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| **Schools Forum 31st January 2017** | Item  6 |

**SUBJECT: Early Years Block including EY Single Funding Formula 2017/18**

**LEAD OFFICER: Allison Jones/Marius Karsten-Strydom**, Children, Schools and Families Finance

**RECOMMENDATION**

**That the Forum:**

1. **Notes the Early Years Single Funding Formula allocation for 2017/18 and provides comments for LA consideration.**
2. **Schools Forum approves the continuation of the centrally held funding as detailed in paragraph 2.5 of this report.**
3. **Purpose of report and executive summary**
   1. The Government announced the Dedicated Schools Grant allocation on 20th December 2016. Merton’s allocation split over the three blocks is as follows:

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18**  **£000** | **2016/17**  **£000** |
| Schools Block | 116,421 | 119,026 |
| Early Years Block | 15,061 | 11,122 |
| High Needs Block | 31,632 | 26,833 |
| **Total as at Schools Forum meeting** | **163,114** | **156,981** |
| Academy recoupment | (18,263) | (17,272) |
| **Final allocation for the year** | **144,851** | **139,709** |

1.3 This report will focus on the Early Years Block and the allocation of this funding to Mainstream Nurseries, Private, Voluntary and Independent Settings (PVIs) and Child minders through the Single Funding Formula.

1. **Details**
   1. The Early Years Block allocation is split into the following areas:

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18**  **£000** | **2016/17**  **£000** |
| 3&4 YO universal funding- maintained schools | 6,624 | 5,726 |
| 3&4 YO universal funding - PVIs | 3,544 | 2,722 |
| 3&4 YO working parents funding | 1,050 | 0 |
| 2 Year Old Offer | 1,465 | 1,607 |
| Centrally Retained Items | 895 | 694 |
| Contingency | 1,370 | 174 |
| Pupil Premium | 76 | 199 |
| Disability Access Fund | 37 | 0 |
| **Total Early Years Block** | **15,061** | **11,122** |

* 1. Based on the 2016 calendar year pupil counts, the estimated funding relating to 3 and 4 year old children for Merton maintained schools and PVI settings is expected to be in line with indicative budgets above. However, these are estimated budgets and the figures will be updated every term following the actual pupil counts. The formula used to allocate this funding, following on from consultation, is detailed in section 3. A summary of the factors used and the total budgets allocated against each factor and payments outside the formula for maintained schools and PVI settings can be found at Appendix 1
  2. The budget for the working parents additional 15 hours support which comes into effect from September was set using borough wide estimated take-up. Further work is under way to allocate setting level indicative budgets in the summer term.
  3. Based on the 2016 calendar year pupil counts, the estimated funding relating to 2 year old children for Merton settings is shown above. The formula used to allocate this funding is detailed in section 3. A summary of the total budgets allocated against each setting can be found at Appendix B.
  4. The £895k allocation for centrally retained items includes funding for training, inclusion and SEN support and advisory work, market management/ sufficiency and information, and back office/administrative functions. This represents 7% of the expected 3&4 year old grand as well as £30k of 2 year old grant. LAs are capped at 7% of total budget of 2017/18 and at 5% from April 2018 of their 3&4 year old grant with no limit on the 2 year old grant. The amount of funding that must pass through to providers is called the “High Pass Through Rate”. Schools Forum is required to agree that these funds can be centrally retained every year.
  5. The contingency for 2017/18 has been set at £1.370m. The majority of the contingency is to account for the difference between the initial grant allocation and Merton’s expected grant allocation which is based on anticipated take-up. The actual grant will be based on 5/12ths of the January 2017 count and 7/12ths of the January 2018 count. The table below sets out both the expected contingency available and the expected grant reduction.

|  |  |
| --- | --- |
| **Contingency** | **2017/18**  **£000** |
| Grant reduction- 3&4 YO universal funding | 427 |
| Grant reduction- 3&4 YO working parents funding | 628 |
| Grant reduction- 2 Year Old Offer | 40 |
| Grant reduction- Centrally Retained Items | 73 |
| Available contingency | 202 |
| **Total contingency** | **1,370** |

* 1. The EFA will continue to pay Early Years Pupil Premium as a separate funding stream. This is paid to settings and schools after each term’s headcount at 0.53 pence per hour. Any underspend on EYPP is expected to be clawed back. Total budget is £76k.
  2. The EFA have added a new further fund outside of the formula called Disability Access Fund. This is a one off lump sum payment of £615, any underspend is expected to be clawed back. The total budget is £37k.
  3. Following the re-baselining of the DSG, it is no longer necessary to make adjustments to the blocks for changes which were agreed for the years up to 2016/17. There are no transfers proposed to or from the Early Years Block for 2017/18.

1. **Early Years Funding Formula**

**3 and 4 year old formula**

1. In line with the new direction of travel Merton has set only one new **base rate** in the formula for 3 and 4 year olds (universal and extended entitlement) for all setting as per the table below.

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
| All settings | £4.60 | Ranged between £3.68 and £5.40 |

1. Criteria for EYPP will be used as a measure of **deprivation** for 2017/16. The unit values are shown below. The previous measure was IDACI, which used a suite of bands aligned to a unit cost used in accordance with postcode of where chid lived.

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
| Criteria for EYPP | 70p | Ranged between 15p and 40p (IDACI) |

1. The table below shows the optional supplementary supplement for **“sparsity”**

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
| Sparsity/small providers child-minders | 80p | N/A |

**Outside of formula: SEN Inclusion Fund**

1. The table below shows the new mandatory **SEN inclusion Fund** pupil rates (3 and 4 year olds)

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
| **SEN Inclusion Fund** |  |  |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.50 | £2.50 |
| SEN Support Level 1c | £5.26 + 1b (£7.26) | £5.26 + 1b (£7.26) |

1. SEN funding is allocated in accordance with the agreed process. This ceases when the EHCP is issued and funding is allocated in accordance with the EHCP EY banding through the High Needs Block. EHCP are funded on a pro-rata basis and based on actual hours and number of weeks of attendance. This will ensure SEN funding for children is seamless and on a continuum as they progress through each stage.

**Outside of formula: Contingency**

1. There are several components to the contingency for 3 and 4 year olds:

* A contingency to support any in year growth for SEN support and or deprivation supplements and includes an element for late starters (not on headcount).
* The budget this year has an indicative allocation for the new Extended Entitlement (EE) from September 2017. Our anticipated take-up is much less than the government allocation and as this budget has not been allocated to the sector this will be held within contingency.
* The DFE have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the Universal Entitlement (UE) as well as the EE. Local estimates indicate that not all places will be taken up as specified by DfE and the estimated grant that will be paid back to the DfE is also held in contingency.

1. The contingency is included as part of the high pass through rate and as such will be allocated across the sector in accordance with agreed methodology. See table in paragraph 2.6 for each part of the contingency budget

**Outside of formula: Retained Items**

1. Within the grant allocation LAs can retain up to 7% of the total 3 and 4 year old allocation for 2017/18 and up to 5% from 2018-19 and onwards.
2. Retained items can only be used to support the delivery of early years provision in accordance with the statutory duties including advice, training, information and securing sufficiency and market management. These duties are embedded within the Childcare Act 2006 and are underpinned by Statutory Guidance.
3. This year £865k has been allocated for retained items for 3 and 4 year olds which are included in the overall £895k in the table at paragraph 2.1. There is also £73k in contingency for centrally retained items due to the expected reduction in grant as per the table in paragraph 2.6.

**2 year old formula**

1. The DfE has allocated a separate pot of funding for 2 year olds, which is underpinned by a separate set of requirements. LAs have local discretion, as long as the specific grant requirements for each block are not compromised, to move the allocations between each other. This includes local discretion for support for children with SEN and retaining an element from the 2 year allocation
2. The table below shows the **base rate** for 2 year olds

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
|  | £5.60 | £5.40 |

**Outside of formula: SEN Inclusion Fund**

3.13 The table below shows the **discretionary SEN Inclusion Fund** for 2 year Olds

|  |  |  |
| --- | --- | --- |
| **Description** | **2017/18 Rate**  **£** | **2016/17 Rate**  **£** |
| SEN Inclusion Fund |  |  |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.50 | £2.50 |
| SEN Support Level 1c | £5.26 + 1b (£7.26) | £5.26 + 1b (£7.26) |

3.14 SEN funding is allocated in accordance with the agreed process. This ceases when the EHCP is issued and funding is allocated in accordance with the EHCP EY banding through the High Needs Block. EHCP are funded on a pro-rata basis and based on actual hours and number of weeks of attendance. This will ensure SEN funding for children is seamless and on a continuum as they progress through each stage.

**Outside of formula: Contingency**

* 1. There are two components to the contingency for 2 year olds in 2017/18.
* A small contingency to support any in year growth for SEN support and late starters (not on headcount)
* The DFE have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the 2 year old places. Local estimates indicate that not all places will be taken up as specified by DfE and the estimated grant that will be paid back to the DfE is also held in contingency.
  1. The contingency will be allocated across the sector in accordance with agreed methodology. See table above for each part of the contingency budget

**Outside of formula: Retained Items**

* 1. There are no specific parameters for retained elements within the 2 year old formula and historically the retained element has been funded from reserves. This year £30k has been allocated for retained items which are included in the overall £895k in the table at paragraph 2.1. An additional £165k is earmarked from reserves to provide an overall 2 year old retained budget of £195k.

1. **Financial, resource and property implications**

4.1 The financial implications are detailed in the main body of this report.

1. **Legal and statutory implications**
   1. No legal implications at this stage.
2. **Human rights, equalities and community cohesion implications**
   1. None at this stage.
3. **Appendices**
   1. Appendix A: EYSFF modelling 2017/18
   2. Appendix B: 2YO FF modelling 2017/18

1. **Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report:** 
   1. Centrally held financial information and other papers held by the Children Schools and Families Finance Team.
2. **Report author**

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