

Oxfordshire County Council
Schools Forum – 4 February 2019
Early Years Funding Formula 2019-20

Settings		Sector	
Academies	✓	Foundation Stage	✓
Maintained Schools	✓	Primary	✓
PVI Nurseries	✓	Secondary	✓
Special Schools		Special	
Local Authority	✓	16+	
Schools Forum	✓	High Needs	✓

1. Item for Consultation and Decision

2. Purpose of Report

- 2.1 The purpose of this report is to update Schools Forum on the proposed funding arrangements for early years for 2019-20. This is in the context of the early years national funding formula (EYNFF) for three- and four-year-olds which was introduced in 2017-18.
- 2.2 The EYNFF Operational Guide states that Schools Forums must be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February 2019, although the final decision rests with the local authority. The structure of the local formula for Oxfordshire incorporates the 2019-20 requirements of the Operational Guide and the principles adopted in the 2017-18 and 2018-19 formulas have been maintained for 2019-20, whilst increasing the base rate for providers. The rate of hourly funding received from the DfE to deliver all elements of the formula has remained unchanged at £4.39 per hour since 2017-18.

3. Recommendations

- 3.1 School Forum is asked to:
- a) Comment on the Early Years Funding Formula for Oxfordshire for 2019-20, and additional funding streams for three and four-year olds.
 - b) Agree the Early Years centrally retained funding.
 - c) Note the funding rate for two-year olds.

4. Background and overview

- 4.1 In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula. The DfE also published the EYNFF

Operational Guide (updated November 2018), which sets the overall framework and expectations on local authorities regarding the EYNFF.

- 4.2 Following consultation with Early Years providers, an Oxfordshire Early Years Funding formula for 2017-18 was set and the 2018-19 and proposed 2019-20 formula follow these principles.
- 4.3 The key elements of the formula, meeting DfE requirements, are:
- a. The formula relates to both the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year-old children of eligible working parents (the 30-hour childcare policy) introduced in September 2017.
 - b. A minimum amount of funding to be passed through to providers – From 2017-18 there were new requirements on the amount of funding for three- and four-year olds that local authorities must pass to providers. This **high pass-through** requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level was set by the DfE at 93% in 2017-18 and was increased to 95% for 2018-19 and 2019-20.
 - c. A local **universal base rate** for all types of provider, to be set by Local Authorities (LAs) by 2019-20 at the latest - LAs are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider, by no later than 1 April 2019. Following consultation, a universal base rate was introduced in Oxfordshire in 2017-18. This underlying base rate (excluding the mandatory Deprivation Supplement, SEN Inclusion Fund allocations and Contingency) was set at £4.01 in 2017-18, rising to £4.03 in 2018-19 and is proposed at £4.04 in 2019-20. (Note that the funding rate from the DfE has remained unchanged during this period at £4.39).
 - d. **Supplementary funding for maintained nursery schools (MNS).** Local authorities received supplementary funding in 2017-18, 2018-19 and 2019-20 for MNS. The stated aim of the DfE was to enable local authorities to protect their 2016-17 funding rates for MNS (that is, the rates that existed before the EYNFF).
 - e. A mandatory **supplement for deprivation.** LAs had the freedom to choose the appropriate metric for allocating funding. Following consultation, the method of paying an enhancement on top of the Early Years Pupil Premium (EYPP) was implemented from 2017-18. The EYPP rate is 53p per hour and the deprivation supplement was set at 47p per hour, giving a total of £1 per hour for 15 hours of attendance. (The 47p supplement also applies to additional hours, although EYPP can only be paid on the universal 15 hours, as set out in the regulations). Following consultation, no further

supplements have been used, thereby maximising the base rate to providers.

- f. A **special educational needs (SEN) inclusion fund**. LAs are required to have SEN Inclusion Funds for all three and four-year olds with SEN who are taking up free entitlements. This is to target funding at children with lower level or emerging SEN.
- g. A **contingency** fund (further information at Section 12 below).

4.4 Additional funding streams for eligible three- and four-year olds are as follows:

- a. The **disability access fund (DAF)** – The DAF was introduced in April 2017 to support disabled children’s access to the entitlements for three- and four-year olds. Three- and four-year olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. LAs must fund all types of setting providing a place for DAF-eligible children at the fixed annual rate of £615 per eligible child. (If a child receiving DAF moves setting, the new setting is not eligible to receive DAF funding until a year after the initial payment and DAF funding will not be recouped from the original setting). The DfE has confirmed that they will base final DAF funding on Department of Work and Pensions (DWP) data on DLA (adjusted for children in reception) as they found that January census data for DAF would have under-funded LAs. Any funding not directly allocated can therefore be used by the LA “on services in line with the principles and aims of DAF”.
- b. **Early Years Pupil Premium (EYPP)** – The EYPP gives providers additional funding to support disadvantaged three and four-year-old pupils, where their family meets specified criteria/ they are being looked after by a LA or have left care through specified orders. As indicated above, the national rate is 53p per hour per eligible pupil up to a maximum of 570 hours (£302.10 per year). The Operational Guide indicates that in the “small number of cases where a child is also eligible for the additional 15 hours for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year”. The rate remains the same for 2019-20.

5. Changes for 2019-20

5.1 The main changes from the requirements for the 2018-19 financial year (as outlined in the Operational Guide 2019-20) is:

- LAs must use a universal base rate for all types of provider, including Maintained Nursey Schools, in their local three and four-year-old formula (but will continue to allocate the Maintained

Nursery Schools Supplementary Funding through additional lump sums).

- (Clarification on the use of the Quality Supplement, but this is not relevant to Oxfordshire as the only supplement in the formula is the mandatory Deprivation supplement).
- 5.2 There is no change to the EYNFF hourly funding rate that Oxfordshire receives from the DfE to deliver all elements of the formula - This remains at the same hourly rate as in 2017-18 and 2018-19 i.e. £4.39. The Dedicated Schools Grant (DSG) funding is outlined more fully in Section 6, below.
- 5.3 No changes to the principles adopted in 2017-18 are proposed for 2018-19. However, an increase to the underlying universal base rate for providers from £4.03 in 2018-19 to £4.04 in 2019-20 is proposed, by reducing centrally retained funding and the Contingency Fund, as outlined later in the report.
- 5.4 In 2018-19 the process for identifying children for SEN Inclusion funding was simplified for the PVI sector. Children in the school sector have been identified through the school census (where identified as Category “K” children, excluding children with higher needs). The PVI sector had previously had a review process to identify children which in 2018-19 was simplified more in line with the process for schools. The current scheme funds support for children for 15 hours, it is proposed that from 2019-20 support from the Inclusion Fund may be extended to provide 30 hours support on a case by case basis. The rate paid of £38.50 is under review, following the change in the Green Book pay grades. The rate will be finalised and agreed ahead of the new financial year.

6. Early Years Block Funding for Oxfordshire

- 6.1 The DfE published figures for the initial 2019-20 Early Years allocations for local authorities on 17 December 2018. These will be updated in spring 2019, using data from the January 2019 censuses. Final funding allocations to the LA for 2019-20 will be based on 5/12th of January 2019 child numbers and 7/12th of the January 2020 child numbers. Final allocations will not therefore be known until June / July 2020 – after the end of the 2019-20 financial year. This means that there is considerable uncertainty regarding the final level of funding for 2019-20, as in previous years.
- 6.2 The total allocation (universal and additional working parents’ entitlement) published on 17 December for Oxfordshire is £33.1m for 7.5 million hours, which equates to the same indicative hourly rate for 3&4-year olds of £4.39 per hour in 2019-20 as for the 2018-19 and 2017-18 financial years. This is inclusive of amounts for central

services, supplements (mandatory deprivation supplement only for Oxfordshire), the Contingency fund and the SEN inclusion fund.

- 6.3 The figures published on 17 December 2018 also included an initial allocation of £224,762 for Early Years Pupil Premium and £117,465 for the Disability Access Fund. The indicative funding for 2-year olds was also published on 17 December - £3.4m, for 618,638 hours, equating to an unchanged hourly rate of £5.52. The published figures are set out in the following table:

Early Years Block 2019-20 Initial Allocations - Published by the DfE on 17 December 2018	No. of part-time equivalent (PTE) children	No. of Hours (PTE x 15hrs x38 weeks)	Initial allocations to the LA £
Universal 3&4-year-old entitlement funding	10,234.39		£25,609,512
Additional 3&4-year-old funding for working parents (Full Year)	2,996.39		£7,497,862
Total	13,230.78		£33,107,374
Total hours (Part time 3&4-year olds)		7,541,545	
Indicative hourly rate for 3&4-year olds Before retained services deducted			£4.39
Other 3&4-year-old funding: Maintained Nursery supplementary funding			£510,611
Early Years Pupil Premium			£224,762
Disability Access Fund			£117,465
2-year old funding			
Total hours	1,085	618,638	£3,414,891
Indicative hourly rate for 2-year olds			£5.52
Total Initial 2019-20 DSG Early Years Block			£37,375,103

7. Centrally Retained Funding

- 7.1 The EYNFF Operational Guidance outlines the percentage pass-through funding to providers that LAs are required to meet and thereby the level of funding for centrally retained funding. In 2017-18 the

required pass-through rate was 93% and this was increased to 95% for 2018-19. For 2019-20 the rate is 95%, meaning that 5% can be retained to be spent centrally and Schools Forum are required to agree the retained funding.

- 7.2 The calculated retained funding (based on the initial DSG figures) is £1.575m for 2019-20. It is proposed that this is reduced by approximately £38k to £1.537m on initial figures, as, along with a similar reduction to the Contingency fund, this is sufficient to deliver a 1p increase to providers (a 1p increase equates to approximately £76k). This meets the requirement to delegate 95% to providers, with the retained budget being slightly less than the 5% on initial DSG figure. The DfE indicates that the “5%” includes “centrally retained funding (for central services or services in-kind, including specialist SEND services” (re the SEN Inclusion Fund). This includes staffing (Early Years and SEND), commissioning, and training related expenditure.
- 7.3 School Forum is recommended to agree the centrally retained funding at “5%” as outlined in the Operational Guidance, which on initial DSG budget figures equates to approximately £1.537m, noting that this will be monitored in terms of future updates to DSG funding and further refinement of projected actuals for 2018-19, to meet the compliance requirements of the DfE (as set out further below in section 10 and in Annex 1).

8. Early Years Funding Formula for 2019-20

- 8.1 The Local Authority proposes no significant changes to the current formula, other than increasing the hourly universal base rate paid to providers, as outlined further below.
- 8.2 Process changes relating to the SEN Inclusion Fund are outlined in Section 5 above.

9. Modelling of hourly rates

- 9.1 A key aspect of the new requirements is the high pass through to providers – Minimum of 95% from 2018-19. The DfE published an indicative hourly rate for Oxfordshire of £4.39 – This rate includes all funding. This covers centrally retained funding, the SEN Inclusion Fund, all supplements and the underlying provider rate. Oxfordshire providers are familiar with underlying provider base rates that exclude deprivation, SEN funding and the Contingency fund.
- 9.2 Taking account of feedback and Early Year officer recommendation, the hourly rate has been increased from £4.03 to £4.04 per hour. It costs approx. £76k on current initial allocations to fund an additional 1p for providers. This has been achieved, by reductions in both the

Contingency fund of £38k and Retained funding of £38k – which meet the 95% pass through rate.

10. High pass through to providers

The DfE have provided details of how compliance is to be checked. Data will be collected from LAs as part of the returns to the DfE known as Section 251 (s251) returns. The methodology for this is set out in the Operational Guidance as shown at Annex 1 and, in the simplified version for 2019-20, below:

Calc	Line	Description	Budget Model	Notes
			2019-20 Using DfE DSG figures for universal and 30 hrs for 19-20 as published 17.12.18	
		Anticipated budget for base rate (including funding to 1 MNS) for 3 and 4 year olds	£30,467,834	
		Anticipated budget for supplements for 3 and 4 year 2 olds: Deprivation (including funding to MNS)	£200,000	
		Anticipated budget for 3 and 4 year old SEN inclusion 3 fund (top up grants element)	£540,000	
		4 Anticipated budget for 3 and 4 year old contingency	£362,293	
A		Subtotal =	£31,570,127	
B		Planned total base rate hours for core 15 and additional 5 15 hours for 3 and 4 year olds	7,541,543	(10,234.39+2,996.39 PTE)*15hrs*38 weeks
C		Equivalent average rate to providers for three-and four- 6 year old entitlement hours = (A/B)	£4.19	
D		LA EYNFF hourly rate for three-and four-year olds (published alongside government response, or in DSG 7 tables in future)	£4.39	UNCHANGED IN 2019-20 as DfE (Same in 18-19 and 17-18)
E		8 Test that meeting pass-through requirement F = (C / D) * 100%	95.36%	Meets 95% pass-through
		Provider % must be equal or > 95% in 2018-19		
Universal Base Hourly Rate (excluding deprivation supplement/ SEN Inclusion Fund /Contingency and MNS supplementary funding):				
		Universal underlying base rate to providers	£30,467,834	
		Hourly rate	4.04000251	
		Direct Universal Provider Hourly rate rounded		£4.04 1p increase in 2019-20

11. Equivalent average rate to providers

11.1 The high pass-through requirement is that the equivalent average rate to providers must be equal to or greater than 95% of the EYNFF hourly

rate published by the DfE (£4.39 for Oxfordshire). This therefore needs to be at least £4.17 (£4.39 x 95%). The modelling represented in the table above shows that this requirement has been met, with an equivalent average rate to providers of £4.19 (£4.04 plus averaged allocations for the deprivation supplement, SEN Inclusion funding and Contingency).

- 11.2 When the Deprivation supplement funding, SEN Inclusion funding and Contingency funding is deducted, the underlying provider base rate is shown as £4.04 (and this in the form more familiar to providers when comparing with prior year rates).
- 11.3 The 95.36% in the table above indicates that the 95% pass-through requirement has been met in the model for 2019-20, based on the initial budgeted figures provided by the DfE.

12. Risks and uncertainties

- 12.1 There remain significant risks in setting the EYNFF for 2019-20. The DfE Early Years allocations published on 17 December 2018, will be updated in spring 2019, using data from the January 2019 censuses. The January 2019 census data, that drives funding for parts of both the 2018-19 and 2019-20 financial years, may not be representative of actual allocations. The January 2019 census data will determine 5/12ths of the 2019-20 Early Years Block DSG funding. Similarly, there is considerable uncertainty regarding the final level of funding for 2019-20 until after information is received regarding the January 2020 censuses (with 7/12ths of 2019-20 funding based on this). Final allocations will not be known until June / July 2020 – after the end of the 2019-20 financial year.
- 12.2 The levels of actual take up throughout the financial year, compared to the snap shot January censuses for funding, affects the final outcomes.
- 12.3 As reported to School Forum last year, the level of Contingency Fund is relatively low compared to that allowable by the DfE. It was reduced from £461,688 in 2016-17 to £400,000 in 2017-18, to assist in delivering a provider rate of £4.01 in 2017-18. Although maintained at £400k in 2018-19, it is proposed that this is reduced by a further £38k in 2019-20 to £362k to contribute (along with a similar reduction in retained budgets) to delivering the 1p increase to the provider rate in 2019-20, when the funding rate from the DfE to the LA has not increased.
- 12.4 The majority of funding is allocated out on an hourly basis so is proportional to take up on a participation model. In contrast elements of the formula are fixed, such as the SEN Inclusion Fund and Deprivation supplement and do not therefore move proportionally to take up. If take up for the SEN Inclusion Fund and the deprivation fund are lower, this can affect the pass-through rate achieved.

13. Maintained Nursery Schools (MNS) Supplementary Funding

A figure of £510,611 was published for MNS Supplementary funding on 17 December 2018. As this is a specific amount, outside of the universal rate calculation, it does not impact on the universal rate. This is payable only on Universal hours and not on Extended hours.

14. Two-Year-Old Funding

The rate of Two-year-olds is unchanged at £5.52 and is fully delegated.

15. Financial and Staff Implications - centrally and for schools

This paper already deals with the financial implications of the EYFF for 2019-20, so no further comment is made.

16. Equal Opportunities Implications and Impact on Equality Groups

Where the LA continues to have discretion in funding decisions, it will continue to give priority to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

17. Conclusions

This paper updates and consults with Schools Forum on the proposed funding arrangements for early years for 2019-20 and seeks agreement on central spend.

18. Contact Details of Lead Officer/Author

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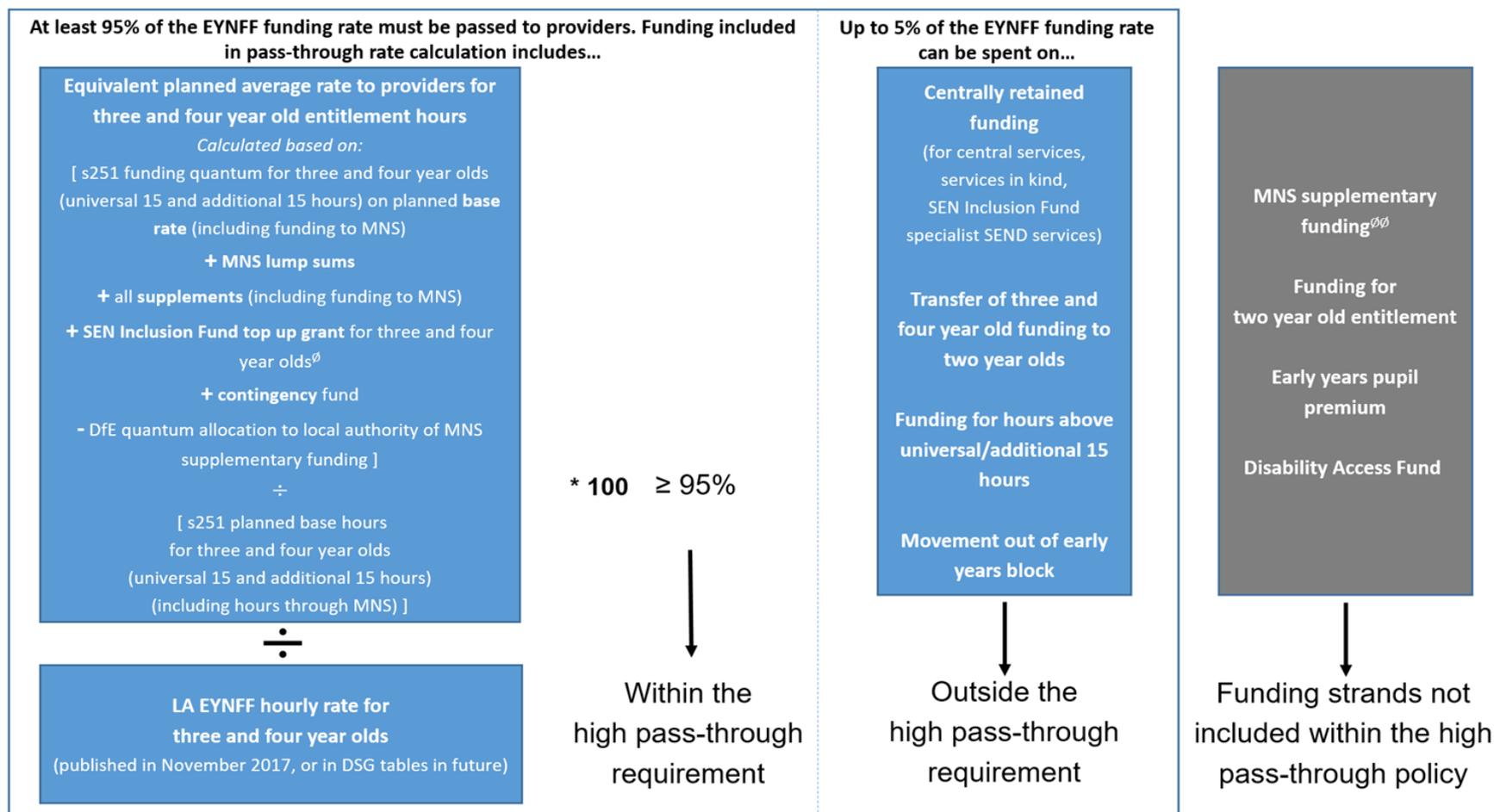
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Annex 1

Diagram illustrating which funding strands are included in the high pass-through rate calculation, and which are excluded.



[∅] SEN Inclusion Fund must be established by combining an amount from either one or both of their early years block and high needs block.

^{∅∅} DfE allocated MNS supplementary funding quantum to local authority. Only the MNS funding from the EYNFF allocation is considered within the pass-through rate calculation.