

**Bristol Schools Forum**  
**Early Years DSG Funding 2018/19**

<b>Date of meeting:</b>	16 <sup>th</sup> January 2018
<b>Time of meeting:</b>	6.15 pm
<b>Venue:</b>	City Hall

**1. Purpose of report**

1.1. This report sets out the indicative funding for the Early Years Block for 2018/19 and the key principles of and values in the Early Years Funding Formula.

**2. Recommendations**

2.1. Schools Forum is invited to:

- a. Note the arrangements for the Early Years Block for 2017/18 and 2018/19, in particular the point that levels of spend are dependent on levels of participation at future pupil censuses, so budgets will need to allow for this;
- b. Comment on the proposed use of the centrally retained funding within the permitted 5% cap; and
- c. Comment on the proposed formula values for 2018/19.

**3. Available Funding 2017/18 and 2018/19**

3.1. The Early Years Block of the Dedicated Schools Grant (DSG) provides local authorities with six relevant funding streams which together form the early years block of the DSG. They are:

- a) the early years entitlement for disadvantaged two year olds
- b) the early years universal entitlement for three and four year olds
- c) the early years additional entitlement for three and four year old children of eligible working parents
- d) supplementary funding for Maintained Nursery Schools (MNS)
- e) the Early Years Pupil Premium (EYPP)
- f) the Disability Access Fund (DAF)

3.2. The allocations for 2017/18 and 2018/19 are set out in **Table 1**.

**Table 1: Comparison between latest indicative Early Years DSG for 2017/18 and 2018/19**

<b>Component</b>	<b>2017/18 EY Block Indicative DSG (Nov 17)</b>			<b>2018/19 EY Block Indicative DSG (Dec 17)</b>		
	<b>Rate per hour</b>	<b>Part-time equivalent pupils</b>	<b>Indicative DSG £'000</b>	<b>Rate per hour</b>	<b>Part-time equivalent pupils</b>	<b>Indicative DSG £'000</b>
3&4 Year Old <15 hour provision	£6.00	7,361.66	25,177	£5.70	7,361.66	23,918
3&4 Year Old Supplementary 15 hour provision	£6.00	973.68	3,330	£5.70	1,732.00	5,627
2 Year Old provision	£5.43	1,486.40	4,601	£5.43	1,486.40	4,601
EY Pupil Premium			366			366
Disabled Access Fund			103			97
Maintained Nursery Supplement			1,249			931
<b>Total indicative EY DSG</b>			<b>34,826</b>			<b>35,540</b>

3.3. The 5% reduction in the rate for 3 and 4 year olds (from £6 to £5.70) has been anticipated because it is the move to a national funding formula for early years provision. The supplementary 15 hour provision was introduced in September 2017, so the 2018/19 increased participation is the forecast full-year impact. There is no change to the rates for 2 year olds. The Maintained Nursery Supplement has reduced from the originally notified £1.297m for 2017/18 to the latest figure of £1.249m and this has been further reduced for 2018/19 by a further £0.318m to £0.931m, ostensibly because the DfE are taking account of the January 2017 participation levels.

3.4. For all of the 2, 3 and 4 year old allocations, the final DSG is based on participation levels during the year. The indicated part-time equivalent pupils can only be estimates. The Authority is required to distribute the available funding on the basis of an agreed formula, corresponding to the requirements of the Early Years National Funding Formula. The guidance on how to allocate that funding is explained in the next section.

#### **4. How funding must be distributed.**

4.1. DfE Guidance on funding for Three and Four Year Olds states that Local authorities:

- should set a single funding rate (including the same base rate and supplements) for both the universal 15 hours, and the additional 15 hours for working parents of three and four year olds
- must plan to spend at least 95% of their three and four year old funding from government on the delivery of the government entitlements for three and four year olds

- must use a deprivation supplement in their local three and four year old formula, and any other supplements used must fall within one of the allowable categories
- must not channel more than 10% of their funding for three and four olds through funding supplements
- can continue to use 'lump sums' to distribute Government funding, including the supplementary MNS funding for Maintained Nursery Schools to enable the protection of their 2016 to 2017 funding rates
- must provide a SEN Inclusion Fund (SENIF) for three and four year olds
- must pass on the Early Years Pupil Premium (EYPP) in full to providers for eligible three and four year olds
- must pass on the Disability Access Fund (DAF) funding in full to providers for eligible three and four year olds

4.2. DfE Guidance on funding for disadvantaged Two Year Olds states that:

- there is no 'pass-through requirement' for two year olds
- there are no compulsory supplements for two year olds, and local authorities are encouraged to fund providers on the basis of a flat hourly rate for all providers
- Local authorities are not required to establish a SEN Inclusion Fund for two year olds. However, they may wish to do so as part of their provision for children with Special Educational Needs.

4.3. DfE Guidance on Funding supplements explains that funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. The total value of funding supplements used must not be more than 10% of the total value of planned funding to be passed through to providers. The allowable supplements are:

- deprivation (mandatory supplement); local authorities must use this supplement to recognise deprivation in their areas
- rurality or sparsity (discretionary supplement); to enable local authorities to support providers serving rural areas less likely to benefit from economies of scale
- flexibility (discretionary supplement); to enable local authorities to support providers in offering flexible provision for parents
- quality (discretionary supplement); to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area); any system leadership supplement should be open and transparent in terms of the process for choosing the 'leaders', the funding arrangements, and the support to be provided
- English as an additional language (EAL) (discretionary supplement)

#### 4.4. DfE has included changes to guidance for 2018 to 2019:

- the pass-through rate will increase from 93% in 2017/2018 to 95% in 2018/ 2019
- clarification that local authorities' formulas should not distinguish between the two entitlements for three and four year olds (ie the first 15 hours and the second 15 hours).

### 5. Funding arrangements for Bristol 2018/19

5.1. Following consultation with the early years' sector in 2016/17, BCC agreed to adopt the discretionary supplement for quality, to support system leadership. Expert practitioners provide universal and targeted support for settings, in line with identified need and local priorities: Early Language and Communication, Early Maths, Birth to Threes, Inclusion and Equalities, Assessment and Transition, and Family Support.

5.2. Other than the increase in the pass-through rate from 93% to 95% no further changes to the Early Years Funding Formula are planned in Bristol for 2018/19.

5.3. Tables 2a and 2b set out the hourly funding rates and indicative total budgets required for 3 and 4 year olds and for 2 year olds.

**Table 2a: Proposed funding rates and estimated budgets for 2017/18 and 2018/19  
(3 and 4 Year olds)**

<b>Component of 3 and 4 year old funding</b>	<b>2017/2018 Hourly rates (£p)</b>	<b>Allocation based on 8,335.34 pte pupils £'m</b>	<b>2018/2019 Hourly rates (£p)</b>	<b>Allocation based on 9,093.66 pte pupils £'000</b>
3 and 4 year olds base allocation per part-time equivalent pupil (15 hours)	£5.02	£23.851m	£4.88	£25.295m
Deprivation Supplement (23.2% share of 10% of devolved rate)	£0.13	£0.618m	£0.13	£0.674m
Quality Supplement (30.3% share of 10% of devolved rate)	£0.17	£0.808m	£0.16	£0.881m
Emerging SEN (46.5% share of 10% of devolved rate)	£0.26	£1.235m	£0.25	£1.244m
LA centrally retained funding (7% 17/18, 5% 18/19 of gross funding)	£0.42	£1.995m	£0.28	£1.451m
<b>Total funding for each pte pupil</b>	<b>£6.00</b>	<b>£28.507m</b>	<b>£5.70</b>	<b>£29.545m</b>

5.4. The figures in Table 2a meet the pass-through requirement of 95%. The base rate for settings is 1p higher than previously notified because the final hourly rate for 3 & 4 year olds is protected at £5.70 for 2018/19 ( at the maximum reduction of 5%), rather than at the formulaic allocation of

£5.69. The maximum 10% supplements have been allocated on the same proportions as 2017/18, rounded to the nearest whole penny per hour.

**Table 2b: Proposed funding rates and estimated budgets for 2017/18 and 2018/19  
(2 Year olds)**

<b>Component of 2 year old funding</b>	<b>2017/2018 Hourly rates (£p)</b>	<b>Allocation based on 1,486.40 pte pupils £'000</b>	<b>2018/2019 Hourly rates (£p)</b>	<b>Allocation based on 1,486.40 pte pupils £'000</b>
Retained to administer 2 year old arrangements	£0.03	£0.025m	£0.03	£0.025m
2 year olds base allocation per part-time equivalent pupil (15 hours)	£5.40	£4.575m	£5.40	£4.575m
<b>Total funding for each pte pupil</b>	<b>£5.43</b>	<b>£4.600m</b>	<b>£5.43</b>	<b>£4.600m</b>

5.5. The allocations for 2 year olds are the same as for 2017/18. The 3p per hour administration charge amounts to £25k and this funds part of the central Early Years Team.

5.6. The funding for maintained nursery schools will be allocated on the basis of the supplement per pupil agreed by the DfE, protecting levels of funding for maintained nursery schools in 2016/17. Officers will follow up with the ESFA the reasons why the allocation has dropped for 2018/19.

5.7. The funding for Disabled Access Funding will be allocated on the basis of £615 per eligible child.

5.8. The funding for Early Years Pupil Premium will be allocated on the basis of 53p per hour for eligible children (ie £302.10 for 570 hours).

5.9. On the basis of the 5% cap for 2018/19, the Authority would intend to budget for the services set out in Table 3.

**Table 3: Components of 2017/18 and proposed 2018/19 central spend**

<b>Component</b>	<b>Allocation 2017/18 £'000</b>	<b>Allocation 2018/19 £'000</b>	<b>Change £'000</b>	<b>Comment</b>
Early Years Central Team	£1.414m	£1.276m	-£0.138m	There have been vacancies in 2017/18 which will not be filled.
Speech and Language Therapy	£0.220m	£0.200m	-£0.020m	Renegotiated contract value.
Contingency / unallocated	£0.386m	£0m	-£0.386m	No direct service impact, but this removes some flexibility.
<b>Total central spend</b>	<b>£2.020m</b>	<b>£1.476m</b>	<b>-£0.544m</b>	The 2018/19 figure includes the £1.451m from 3&4 year olds and the £25k from 2 year olds

## 6. Risks

- 6.1. The introduction of the additional 15 hours a week of childcare for the three and four year olds of working parents in September 2017 presents a new challenge as we do not yet know the percentage of eligible parents that will be taking up this offer. 2,033 children are currently accessing their 30 hour entitlement in Bristol, 98% of the codes issued. This is higher than the activity levels used by the DfE in their calculations for the 2018/19 DSG.
- 6.2. Additional budget pressures could be created if large numbers of children taking up the 30 hours entitlement are living in areas of deprivation and therefore attracting a higher hourly funding rate.
- 6.3. The 2% reduction in centrally retained funding will impact on the capacity of the Early Years' Service, but this is being addressed through a review and rationalisation of central staffing structures.
- 6.4. Take up of the Early Years Free Entitlement is not consistent across the academic year, with fewer children accessing their place in the Autumn Term. It is therefore difficult to predict with any accuracy what the annual take up rate will be.
- 6.5. A supplementary paper will be presented to Schools Forum in March with updated information on the uptake of the Free Early Education and Childcare Entitlement and an assessment of the impact on the Early Years Block.

## **7. Financial implications**

- 7.1. The strategic financial position on the Early Years DSG is dependent on linking the levels of activity (eg numbers of part-time equivalent pupils, actual profile of deprivation allocations etc) against the income that will be generated from the variable DSG, sometimes in future terms. Higher levels of participation will generate some leeway for central spend, SEN and quality components of the formula; lower participation than anticipated may produce financial difficulties if the differences are material.
- 7.2. The introduction of the supplementary 15 hours has made the calculations more complex and officers have not fully worked through the detail to establish the full impact of the autumn term participation rates on funding levels. It is imperative that this is established and a process for monitoring in this way is embedded as the margins for error have reduced significantly with the introduction of the Early Years National Funding Formula where the headline rate for 3 and 4 year olds in Bristol has reduced from £6.30 to £5.70 in two years.
- 7.3. A further report to the March 2018 meeting to validate the strategic financial position would be most helpful.