



EARLY YEARS FUNDING FORMULA AND CENTRAL EXPENDITURE

Purpose of the Report

1. To brief Forum members of how the current 2.54% centrally retained expenditure from the 2016/17 early years block of DSG is currently used.
2. To seek approval by the Forum to retain 2.62% of the predicted early years block for 2017/18 to provide functions to support statutory duties for early years as specified by the school and early years finance regulations 2015.

Information and Advice

1. At the Schools Forum held on 20 October 2016, the Early Childhood Service sought approval from the Forum to retain up to 5% of funding from the early years funding block to support the statutory sufficiency and assessment functions of the service.
2. The School and Early Years Finance (England) Regulations 2015 state that central early years expenditure should include expenditure on determining:-
 - a) The eligibility for free school meals of a pupil who is being provided with early years provision
 - b) The eligibility of a child for prescribed early years provision; or
 - c) The eligibility of a child for the early years pupil premium
3. The recent DfE consultation on the National Early Years Funding Formula stated that by 2018/19, LA's would not retain more than 5% of this budget for central use. In 2016/17 only 2.54% of that budget has historically been centrally retained in Nottinghamshire.
4. In October the Forum requested more information regarding how the current centrally retained funds are used, and what an increase in this amount would be used to support. This report provides a detailed breakdown of the funding for 2016/17 and how any proposed increased allocation would be used. The report also confirms which activities were permitted to be supported by centrally retained funding.

Early Years Funding Overview and Background 2016/17

5. Early Years funding in Nottinghamshire is allocated from council revenue funding and the early years block. The vast majority of the early years funding block is used to fund early years places for 2, 3 and 4 year olds, the breakdown is as follows:

- a. **Three and four year olds** - The Early Years Single Funding Formula (EYSFF) was introduced by DfE from April 2010 with the key aim of ensuring that the formula supported a mixed market, funded on the basis of participation not places and on a fair and transparent basis. The amount paid by Government to local authorities via the Early Years Funding Block is adjusted in the following year, based on the results of the January census. On average, there are almost 12,000 three and four year olds accessing an early years place each term in Nottinghamshire. Local authorities have had freedom to set their own rates of funding using the EYSFF. The Nottinghamshire hourly rate for three and four year olds, paid to schools and PVI providers remained at £3.67 and £3.77 respectively, until reviewed and temporarily increased using a contribution from the DSG reserve to £3.90 and £4.00 for 2015/16 and 2016/17.
- b. **Deprivation supplement** - A deprivation supplement was also required by regulation to be part of the EYSFF. It is only paid for 3 and 4 year olds, as two year old funding is already targeted at disadvantaged children and attracts a higher hourly rate. Again it was for local authorities to determine both the criteria and rate paid for the deprivation factor. No additional funding is allocated to LA's to cover any deprivation supplements. Nottinghamshire agreed on £0.55 per hour for children whose families met the free school meals criteria and an additional £1.53 if the child attended a session that spanned a lunch period to provide a meal. At that time, very few families applied for the deprivation supplement and even less claimed the funding for the meal. The deprivation supplement is paid to all Early Years providers including schools. With the introduction of the Early Years Pupil Premium in 2015, also targeted at the most disadvantaged children, the Schools Forum agreed to reduce the deprivation supplement to £0.05 per hour with effect from April 2016.
- c. **Two year olds** - The free entitlement to early education was extended to the 20% most disadvantaged two year olds from September 2013 and further extended to around 40% of two year olds in September 2014. When Government allocated funding to local authorities the national average hourly rate was £5.09 per hour. This reflects the higher costs related to provision for two year olds, due to different staff to child ratios. Nottinghamshire's allocation equated to £4.88 per hour; below the national average. However, as Nottinghamshire was awarded additional trajectory funding to "grow" its offer for two year olds, and received funding for the whole potential cohort rather than just those attending, it was agreed that Nottinghamshire could match the national hourly rate of £5.09 per hour for 2014/15. Schools forum agreed as part of the annual formula consultation that the hourly rate for two year olds be temporarily maintained at £5.09 for 2015/16 and 2016/17 by using a contribution from the DSG reserve.
- d. **Early Years Pupil Premium.** This additional funding was available, as part of the DSG Early Years Block, from 2015. The EYPP is awarded to three and four year olds who meet the Free Schools Meals criteria, following an on-line eligibility check. This funding is to assist with the provision of additional support to close the growing attainment gap between disadvantaged and non-disadvantaged children in the early years. It is currently equivalent to £300 per child per year.

6. Local Authority Core Funding is used to fund all early years posts within the Local Authority. It is also used to pay for ICT activities including the Early Years Portal, children centres, data systems, workforce development for the sector, governance, consultation and engagement activities. This equates to over £13million.

EFA Funding to Authorities - National Consultation 2016

7. Funding has been allocated to LA's based on historical spend, since the implementation of the EYSFF in 2009/10.
8. DfE is currently undertaking a review of the funding formula for early years, with the intention of introducing a fair national funding formula from April 2017 (unlike the school fair funding to which will begin in 2018) . This funding will be accompanied by revised statutory guidance for LA's on the use of the funding. DfE also aim to introduce a national funding agreement to be used between LA's and providers.
9. The new proposed formula is based on 3 factors:
 - a. A 'universal base rate' of funding for each child, so that every local area is funded fairly for the core costs of delivering early years provision. The differing rates for 2 year olds and three and four year olds will remain.
 - b. An 'additional needs factor', so that funding takes into account the extra costs of supporting children with additional needs to achieve good learning and development opportunities.
 - c. An 'area cost adjustment' for the actual cost of delivering childcare in different parts of the country.

Early projections show that Nottinghamshire will receive an increase in the funding allocation under the Early Years National Funding Formula for both two year olds, and three and four year olds. The allocation for 2017/18 will also include funding for the new 30 hours of free childcare, coming into effect in September 2017. These additional hours will be funded at the same rate as the universal 15 hours.

10. The Early Years National Funding Formula (EYNFF) consultation noted that while nearly all LA's retain some of their DSG allocation to cover central expenditure, the amount retained varies from 0% to 30% of the early years block. The consultation proposed that, by 2018/19, LA's will retain no more than 5% for central expenditure.

EFA changes to Non Early Years Specific Central Expenditure

11. The EFA's Schools revenue funding operational guide states that for 2017/18 all central expenditure that is not specific to the early years block will be funded from the schools block. The schools block of the DSG will be increased in order that it has sufficient fees to cover the additional costs. This will remove £0.27 million of commitments from the Early Years block.

Nottinghamshire's use of funds

12. The DSG Early Years block for Nottinghamshire for 2016/17 is **£34.428 million**. **£33.553 million** is spent on early years places for 2, 3 and 4 year olds and Early Years Pupil

Premium. The total funding centrally retained was **£0.876 million**, which equates to **2.54%** of the Early Years funding block.

- 13. On top of the DSG early years block, Nottinghamshire’s Schools Forum has allocated **£1.9 million** in both 2015/16 and 2016/17 from the DSG reserve to pay for the temporary increase in funding rates.
- 14. All of the central cost of supporting the delivery of Nottinghamshire’s statutory duties for early years currently come from the core departmental Children, Families and Cultural Services budget. As LA funding from central government falls, then, along with all others, this budget is subject to pressure to make considerable savings, which includes staffing reductions.
- 15. Just as the funding that has come from DfE is based on historical allocations, the costs included in the local centrally retained total for early years are also historical. Some of these contributions are for functions mainly or partly linked to early years.
- 16. A table showing the allocations under the early years block and a description of the budget headings is included in Appendix 1.
- 17. A summary of 2016/17 expenditure is shown below:

Area of Spend	Total £ million	%
Early Years Places Spend	33.553	97.5
Early Years Linked Central Spend	0.601	1.7
Contribution to non EY Central Spend *	0.274	0.8
Total	34.428	100

*A detailed breakdown is provided in Appendix 1.

Proposals

- 18. This report seeks approval from the Forum to fund early years posts and activities from the early years block from April 2017 in accordance with the school and early years finance regulations 2015. This will ensure the LA fulfils its statutory duties for childcare sufficiency and associated eligibility assessments. Although the amount retained would increase by £0.259 million, this would only be an increase of 0.08% of the early years block as the amount that NCC receives should rise significantly due to NFF.

19. Funding in 2017/18 would be used to fund the following posts and activities:

Post	Function	Cost (including on costs and OH)
1.5 FTE Early Years Data Officers	<p>To ensure delivery of the free early years provision is conducted in accordance with national policy guidance and that all relevant data is collated and recorded.</p> <p>Managing the funding streams, budget and payments associated with the provision of Early Years services, via schools and PVI sectors.</p> <p>To contribute to the medium and long term strategies for the statutory provision of places for early years and statutory age children.</p>	£64,986
1 FTE Childcare Business & Finance Officer	<p>To support Private, Voluntary and Independent (PVI) early years providers with their financial and business planning on behalf of Nottinghamshire County Council.</p> <p>The post holder develops and maintains the viability of all businesses across the early years sector in Nottinghamshire.</p>	£51,724
2 FTE Early Years Project Officers	<p>To fulfil NCC's statutory duty to ensure there are sufficient high quality childcare places. This will include mapping of service provision, marketing to increase take up of childcare places; and increasing childcare provision through capital projects and targeted work with schools.</p> <p>The post provides a lead delivery role in terms of national and local initiatives and projects to increase child provision, private, voluntary and independent childcare sector to ensure quality; and adherence to policy, practice guidance, Ofsted and financial and business planning.</p>	£136,079
1FTE Early Years Strategic Manager	<p>To lead on national duties placed on the Local Authority for early years provision, childcare sufficiency and quality assurance.</p> <p>To take a leadership and line management role with Early Years posts and the Early Years Advisory Service including operational, technical and professional staff to deliver required Early Childhood Service objectives.</p>	£79,651
0.5FTE Early Childhood Services Group Manager	<p>To lead and manage the early years team and functions of the LA. This post is the strategic lead for early years duties, functions and processes and is the overall lead for all early years budgets and spend.</p> <p><i>NB: this is a full time post and a contribution to costs is requested; the role also includes commissioning of early childhood services including children centres and the Families Information Service.</i></p>	£56,246
	Subtotal (posts including on costs)	£388,686
Better Start Portal	<p>This is a tool developed by Capita to allow all early years providers and the local authority to track the progress of children accessing childcare and free early education. This will provide indicators for children's level of development and provide proactive strategies to ensure children are ready for school.</p>	£5,102

Self-Update Portal	This is a tool developed by Capita to allow all early years providers to input data re vacancy levels, waiting lists and data to inform childcare sufficiency assessments and subsequent actions.	£2,625
CSA research & analysis	This will include costs for venues, parents and early years providers, focus groups, ad hoc research projects, external support when required.	£10,000
	Subtotal (non-staffing)	£17,727
	Overall proposed allocation:	£406,413

20. Since 2013/14 the early years block has made an annual contribution of £0.40 million towards the costs of the Inclusion Service. The remainder of this service is funded by the high needs block. This amount has never been inflated, with the increased pressure on the service being covered by the High Needs Block. The early years/ key stage one team has an annual cost of £1.11 million. As half of this team is attributable to early years, NCC proposes that it is split 50:50 between the high needs and early years block. This would increase the contribution to the early years block to £0.56 million.

21. The total additional budget proposed to be retained equates to £0.259 million. Added to the current existing centrally retained amounts this is £1.14 million or 2.62% of the early years block. This is considerably below the 5% retention permitted by the EFA

RECOMMENDATIONS

That the Schools Forum:

- 1) Notes the content on the report which details current spend and proposed retention of funding from the early years DSG funding block.
- 2) Approves the proposal by Nottinghamshire County Council to centrally retain the equivalent of 2.62% of the predicted early years block in 2017/18, which will fund functions to support appropriate early years statutory duties within the Early Childhood Service.

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