


Agenda Item 3

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 20th November 2018
EARLY YEARS FUNDING	
Open	
Wards Affected: (All Wards); All	
Accountable Director: Steve Miley, Director of Children Services	
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Purpose of the report This report updates forum on the initial modelling of the full implementation of a hard formula for Early Years funding in 2019-20 and the 2018-19 forecasts for 3 & 4 year olds.	

1. Early Years Funding

- 1.1. There are six funding streams in the early years block of the DSG, as set out below. The focus of this paper, is the early years entitlement for 3 & 4 year olds (YO), which constitutes the bulk of the funding and which is also subject to pass through and other requirements, since the introduction of the Early Years National Funding Formula (EYNFF) on 01 April 2017.
- 1.2. Summary explanations including funding rates applicable in 2018/19.
 - Universal entitlement for 3 & 4 YO – 15 hours free childcare for all 3 and 4 YO available from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding is received by LBHF at £7.92 per hour.
 - Additional entitlement working parents 3&4 YO – additional 15 hours free childcare for eligible 3 and 4 YO from the term after their 3rd birthday for a maximum of 38 weeks. Parents are required to obtain a 30-hour code. Funding received is £7.92 per hour.
 - Disadvantaged 2 YO – 15 hours free childcare for eligible 2 YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £6.50 per hour and this is passed on at the same

rate to providers. There are some CP/CIN 2YO who are entitled to this funding and this is passed to providers in the normal way.

- Early Years (EY) Pupil Premium – additional funding for disadvantaged 3 and 4 YO paid as a top up of £0.53p per hour up to a maximum of £302.10 per year. Eligibility relates to benefits received by the family and must be confirmed by the provider and recorded on the termly head count.
- MNS supplementary Funding – additional funding for maintained nurseries to reflect the higher running costs of a nursery outside a primary school setting. This has been calculated by the ESFA based on 2016/17 baseline data provided by the Local Authority (LA)/LBHF and is estimated to be £868k in both 2018/19 and 2019/20 financial years. This is also based on headcount data from the January census.
- Disability Access Fund – additional per pupil funding for those receiving DLA to access the 3 and 4 YO offer. This is currently £650 per eligible pupil.

2. 3 & 4 YO offer 2018/19 forecast

2.1. 3 & 4 YO Offer forecast position 2018/19

The assumptions on which this forecast is based are listed below:

Headcount:

- PVI and Childminders: summer and autumn terms actual, spring term estimate
- Schools: summer term actual, autumn, and spring term estimate

DFE funding for EY is based on the Spring term headcount i.e. January 2018 and January 2019. The likely outturn position for 2018/19 can be confirmed once the January 2019 headcount data is received.

The 18/19 reported forecast position at P5 (August) is summarised below:

	Budget	Forecast	Variance
	£000	£000	£000
Participation based on estimated hours	11,076	11,420	344
Lump sums for schools	1,875	1,875	0
Central services (EY advisors, Children's Centres, EY curriculum support etc),	682	755	73
SEN inclusion fund	300	250	-50
Contingency	50	50	0
TOTAL SPEND	13,983	14,350	367
DSG EY funding	-13,983	-13,550	433
NET DEFICIT	nil	800	800

The £800k overspend forecast is being reviewed fully in conjunction with the Autumn headcount data and any changes will be reported in due course.

3. **3 & 4 YO Offer 2019/20 initial budget model**

- 3.1. The initial 2019/20 DFE allocation will be based on January 2018 headcounts and this will be revised in July 2019 to reflect the January 2019 data. The funding assumed in the modelling for 2019/20 is based on January 2019 estimated headcount numbers. The indications based on trends from 2017/18 are that 2 headcounts will be very similar.

The 19/20 initial budget model is summarised below:

	19/20 Budget	18/19 Budget	Variance
	£000	£000	£000
Participation based on estimated hours - base rate	10,903	10,437	466
Participation based on estimated hours - deprivation	1,363	639	724
Protection for schools against 2016/17 baseline		1,875	-1,875
Central services expenditure - 5% maximum allowed	686	682	4
SEN Inclusion Fund	300	300	0
Balance – to cover contingency and CP/CIN	481	50	431
TOTAL SPEND	13,733	13,983	-250
DSG EY funding	-13,733	-13,983	250
NET POSITION	nil	nil	nil

The breakdown of the hourly funding rate of £7.92 is shown in the table below

Table: Factors and Hourly Rates Applied

Factors	Rate per Hour £	Rate per Hour %
A. Basic hourly rate per child	£6.30	80%
B. Deprivation hourly rate (av)	£0.70	9%
C. SEN Inclusion Fund	£0.17	2%
D. Contingency & CP/CIN	£0.35	4%
E. Central Support	£0.40	5%
Total	£7.92	100%

- 3.2. Elements of the model

- All providers (schools, PVI's and childminders) to be funded according to the DFE regulations through a universal base rate and a supplement for deprivation based on IDACI bandings for individual children. Deprivation is a mandatory supplement. The value of supplements must not exceed 10% of the total amount of the payments made.

A. Universal base rate

The suggested base rate is £6.30 per hour – this is an increase of 20p over the 2018/19 rate equivalent to 3% to cover inflationary increases in running costs especially staffing.

B. Deprivation

The suggested deprivation rate ranges from £0.30 for Band 9 to £1.40 for Band 1. Analysis of the May 2018 cohorts shows that the average rate for schools is £1.09 and for PVIs and Childminders £0.58. these average rates have been used in the 2019/20 budget model above. The average rate across all providers is £0.70 per hour.

C. SEN Inclusion Fund

The LA is required to use some of the funding received as part of the 3 & 4 YO funding to operate an SEN Inclusion Fund.

This fund is intended to support local authorities to work with providers to address needs of individual children with SEN. The majority of the fund should be passed on to providers in the form of top up grants on a case by case basis

LBHF needs to establish a local offer after consultation with providers, parents, and SEN specialists.

The model assumes an indicative figure of £300k but a detailed budget will be produced in due course that funds the agreed local offer. This equates to £0.17 per hour. See C above.

Note: 2 YO SEN inclusion must be funded from the High Needs Block.

D. CP/CIN & Contingency

The model above shows CP/CIN and contingency on a separate line. The guidance received from ESFA indicates that expenditure on CP/CIN that falls outside the participation model e.g. additional hours for 3 and 4 YO, expenditure on under 3s is required to be included within Central services spend. This will require a disapplication request to the DFE to increase the percentage of funding retained for central services over the allowed maximum of 5%. Initial indications are that up to a further 5% (£686k) would be required.

The disapplication request must contain detailed information explaining why the authority is unable to contain central services expenditure to within the 5% allowed. This proposal would be subject to the draft budget consultation and will be updated once the EYNFF Guidance is received in December 2018.

E. Central services

The model assumes a budget for central services of £686k which is the maximum amount allowed (5% of total 3 and 4 YO funding) under regulations.

Further work is required on the detail for this budget but in the current year the services funded include the Early Years Advisors and Children's Centres in Family Support, Early Help, and Early Years Curriculum Advisors.

The 18/19 forecast for Central Services is £755k so efficiencies are required to keep this spend within 5% cap.

4. NEXT STEPS

- Schools Forum to agree the initial budget model outlined above as the basis for wider consultation
 - Principle of uplift of £0.20 basic hourly rate per child for 2019/20
 - Further work for Early Years National Funding Formula disapplication request for CP/CIN place funding for 1,2,3 and 4 year olds.
- Final budget recommendations for 2019/20 will be prepared after guidance and allocations are received in December 2018.
- Schools Forum to agree the budget on the 15th January 2019
- LBHF prepare to submit CP/CIN disapplication request circa 18th January 2019 – disapplication deadline to be confirmed in the ESFA December update.
- LBHF to continue its offer to support then ongoing work to support maintained nurseries and primary schools with nurseries in developing sustainable offers from April 2019.

Report ends