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# Early Years Budget 2017/18

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**Report being considered by:** Schools Forum  
**On:** 23/01/2017  
**Report Author:** Avril Allenby  
**Item for:** Decision **By:** All Forum Members

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## 1. Purpose of the Report

- 1.1 To set out the changes to the early years funding in 2017/18 and the proposed formula. To agree the proposed formula to go out to consultation with Early Years providers.

## 2. Recommendation(s)

- 2.1 To agree the proposal to go out to consultation with providers

<b>Will the recommendation require the matter to be referred to the Council or the Executive for final determination?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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## 3. Changes and Requirements for 2017/18

- 3.1 On 1st December 2016 the Government announced that the proposed new early year's national funding formula would commence from April 2017.
- 3.2 The funding rate determined for West Berkshire (WBC) remains the same as that proposed during the consultation stage, despite our concerns that the premises element of the area cost adjustment (ACA) seemed flawed. Our rate is thus £4.70 made up as follows:

	Excluding ACA	ACA	Total
Base Rate	£3.53	£0.92	£4.45
Additional Needs	£0.20	£0.05	£0.25
Total	£3.73	£0.97	£4.70

- 3.3 The ACA has remained at a ratio of 1.26.
- 3.4 The average funding rate for all local authorities has now increased to £4.78 from £4.71, dropping WBC further below the average. The reason the average has increased is because a minimum funding level of £4.30 has been introduced for the lowest funded authorities (the lowest funding was £3.52 in the consultation) at an additional cost of £30m. This therefore dilutes our ACA differential. The 10% maximum loss still applies, so the highest funded authorities will still continue to receive significantly higher than average rates beyond 2019, the highest being

£8.51, almost double the lowest. The estimated average provider rate has therefore increased to an estimate of £4.00 per hour.

- 3.5 The rates could change on an annual basis according to any changes in the characteristics of the cohort of children used for the additional needs calculation, and property revaluations used in the premises ACA. It is disappointing that the Government has gone ahead with a complex calculation with annual uncertainty rather than a simple and transparent formula like the one used for two year old funding (which doesn't require annual adjustment), and which has been confirmed will remain the same.
- 3.6 It has been confirmed that the additional funding for maintained nursery schools will be provided until at least 2019/20. This will enable the lump sum to continue to be paid to these two WBC nursery schools.
- 3.7 The pass through rate (amount of funding to be passed directly on to providers) has been confirmed as 93% for 2017/18 and 95% thereafter. The Government will be monitoring compliance on this, and the "rules" surrounding this have been detailed. The complication is that funding is still to be based on the January census so could significantly change by the end of the year.
- 3.8 As proposed in the consultation there will be a universal base rate required for all types of providers.
- 3.9 The consultation had proposed removing the ability to use quality supplements, which for WBC providers is the main differentiation in rates used and would have had the biggest impact. The use of a quality supplement will now be allowed to recognize workforce qualifications. However, supplements will be capped at 10% of the allocated budget to providers, which will include the mandatory deprivation supplement. It is not clear whether the quality supplement can only be one rate or a range, and this will need to be clarified. Although the amount that will be able to be put through the quality supplement will be significantly less than the current formula, its use will reduce the number of providers that were likely to see a reduction in their funding rate under the original proposal.
- 3.10 The Early Years Pupil Premium Grant (EYPPG) is to continue. In addition there will be a Disability Access Fund (DAF). £615 per child per year will be payable to children in receipt of Disability Living Allowance. Like the EYPPG this will require significant administration – both by providers and the local authority. It is also likely that the funding received will not match the payments made to eligible children, and will add to the complexity of balancing the early year's budget.
- 3.11 An SEN Inclusion fund will be required by April 2017, and the details published by the local authority as part of its local offer. The administration and allocation of this fund will require additional work by the local authority.
- 3.12 We will be required to now determine the local funding formula with the Steering Group (to include a quality supplement which wasn't envisioned in discussions held so far with providers), consult with all providers, consult with Schools' Forum and engage local democratic processes, all by 28th February 2017.
- 3.13 Estimated Early Years DSG Allocation 2017/18 (DfE figures based on January 2016 census)

Three and four year old	$2,525 \times \text{£}4.70 \times 15 \times 38$	£6,764,564
Additional 15 hours	$564.7 (7/12) \times \text{£}4.70 \times 15 \times 38$	£1,512,742
Total three and four year old		£8,277,306
Nursery Supplement		£267,622
EY Pupil Premium Grant	$70 \times \text{£}0.53 \times 15 \times 38$	£21,228
Disability Access Fund	$30 \times \text{£}615$	£18,450
Two year old	$199.3 \times \text{£}5.74 \times 15 \times 38$	£652,179
TOTAL		£9,236,785

#### 4. Budget Model for 2017/18

- 4.1 The current West Berkshire funding rates for three and four year olds consists of five base rates. Local authorities are now required to set a universal base rate, meaning the same base rate for all types of providers.

##### Supplements

Supplements in addition to the base rate are allowed, subject to the 10% cap. The supplements allowed are:

Deprivation (mandatory)

Rurality/sparsity

Flexibility

Quality

English as an additional language

- 4.2 West Berkshire currently uses four quality rates. These total 18.3% of the total funding. The amount of funding available for the new supplements (excluding deprivation) is roughly half.
- 4.3 The local authority has consulted with the Early Years Funding Group on whether to allocate funding on just a single base rate, or by a base rate plus a quality supplement.

- 4.4 Although there are a lower number of providers losing funding by using just a base rate, the scale of loss is reduced when using a quality supplement, due to the largest losers being those providers who currently receive a high quality supplement.
- 4.5 On this basis it is proposed that a quality supplement is used in the new formula. The quality supplement being proposed is based on the current Rate D: 50% of staff with level three qualifications or above, including 1 teacher or EYPS. All remaining staff at level two.
- 4.6 As the amount of funding available for quality is significantly reduced compared to the current allocation, setting a lower quality level would reduce the rate payable to eligible providers and dilute the overall impact that this funding provides to high quality settings.
- 4.7 Even when using a quality supplement, some providers will see a significant reduction in their funding rate and thus total amount of funding received. In order to help these providers plan for this reduction, it is proposed to minimise this loss in years one (2017/18) and two (2018/19). The Government requires all providers to be on the same local universal formula rates by year three (2019/20).
- 4.8 In order to be able to do this it will mean that those providers that will see an increase to their funding rate will have this capped.

- 4.9 The proposal is as follows:

2017/18:

The maximum loss in funding rate is set at 3% of the provider's 2016/17 funding rate.

The maximum gain in funding rate is set at 3% of the provider's 2016/17 funding rate.

2018/19:

The maximum loss in funding rate is set at 10% of the provider's 2016/17 funding rate.

The maximum gain in funding rate is set at 10% of the provider's 2016/17 funding rate.

## 5. Conclusion

- 5.1 Therefore it is proposed that West Berkshire uses a single base rate with a quality supplement, a deprivation supplement based upon the current arrangements with the funding being linked to the early year's pupil premium. In addition there will be a three year model with a minimum funding guarantee. This will be put forward for consultation with all early years' providers on 24th January for a period of three weeks ending on 14th February.

- 5.2 In the first year, rates to providers are likely to be lower than they should be, in order to recover the deficit from 2016/17. The current year is currently forecasting an over spend due to lower January 2016 census numbers which has had an impact on the grant to be received, and higher hours of provision in the summer term 2016 compared to the budget and funding received. This will continue to be a problem under the new system, with funding being based on attendance on a single day in January, and not confirmed until after the end of the financial year.
- 5.3 The early year's budget will be set according to what is affordable within this block.