

Report to Hartlepool Schools' Forum 17 December 2018
From Penny Thompson – Head of Service: The Children's Hub)

Item 5: Dedicated Schools Grant – Early Years Block 2019/20

PLEASE NOTE – only changes to report previously circulated are in section 6 (highlighted)

1. Introduction

- 1.1 The purpose of the report is to consult on the 2019/20 Early Years National Funding Formula (EYNFF).
- 1.2 Schools' Forum has already approved the central element of spending at its earlier meeting on 21 November 2018.

2. Background

- 2.1 Since its introduction in April 2017, the EYNFF has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for three and four year olds.
- 2.2 Local authorities are required to consult providers on proposed annual changes to local early year's funding formulas, although the final decision rests with the local authority. A key aspect of the consultation for 2019/20 is a proposed restructure of the supplement element of the hourly rate.
- 2.3 The consultation period with providers closed on **12 December 2018 (after an agreed extension)** and the outcome will be referred to Children's Services Committee on 15 January 2019.
- 2.4 This updated report presents a summary of the consultation responses for consideration at Schools' Forum on 17 December 2018.

3. 2019/20 Block Funding

- 3.1 The 2019/20 initial funding allocation for the Early Years Block will be announced in December 2018. Therefore, the figures contained in the table below are based on our latest estimate of 2018/19 funding.

Early Years Block	Rate	2019/20 Estimated Funding (£)
3/4 Year Old Funding	£4.49 per hour	4,509,009
Disability Access Fund (DAF)	£615 per pupil	22,755
Pupil Premium	£0.53 per hour	133,709
Total 3/4 Funding		4,665,473
2 Year Old Funding	£5.20 per pupil	1,330,836
Total Estimated Early Years Block		5,996,309

3.2 ESFA issued an updated Early Years Operational guide for 2019/20 on 22 November 2018. An assessment of any changes affecting Hartlepool provision has been undertaken and there are no key changes to bring to the attention of Schools' Forum.

4. Pass-Through Rate 2018/19

4.1 Forum Members will recall that one of the key changes for 2018/19 was the increased pass-through rate from 93% to 95%. This is to ensure that Early Years' providers receive at least 95% of the funding attributable to the local authority.

4.2 ESFA is placing greater emphasis on compliance with the pass-through rate and evidence of the actual rate is likely to be required in the medium-term.

4.3 A review of our spending to date has highlighted that the allocation to providers is currently short of the required 95% and upon further investigation this is because many providers are not eligible for the supplements that would otherwise bring our payment level up to the 95%.

4.4 It is not possible to adjust the EYNFF in-year and re-distribute the accrued funds. However, a potential option in-year would be to allocate the shortfall in pass-through funding to the SEN Inclusion Fund (a distinct fund that sits within the EYNFF). Given the ongoing concerns around children with additional needs, this funding which targets 'low level and emerging SEN' could be used to provide early intervention and potentially reduce the burden on the High Needs Block.

5. Proposed Hourly Rate Restructure 2019/20

5.1 The Early Years Single Funding Formula (EYSFF) is still a relatively new concept and the local authority continues to try to find the most appropriate way to meet its statutory financial obligations in delivery of funding to early years' providers.

5.2 Previous formulas approved by Schools' Forum have included a 'base rate' that all providers receive, along with a 'top up' using various 'supplements' which when added together provide the hourly rate for each setting.

5.3 Supplements are currently included for quality, flexibility and deprivation. The only mandatory supplement that must be included in a formula is deprivation; all others (or no others) are at the local authority's discretion following consultation with their early years' providers.

5.4 In 2019/20, we could consider the potential removal of early years' supplements from the EYSFF (keeping only deprivation) so that we can be confident that all 95% of funding is passed directly to providers and to reduce the risk that providers do not receive their full allocation.

5.5 As part of our consultation, we have asked for views from providers on whether they would prefer to retain the existing supplements, or shift the current supplements into the base rate payable to all providers.

- 5.6 We have also sought views from providers on whether they would wish to see an increase in the supplement for deprivation that would be funded from the existing base rate.
- 5.7 The table below shows the proposed hourly rate structure for 2019/20. The proposed rate would shift the current supplements for quality and flexibility into an increased base rate from the existing £4.09 to £4.21. The base rate would be payable to all providers.

Proposed three & four year old formula	Hourly Rate (£)	% Allocated	Total Funding (£)
DFE allocation	4.49	100.0%	4,509,009
Allocation of funding for the Formula:			
Base Rate and Discretionary Supplements	4.21	93.8%	4,223,368
Mandatory Deprivation Supplement	0.01	0.2%	10,032
Contingency	0.02	0.4%	20,064
SEN Inclusion Fund	0.03	0.6%	30,095
Pass- through rate to providers	4.27	95.0%	4,283,559
Centrally retained funding	0.22	5.0%	225,450
Total	4.49	100.0%	4,509,009

5.8 Pass-through rate – 95%

The pass-through rate includes the place funding base rate, the funding of the deprivation supplement, the proposed contingency fund and an allocation for the SEN inclusion fund. These elements are described in more detail below.

5.9 Base rate and discretionary supplements – 93.8%

The combined base rate and discretionary supplements (excluding the mandatory deprivation supplement) is proposed at £4.21. The split of the £4.21 across the base rate and discretionary supplements has been considered as part of consultation. We currently have discretionary supplements for quality and flexibility. These amount to a maximum of 12p per hour in the current hourly rate structure, along with a base rate of £4.09 per hour. Funding allocated for supplements (including the mandatory deprivation supplement) should not equate to more than 10%.

5.10 Mandatory Deprivation Supplement – 0.2%

Deprivation is a mandated supplement within the early year's hourly rate. This is proposed at the same rate as 2018/19. Providers were asked to comment on a potential increase to the deprivation supplement. They were also asked to comment on a possible change to the way the deprivation supplement is distributed.

5.11 SEN Inclusion Fund – 0.6%

The SEN Inclusion Fund is proposed to be maintained at the original 2018/19 level of 0.6%. This £30k fund can be accessed by all providers in accordance with the agreed policy.

5.12 Contingency Fund – 0.5%

Although there is a duty to ensure that 95% of 3-4 year old funding is passed to providers, it is important to understand and manage the risk of exceeding the 95%, resulting in a new financial pressure on the Early Year's Block. A contingency fund of 0.5% is proposed in order to mitigate this risk. Such a risk could materialise through unexpected volatility in census volumes during the funding year. The contingency fund would provide for 7.8 full

time places for a complete year and is considered a reasonable provision based on previous year census variations.

5.13 The pass-through rate position will continue to be carefully monitored in-year to assess any risk and respond appropriately.

5.14 Centrally Retained Funding

In accordance with ESFA guidance, centrally retained funding of 5% (£.0225m at 2018/19 initial allocation) of the EYNFF, is proposed to be retained. Schools' Forum has already approved that the retention of 5% be recommended to Childrens' Services Committee for approval.

5.15 Other Specific Funding

The local authority also receives specific funding for eligible three and four year olds relating to the Disability Access Fund (DAF) and Pupil Premium; this is passported to eligible providers. The rates per pupil for 2018/19 are DAF £615.00 per pupil and pupil premium of £0.53p per hour.

5.16 Two Year Old Funding

The funding for the most disadvantaged 2 year olds is already allocated on a formulaic basis. The rate paid by the ESFA has remained static at a rate of £5.20 per hour.

6. Consultation Responses

6.1 The consultation with all early years providers in Hartlepool ended on 12 December 2018. A summary of the responses is provided in the table below.

Early Years Consultation 2019/20 - Responses	Yes	No	Not Sure	N/A	Total	% Agreed*
1: Do you wish to change the current EYNFF?	21	8	2	0	31	68%
2: Do you wish to increase the base rate and remove the supplements for flexibility and quality?	15	7	2	7	31	62%
3: Do you want to retain the deprivation supplement at the current rate of 0.2%?	15	3	4	9	31	68%
4: Do you support continued funding at 0.6% for the SEN Inclusion Fund?	17	4	8	2	31	59%
5: Would you like the local authority to consider a different method for distributing the deprivation supplement?	16	7	7	1	31	54%

* Please note: % Agreed excludes any N/A items

7. Recommendations

- a) To note the contents of the report, alongside the update of consultation responses tabled at the meeting on 17 December 2018.
- b) To agree that the proposed hourly rate formula shown at the table in paragraph 5.7 above should be recommended to Children's Services Committee on the 15 January 2019 for implementation from April 2019.

A vote is required and ALL Schools' Forum members are eligible to vote.