

**Report to Hartlepool Schools' Forum 21 June 2019**  
**From Sally Robinson (Director of Children's and Joint Commissioning)**

**Agenda Item 6 – Early Years Block Overview**

**1 Introduction**

- 1.1 The Early Years Block (EYB) is part of the Dedicated Schools Grant (DSG).
- 1.2 This report is intended as an introduction to EYB funding so that Forum can receive a further detailed report considering the shortfall on funding for two year old entitlements and discuss any potential mitigation.
- 1.3 The issue relating to two year old funding was reported to Schools' Forum on 7 May 2019 as part of the DSG final outturn update for 2018/19.

**2 Background**

- 2.1 EYB funding relates to the delivery of early years entitlements to providers, along with additional amounts for Early Years Pupil Premium (EYPP) and the Disability Access Fund (DAF).
- 2.2 Funded early years entitlements are:
- The 15 hours entitlement for disadvantaged two year olds;
  - The universal 15 hours entitlement for all three to four year olds;
  - The additional 15 hours entitlement for eligible three to four year olds.
- 2.3 The table below provides the EYB funding for 2019/20 against each element of entitlement.

Description	2019/20
	£
15 hours for disadvantaged 2 year olds	1,330,836
Universal 15 hours for 3-4 year olds	3,547,190
Additional 15 hours for eligible 3-4 year olds	961,819
EYPP	133,709
DAF	31,365
<b>TOTAL FUNDING 2019/20</b>	<b>6,004,919</b>

- 2.4 EYB allocations are based on census volumes as at January. Unlike the schools block, a revision to census volumes is applied to the EYB funding as a backdated adjustment. This means that the funding shown in the table at paragraph 2.3 is subject to change once January 2019 census volumes are applied and published at the end of June 2019.
- 2.5 Funding for the EYB in 2019/20 is based on 7/12ths of the January 2018 census volumes and 5/12ths of the January 2019 census volumes.

### **3 Three to Four Year Old Entitlement**

- 3.1 EYB funding for three to four year olds is set by government on the basis of hourly funding rates for each local authority for the delivery of both universal and additional entitlement. The rate set for Hartlepool in 2019/20 is £4.49.
- 3.2 The regulations stipulate that local authorities must plan to pass through a minimum of 95% of three to four year old funding directly to providers.
- 3.3 The hourly rate for providers must include a deprivation supplement. Any other supplements are optional but the total supplements must not exceed 10%.
- 3.4 At its meeting on 17 December 2018, Schools' Forum agreed a base rate of £4.21 payable to all providers from 1 April 2019.
- 3.5 Local authorities must provide a Special Education Needs Inclusion Fund for three to four year olds and pass on EYPP and DAF based on eligibility.
- 3.6 Schools' Forum agreed to centrally retain 5% of the EYB funding to cover staff, support and system costs used in the delivery of three to four year old entitlements.
- 3.7 Forum will recall that the hourly rate structure for 2019/20 was simplified and previous supplements for quality and flexibility were absorbed into the guaranteed base rate. The simplification is expected to assist in reaching the 95% pass through requirement because payments to providers are less variable. Hartlepool has not met the required pass through rate historically.
- 3.8 The table below confirms the hourly rate and associated funding split for three to four year olds agreed by Forum on 17 December 2018.

<b>Agreed three &amp; four year old formula</b>	<b>Hourly Rate (£)</b>	<b>% Allocated</b>	<b>Estimated Funding (£)</b>
<b>DFE allocation</b>	<b>4.49</b>	<b>100.0%</b>	<b>4,509,009</b>
<b>Allocation of funding for the Formula:</b>			
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
<b>Pass- through rate to providers</b>	<b>4.27</b>	<b>95.0%</b>	<b>4,283,559</b>
<b>Centrally retained funding</b>	<b>0.22</b>	<b>5.0%</b>	<b>225,450</b>
<b>Total</b>	<b>4.49</b>	<b>100.0%</b>	<b>4,509,009</b>

- 3.9 Providers apply for EYPP and DAF funding for specific three to four year olds that are eligible. The amount per eligible child is set by government and the full amount is paid to relevant providers for eligible three to four year olds. The basis of payment is consistent across all providers.
- 3.10 Providers can apply for support from the SEN inclusion fund, such as speech and language therapy. As per the regulations, the support from this fund must be specific to a particular child in the form of a top-up payment.

#### **4 Two Year Old Entitlement**

- 4.1 A rate of £5.20 was set by government for funding of two year old entitlements in 2019/20. This rate is passed in full to appropriate providers.

#### **5 EYB 2018/19 Outturn**

- 5.1 An overall underspend of £0.057m on EYB was taken to DSG reserves at 31 March 2019.
- 5.2 Although there was an overall underspend against the EYB in 2018/19, spending against 2 year old entitlements was overspent by £0.156m. A shortfall of funding against two year-old spending has occurred for the last four consecutive years and requires further investigation. A future report to Forum will outline the position in more detail so that any possible mitigation can be discussed and put in place.
- 5.3 Spending on three to four year old entitlements (excluding EYPP and DAF) underspent by £0.169m. However, the required pass through rate of 95% was not achieved. The actual pass through rate in 2018/19 was 93.4%
- 5.4 Had the required 95% been met, spending would have increased by £0.074m and therefore the overall position on the EYB would have been an overspend of £0.017m.
- 5.5 If the simplification of the hourly rate for three and four year olds in 2019/20 means that the required 95% pass through rate is achieved, it is unlikely that a similar overspend on two year old entitlements can be met without a net overspend on the EYB.
- 5.6 Analysis and review of the two year old entitlement funding shortfall, along with possible options for mitigation are required. A further detailed report will be presented to Schools' Forum at the next meeting.

#### **6 Recommendations**

- 6.1 Forum is asked to note the contents of the report.