose of the report

- 1.1 To update members of the Children, Education and Skills Scrutiny Committee on changes and impact to Early Years Funding introduced in 2017.

2. Background

- 2.1 A new early year's national funding formula for 3 and 4 year olds was introduced from April 2017. This included both the formula that determines the Local Authority Early Years Dedicated Schools Grant and the requirements on how local authorities allocate funding to providers from 2017/18.

- 2.2 The key points are:

- The new formula allocates funding to local authorities for the existing 15 hour entitlement for all three and four year olds and the additional 15 hours for three and four year children of eligible working parents. The funding rates for both are the same.
- The formula includes a minimum funding rate of £4.30 per hour to local authorities, which gives local authorities the scope to pay providers an average funding rate of at least £4 per hour.
- A funding floor ensures that no local authority can face a reduction in its hourly funding rate of greater than 10% against its 2016/17 baseline. Transitional protections ensure that in any year, no local authority sees an annual reduction in their hourly funding rate of more than 5%.
- All local authorities should be funded by the early years national funding formula by 2019-20.

- 2.3 The requirements on how LA allocates funds to providers are intended to ensure that funding is fairly distributed to providers. The main changes are:

- A minimum threshold on the proportion of funding that the LA must pass on to providers - 93% 2017/18 then 95% 2018/19.
- A local universal base rate for all types of provider.
- Supplementary funding for maintained nursery schools.
- Reforms to mandatory and discretionary supplements local authorities are able to use.
- The introduction of a disability access fund.
- A requirement for authorities to establish a special educational needs inclusion fund.

3. Indicative Funding Allocations

Funding Settlement	DSG Early Years 2016/17 £m	DSG Early Years 2017/18 £m	DSG Early Years 2018/19 £m
Universal entitlement for 3&4 year olds	13.007	12.356	11.703
Illustrative Nursery Funding	0.000	0.758	0.758
Illustrative Disability Access Funding	0.000	0.086	0.086
Illustrative EY Pupil Premium	0.333	0.205	0.205
	<hr/> 13.340	<hr/> 13.405	<hr/> 12.752
3 & 4 Year Old - Additional Hours	0.000	1.876	3.046
	<hr/> 13.340	<hr/> 15.281	<hr/> 15.798
2 year old funding	2.783	3.014	3.014
	<hr/> 16.123	<hr/> 18.295	<hr/> 18.812

- 3.1 Indicative funding allocations are provided by the Department for Education in December of each year. Early Years funding is updated based on January 2017 and January 2018 census data. The final figure is not confirmed until July 2018, after the end of the financial year. It is therefore important that all funding is pupil led to ensure payments made to providers can be contained within final Early Years Dedicated Schools Grant allocation.

4. Sunderland 3 and 4 Year Old Funding Formula

- 4.1 Following a significant period of consultation with Early Years Providers and Sunderland's Schools Forum the following formula was implemented from April 2017:

- Universal Base Rate (90%) – Single Rate paid to all providers at £4 per hour
- Supplementary Factors (Capped at 10%)
 - Deprivation (Mandatory) - IDACI Rates £113 - £550
 - Flexibility – A rate of £0.44 per pupil per hour to apply from April 2017 to those children taking up the flexible offer:
 - Summer Term – Existing criteria
 - September 2017 - Paid to providers offering 42 weeks or more per year
 - Rural Schools Protection – Using existing criteria – Sustainability
- Nursery Funding (Mandatory)
- Transitional Protection – Hourly Rate £0.10 2017/18 only

- 4.2 The funding formula applies to both the existing 15 hour entitlement for all three and four year olds and the additional 15 hours for three and four year children of eligible working parents.
- 4.3 Provision for disabled children and children with special educational needs (SEN). Legislation prescribes that LA must ensure that disabled children entitled to a place are found suitable provision. Two new measures are being introduced for 2017/18 to support children with disabilities or SEN:
- Disability access fund - the child is in receipt of child disability living allowance and receives free early education. (£615 per year)
 - Inclusion fund - LA targets funds at children with lower level or emerging SEN needs.
- 4.4 The key area of focus for both the Local Authority and Providers is take-up. For the Local Authority this controls the level of funding to be received through the Early Years Dedicated Schools Grant. Whilst for providers the level of funding to be received determines financial viability.

5. Early Years Pupil Premium (EYPP)

- 5.1 The EYPP remains distinct from the early year's national funding formula and will continue as a separate funding stream provided to Local Authorities in order to support disadvantaged pupils. The funding will continue to be paid within the DSG and there are no funding changes proposed for 2017/18, with the full 15 hour entitlement remaining at £302.10 (or £0.53 per hour).

6. 2 Year old Formula

- 6.1 Those providers that deliver free early years education to eligible 2 year old children will be funded based on a snapshot of those children attending at each census date, as with the 3 & 4 year old offer. The funding rate for 2 year olds in 2017/18 is £4.94 per child per hour.

7. Census Data and payments to providers

- 7.1 Funding is based on participation for all providers. A revised funding statement is sent to each provider each term after the census date adjusting their allocation to reflect the actual take up of provision at the census date. The census dates for 2017/18 are the 18th May 2017, 5th October 2017 and 18th January 2018.
- 7.2 Early years funding is only payable to providers that offer and deliver the free entitlement of 570 hours early education to eligible children. All providers are required to sign up to the provider agreement and funding is conditional on compliance with the provisions set out in the agreement.

- 7.3 For the period April 2017 to March 2018, eligibility for 3 year olds relates to those children born on or between 01/01/2014 and 31/12/2014 and for 4 year olds, children born on or between 01/01/2013 and 31/12/2013. Children are eligible to take up their entitlement in the term after they reach their third birthday.
- 7.4 Academies, private, voluntary, independent providers and childminders will receive six payments across the financial year from April 2017 to March 2018, including three interim payments at the start of term. The indicative funding statement provided in March 2017 to providers shows the interim payments that will be made in 2017/18.
- 7.5 The remaining three payments relate to the final allocation for each term, which is paid to providers after the census date and based on actual participation.

8. Future Developments

- 8.1 As part of the changes to early years funding Local Authorities should consider the introduction of monthly payments to providers. To date all providers are comfortable with the current system, however, the introduction of the additional 15 hours presents challenges as to how this can be reflected in an interim payment. The Local Authority will continue to monitor impact with providers and discuss alternatives if providers deem this to have a negative impact on their cash flow and business.

9. Recommendation

- 9.1 The Children, Education and Skills Scrutiny Committee is recommended to consider and comment on the information provided regarding early years funding.