**A4**

**WESTMINSTER CITY AUTHORITY**

**SCHOOLS’ FORUM – 20 MARCH 2017**

**REPORT BY HEAD OF RESOURCES**

**CHANGES TO FUNDING FOR 3 AND 4 YEAR OLDS**

**Purpose of the report**

The Schools Forum is being consulted on the formula to be used to distribute the funding for Early years.

**FOR APPROVAL**

1. **Background**
   1. The Department for Education (DfE) have introduced a national funding formula for early years (EY) provision from 1 April 2017.
   2. A Paper was submitted to the last Schools in January providing key points relating to the new formula. It highlighted the potential impact of EY funding for Westminster City Authority and the EY providers from whom the local authority commission free entitlement places.
   3. This report provides the Schools Forum with the detailed proposals for funding providers following the introduction of the new national funding formula.
2. **Recap on the EY National Funding Formula**
   1. There are two elements to the new national funding formula;
3. The introduction of an entitlement to an additional 15 hours of funded childcare for the 3- and 4-year old children of working parents (from September 2017),
4. A national funding formula for EY (from 1 April 2017).

Both of these elements have been tightly prescribed by the DfE and leave limited scope for local authorities to fund early years providers based on historic local funding arrangements.

* 1. The Authority is required to set an hourly rate for all providers of EY, for both the universal 15 hour offer and the additional 15 hour offer for working parents. Currently, the Authority has a different hourly rate for each type of provision but from 1 April 2017 the Authority will be obliged to fund nursery classes, nursery schools, pre-schools and childminders at the same rate.
  2. The Authority is required to passport a minimum of 93% of the funding allocation from the DfE, of which 83% must be funded through a universal base rate. By April 2018, this will rise to a passport of a minimum of 95%, of which 85% must be funded through a universal base rate. The Authority can, therefore, retain up to 7% for the funding of central costs in 2017/18 and 5% in 2018/19.
  3. Local authority permitted supplements in the new formula are capped at 10% with a specification that deprivation is a mandatory supplement.
  4. The government recognises that there needs to be a protection for nursery schools during the transition stage. Supplementary lump sums are permitted to support particular nursery schools in the short term.
  5. From 1 April 2017 all local authorities will need to establish a SEN Inclusion Fund in order to support those children with additional needs. The Inclusion Fund can be funded from the High Needs Block, EY Block or a combination of them both.

1. **A universal base rate for Westminster City Authority providers for 3- and 4-year-old funding**
   1. Currently, the Authority pays between £3.09 and £5.89 per hour to providers.
   2. For 2017/18 we are proposing to pay £6.40 per hour across all settings.
2. **An allocation for deprivation for 3- and 4- year old funding**
   1. Currently, the Authority pays providers additional supplements for deprivation, quality and flexibility at differing rates. It is proposed that this formula is simplified to allow providers transparency over their funding allocations.
   2. For 2017/18 the Authority are only proposing to implement the mandatory supplement for deprivation. The rationale for this is to keep the universal hourly rate at the highest possible rate within the limited funding available. There is a further rationale that under the previous formula the weighting to deprivation was far higher than for quality and flexibility. Given that the DfE have mandated that authorities can use a maximum of 10% on supplements, it would be appropriate to target the limited funding to this factor. The Authority will use the current criteria for allocating deprivation which is distributed using IDACI data. This can be revisited in future years.
3. **Centrally retained funding by the local authority**
   1. The DfE have mandated that 93% of the early years funding for 3 and 4 year olds is passed through to providers in 2017-18.

|  |  |
| --- | --- |
| **3- and 4-year olds** | **2017-18** |
| Universal offer allocation | 11,708,437 |
| Additional hours allocation (Sept 2017 to March 2018) | 1,459,356 |
| Maximum percentage for central spend | 7% |
| Central spend cap | £921,745 |

* 1. The Authority is proposing to retain the maximum 7% (£922k) of EY funding for 3 and 4 year olds.

1. **Funding additional 15 hour free places for 3 and 4 year olds based on local eligibility criteria** 
   1. The Authority currently provides funding for the most deprived children to access the 15 additional hours based on deprivation factors. In 2016/17 approximately 613 children received these extra hours.
   2. There is no allocation of funding for this criteria under the new formula, funding is only available for children with working parents.
   3. It was reported to the last Schools Forum, that the Authority are committed, in the short term, to continue to fund full time places for the most deprived children in schools. At this stage the commitment is to continue to fund the current level of full time places until July 2018.
   4. It is proposed that current full time places at schools are funded at the 2016/17 base rate of £3.09 per hour. It is estimated that this will cost £805K and will be funded from the Authority’s reserves and will be outside of the new formula funding model. The new base rate has not been reduced to accommodate this additional funding.
2. **Additional resources for maintained nursery schools**
   1. Whilst the Authority have not been allocated supplementary income for the nursery sector, it is proposed that 4 nursery schools are supported in this period. It was reported to the last Schools Forum meeting, that a review of the sustainability of the nursery schools was currently in place and an agreement had been made to honour this on a reducing scale over the next 2 years.
   2. The cost of sustainability in 2016/17 was £1.2m. As agreed this funding will reduce by 20% per year. Therefore, the level of sustainability funding for the 2017/18 financial year is £971k.
3. **A base rate for providers for 2-year-old funding**

8.1 In 2016/17 the Authority passported the full funding that was received by the DfE for 2 year olds to providers. The hourly rate was £6.07. It is proposed that for 2017/18, the Authority continues to passport the full funding. The hourly rate for 2017/18 will be £6.50.

1. **SEN Inclusion Fund, Disability Living Allowance (DLA). EY Pupil Premium (EYPP)**
   1. The Authority has reviewed its current inclusion fund policy. The criteria for funding an SEN child is currently being assessed. Further details will be provided shortly on the operation of this funding stream.
   2. The DfE has provided additional funding of £615 per child in receipt of Disability Living Allowance (DLA). This will be paid in an annual lump sum to eligible children. Operational guidance on how to access the Disability Access Fund will be issued in due course.
   3. Early Years Pupil Premium (EYPP) for 2017/18 will be paid out to eligible providers at the same rate as 2016/17 of 53p per free entitlement hour.
2. **Recommendations**
   1. Schools Forum are asked to:
      * To approve the funding rates for the 2017/18 financial year
      * To approve the transitional arrangements and continued funding of full time places.

**Summary Funding Table**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Universal 15 Hours** | **Working parents 30 hours \*** | **Total Funding** | **Total Funding** |
|  | **£** | **£** | **£** | **~~%~~** |
| Total DfE Funding | 11,708,437 | 1,459,356 | 13,167,792 | **100%** |
| Central costs retained by the Authority | 819,591 | 102,155 | 921,745 | **7%** |
| **Total Distributed to Providers** | **10,888,846** | **1,357,201** | **12,246,047** | **93%** |
|  |  |  |  |  |
| **Distribution** |  |  |  |  |
| *Schools* |  |  |  |  |
| Schools Base Rate | 4,483,392 | 597,785 | 5,081,177 | **39%** |
| Schools deprivation supplement | 595,451 | 31,757 | 627,208 | **5%** |
| Maintained nursery schools lump sum | 971,200 |  | 971,200 | **7%** |
| *PVIs* |  |  |  |  |
| PVI base rate | 3,813,312 | 508,442 | 4,321,754 | **33%** |
| PVI deprivation | 521,807 | 36,465 | 558,271 | **4%** |
| Contingency for change in numbers | 503,684 | 182,752 | 686,437 | **5%** |
| **Total Distributed to Providers** | **10,888,846** | **1,357,201** | **12,246,047** | **93%** |

\* Working Parents allocation for September 2017 to March 2018.