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| <b>Report To:</b>  | <b>SCHOOLS FORUM</b>  |
| <b>Date:</b>   | 14 February 2017  |
| <b>Reporting Officer:</b>  | Bob Berry – Assistant Executive Director - Learning.<br>Ian Duncan – Assistant Executive Director - Finance.  |
| <b>Subject:</b>  | <b>DEDICATED SCHOOLS GRANT EARLY YEARS FUNDING UPDATE 2017/18</b>   |
| <b>Report Summary:</b>   | A report on the updated Early Years funding allocations proposals for 2017/18.  |
| <b>Recommendations:</b>  | Members of the Schools Forum are requested to note the contents of the report and to provide responses to the consultation proposals.   |
| <b>Links to Community Strategy:</b>  | Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.  |
| <b>Policy Implications:</b>  | Expenditure in line with financial and policy framework.  |
| <b>Financial Implications:</b><br><b>(Authorised by the Section 151 Officer)</b> | <p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>This report contains the effects of the proposals for Tameside in overall terms. The estimated total funding allocated through the Early Years Dedicated Schools Grant for 2017/18 is £14,449,799. This represents an increase of £2,130,042 in comparable funding from 2016/17.</p> <p>Tameside historically received a low level of funding through the Early Years Dedicated Schools Grant, but the new minimum hourly rate introduced by the DFE for 2017/18 will result in significantly increased funding.</p> <p>The report provides details about some newly implemented elements of funding totaling £1,560,160.</p> <p>The report also contains proposals about how the Early Years Dedicated Schools Grant funding detailed in the report should be allocated in 2017/18. The same proposals were issued separately to this report by 27 January to all Schools with Nursery units and all Private, Voluntary or Independent Nursery providers.</p> |
| <b>Legal Implications:</b><br><b>(Authorised by the Borough Solicitor)</b>       | There is a statutory duty to use resources efficiently and effectively against priorities.  |
| <b>Risk Management:</b>  | The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.   |

## ACCESS TO INFORMATION

## NON-CONFIDENTIAL

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

### Background Papers

The background papers relating to this report can be inspected by contacting Stephen Wilde – Head of Resource Management, Directorate of Finance by:



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## 1. BACKGROUND AND INTRODUCTION

- 1.1 The funding for placements for 2, 3 and 4 year olds attending both School and Private/Voluntary/Independent Nursery provision is provided through the Dedicated Schools Grant (DSG). The Department for Education (DFE) issued an update changes they have made to the associated funding regime through the draft Childcare (Early Years Provision Free of Charge) (Extended Entitlement) Regulations 2016. They also issued their summary of the responses to the associated Autumn 2016 consultation in relation to this area of funding and new operational guidance for the allocation of the associated DSG funding for 2017/18.
- 1.2 As part of the changes that are being proposed the different elements of funding that will be available through the Early Years element of the DSG in 2017/18 are:
- Funding for the 15 hours universal entitlement for three and four year olds – this funding was already allocated to all providers, but there are changes to how it can be allocated which are detailed further in Section 2;
  - Funding for 2 year Olds - this funding was already allocated to all providers, but there are changes to the amount available to allocate which are detailed further in Section 6;
  - Early Years Pupil Premium - this funding was already allocated to all providers, but is detailed further in Section 5;
  - Disability Access Funding (DAF) – this is a new element of funding which is detailed further in Section 4;
  - Funding for three and four year old additional hours for working parents – this is a new element of funding which is detailed further in Section 3; and
  - Maintained Nursey School Supplementary Funding – there are no Maintained Nursery Schools in Tameside.
- 1.3 The comparable estimated Early Years Funding being allocated through the DSG in Tameside for 2017/18 is £12,889,639 and the equivalent amount was £10,759,597 for 2016/17. These figures only include the funding for the universal 15 hour offer for 3 and 4 year olds, the 2 year old offer and the Early Years Pupil Premium. This is because the Disability Access Fund and the Extension to 30 hours for working parents are not comparable to 2016/17, as they are new elements of funding. Further details of each element of Early Years funding through the DSG are detailed later in the report and **Table 1** below summarises the DFE estimate of the funding changes between 2016/17 and 2017/18.

**Table 1**

| Element of Early Years DSG Funding                | 2016/17           | 2017/18           | Change           |
|---|-------------------|-------------------|------------------|
| 3 and 4 year olds Standard Entitlement            | 7,808,615         | 9,739,865         | 1,931,250        |
| 2 Year olds                                       | 2,830,905         | 3,029,697         | 198,792          |
| Early Years Pupil Premium                         | 120,077           | 120,077           | 0                |
| <b>Directly Comparable Funding</b>                | <b>10,759,597</b> | <b>12,889,639</b> | <b>2,130,042</b> |
|   |                   |                   |                  |
| Disability Access Fund                            | 0                 | 49,200            | 49,200           |
| 3 and 4 year old extended entitlement to 30 hours | 0                 | 1,510,960         | 1,510,960        |
| <b>New Funding</b>                                | <b>0</b>          | <b>1,560,160</b>  | <b>1,560,160</b> |
|   |                   |                   |                  |
| <b>Total Early Years Estimated Funding</b>        | <b>10,759,597</b> | <b>14,449,799</b> | <b>3,690,202</b> |

- 1.4 The full operational guidance, indicative allocations and consultation response documents can be accessed via this link – <https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance>
- 1.5 A copy of this report was issued as a consultation document to Schools with Nursery Units and Private, Voluntary and Independent Nursery providers by 27 January 2017 with a deadline for return by the 14 February 2017.

## **2. 3 & 4 YEAR OLDS FUNDING**

- 2.1 The estimated Early Years Funding of £9,739,865 being allocated through the DSG in Tameside for 2017/18 in relation to the Universal 15 hour entitlement for 3 and 4 year olds is significantly increased from the 2016/17 equivalent estimated funding of £7,808,615. Tameside historically received a relatively low level of funding which was based on £3.45 per hour compared to the new rate for 2017/18 of £4.30 and the ultimate target rate of £4.51. The rate has been capped at £4.30 in 2017/18 to enable the DFE to limit the reduction in funding for other areas that will lose funding under the new funding regulations. The DFE have indicated that the full target rate should be implemented by 2019/20.
- 2.2 The DFE have amended the way they calculate the hourly rate of funding per hour to include a new universal base rate plus supplements based on the following factors:
- Area cost adjustment based on the General Labour Market and Nursery Rates;
  - Free School Meals eligibility;
  - Disability Living Allowance; and
  - English as an Additional Language.
- 2.3 The DFE calculation of the Extended Entitlement to an additional 15 hours element of the funding is based on the same hourly rate as the standard entitlement to 15 hours which is described in paragraphs 2.1 and 2.2. Tameside's estimated allocation for 2017/18 is £1,510,960. The number of children used to calculate this allocation of funding by the DFE was based on data from a combination of :
- Family Resources Survey
  - Annual Population Survey
  - Survey of Personal Incomes
  - Schools Census
  - Early Years Census
  - Office for National Statistics.
- 2.4 The DFE used the data sources referenced in paragraph 2.3 above to calculate a total potential number of eligible children. For 2017/18 only this figure is then adjusted to 7/12ths as the offer only applies from September 2017 which means there are only 7 months when children are eligible during financial year 2017/18. The DFE then also adjust the grant to assume that only 80% of eligible parents will take up the offer and that they will only access an average of 12 of the 15 available hours.
- 2.5 A mandatory element of the changes to the funding rules is that a SEN Inclusion Fund has to be established to help providers to address the needs of individual children. The Council is proposing to allocate £150,000 of funding from within this block of funding. The allocations would effectively be made by the Statutory Assessment Meeting (SAM) panel or a placement meeting if a child has a significant disability, in the same way that schools currently receive the equivalent funding for children of Reception Class age and above. The same top-up bands would be used for Nursery aged children, but they would be adjusted to reflect the hours attended by the child compared to the School equivalent number of hours as shown in **Table 2** below.

**Table 2**

| <b>Additional SEN Funding Bands</b> | <b>School Funding Annual Value</b> | <b>Nursery Funding Annual Value for 15 Hours</b> | <b>Nursery Funding Annual Value for 30 Hours</b> |
|-------------------------------------|------------------------------------|--|--|
| TMBC Mainstream Band 1              | 1,317                              | 790  | 1,580  |
| TMBC Mainstream Band 2              | 2,635                              | 1,581  | 3,162  |
| TMBC Mainstream Band 3              | 4,391                              | 2,635  | 5,269  |
| TMBC Mainstream Band 4              | 6,587                              | 3,952  | 7,904  |

- 2.6 The local funding scheme has to include a base rate that applies to all children in all settings, whereas the current local scheme funds Schools and Private, Voluntary and Independent providers at different rates. There is a mandatory requirement to have a supplementary rate in relation to Deprivation and it is also possible to have other supplements in relation to Rurality/Sparsity, Flexibility, Quality and English as an Additional Language. The total value of these supplements cannot exceed 10% of the overall funding within this block.
- 2.7 The funding scheme for 2016/17 only contains one supplementary element which is in relation to Deprivation and it is proposed that this continues to be the only supplement in 2017/18. The bands of deprivation that each provider is allocated to in 2016/17 are calculated with reference to each individual child's score on the DFE maintained Index of Deprivation Affecting Children (IDACI). These scores are used to create an average score per provider and then each provider is ranked into one of three bands. It is proposed to keep the 3 bandings used in the current system, but to ensure that all three bands allocate an element of funding to providers. The proposed rates to be allocated to providers in relation to the Standard Entitlement for 3 and 4 year olds are shown in **Table 3** below and the equivalent rates from 2016/17 are shown in **Table 4**.

**Table 3**

|  | <b>Schools &amp; Private, Voluntary &amp; Independent</b> |
|--|---|
| <b>3 &amp; 4 Year Old Standard Entitlement Funding Element</b> | <b>£ Per Hour</b>   |
| 2017/18 Base Rate  | 3.96  |
| 2017/18 Deprivation Band A Rate                                | 0.05  |
| 2017/18 Deprivation Band B Rate                                | 0.10  |
| 2017/18 Deprivation Band C Rate                                | 0.15  |

**Table 4**

|  | <b>Schools</b>    | <b>Private,<br/>Voluntary &amp;<br/>Independent</b> |
|--|-------------------|---|
| <b>3 &amp; 4 Year Old Standard Entitlement Funding Element</b> | <b>£ Per Hour</b> | <b>£ Per Hour</b>                                   |
| 2016/17 Base Rate  | 3.09              | 3.45  |
| 2016/17 Deprivation Band A Rate                                | 0                 | 0   |
| 2016/17 Deprivation Band B Rate                                | 0.25              | 0.25  |
| 2016/17 Deprivation Band C Rate                                | 0.45              | 0.45  |

- 2.8 The Local Authority has to ensure that at least 93% of the funding in relation to the universal 15 hour offer for 3 and 4 year olds is passed through to providers in 2017/18. This requirement increases to 95% for 2018/19. The Council is proposing to retain approximately 2.4% of the funding in 2017/18, which equates to £234,027 of the 3 and 4 Year Old elements of the grant in 2017/18. Paragraphs 2.9 to 2.12 below provide details on how some of this centrally retained funding would be used to support Council managed Early Years posts that will support all Early Years providers.
- 2.9 It is proposed that £93,023 of the retained funding would support the cost of the Early Education Funding Team. This funding would support the addition of two new officers to accommodate the increased volume of payments that will need to be monitored and reviewed, particularly in relation to the extended entitlement. This funding will also support the annual costs associated with the Servelec IT system which is used to calculate and process the payments to Private, Voluntary and Independent providers. This funding is key to ensuring the prompt and efficient processing of all future payments to providers.
- 2.10 Private, voluntary and independent childcare providers already receive support, advice and guidance from the Early Years Provider Development Team. This support is primarily in relation to the standard 15 hours offer, OFSTED regulations and standards and Special Educational Needs and Disabilities related issues. In order to extend this service to Primary Schools and provide support in relation to the extension to 30 hours for some children it is proposed that the service is allocated £74,841 to fund two additional Early Years Quality Officers.
- 2.11 The updated Early Years funding proposals includes a new Disability Access Fund that is intended to improve access to Early Years places by supporting providers to make reasonable adjustments to accommodate children with additional needs. There is also a requirement to have a specific Special Educational Needs (SEN) Inclusion fund to help providers to better address the needs of individual children. In order to support a greater focus on the SEN of Early Years children it is proposed to allocate £42,834 to support a new dedicated Early Years SEN caseworker.
- 2.12 The Family Information Service provides an integral element of support for Early Years providers by offering advice, guidance and information to families wishing to access Children's services. The service needs to increase its capacity to support the extra demands from families created by the extension of the provision for both 2 year olds and 3 and 4 year olds. Therefore it is proposed that £23,329 is allocated to support an additional Information Officer.

- 2.13 It is proposed that £238,641 of the 3 and 4 Year Old funding are used to create a contingency fund. This contingency fund would then be available to allocate funding to providers throughout the year where otherwise unfunded costs are being incurred. One example of potential use is where a provider has a child taking up a place after the Census that is used by the DFE to calculate funding. Another example would be to provide support where English being an Additional Language is affecting the provision.
- 2.14 **Table 5** below shows a summary of the proposed use of the DSG allocation for 3 and 4 year olds.

**Table 5**

| <b>Proposed Use of 3 &amp; 4 Year Olds Funding 2017/18</b>  | <b>£</b>          |
|---|-------------------|
| Estimated Standard Entitlement (First 15 Hours) Total Grant | 9,739,865         |
| Estimated Extended Entitlement (Up to 30 Hours) Total Grant | 1,510,960         |
| <b>Total Grant</b>  | <b>11,250,825</b> |
| <b>Funding Being Allocated to Providers</b>                 |                   |
| SEN Inclusion Fund  | 150,000           |
| Base Rate Allocations                                       | 10,361,225        |
| Deprivation Supplement Allocations                          | 266,932           |
| Contingency Fund  | 238,641           |
| <b>Total Being Allocated to Providers</b>                   | <b>11,016,798</b> |
| <b>Centrally Retained Expenditure</b>                       | <b>234,027</b>    |

### **3. 2 YEAR OLDS FUNDING**

- 3.1 The allocation of funding through this block of the grant has increased from an estimated £2,830,905 in 2016/17 to an estimated £3,029,697 in 2017/18. These allocations of funding are based on a combination of the hourly rate per child and the number of children who are eligible for the grant on the Census data submitted to the DFE by each provider. There has been an increase in the hourly rate used by the DFE to calculate the grant allocation for Tameside from £4.95 to £5.30 per hour. (7%). Providers will therefore receive an increase of £0.35 per hour in their funding allocations.
- 3.2 The Council has retained £0.10 of the hourly rate in previous financial years to support the costs of the Early Education Funding Team and it is proposed to continue the same level of retention from the increased grant. This funding will continue to support part of the cost of the existing officers who process the payments and it is key to ensuring the prompt and efficient processing of all future payments to providers. The estimated value of this retention for 2017/18 is £57,164.

### **4. EARLY YEARS PUPIL PREMIUM**

- 4.1 The DFE have not proposed any changes to the Early Years Pupil Premium (EYPP) element of this block of DSG funding and the total estimated value for 2017/18 is £120,077 which is based on the actual eligibility in 2015/16. The allocations to individual providers will continue to be based on a maximum eligibility of 38 weeks per year, 15 hours per week and

a hourly rate of £0.53. Providers will need to continue to submit claims for each child in every term that they are in attendance and funding will be allocated for a combination of:

- Current and former Looked After Children (LAC) are automatically eligible; and
- Children whose parents or guardians financial circumstances mean that they are eligible, which requires the written consent of the parents/guardians before the Council can check the Department for Work and Pensions database.

## **5. DISABILITY ACCESS FUND**

- 5.1 The Disability Access Fund is a new element of funding being allocated through the DSG for Early Years. The funding is aimed at supporting providers to offer places to children with disabilities or Special Educational Needs. (SEN). The estimated allocation for 2017/18 is £49,200 which is based on a DFE estimate of the number of eligible children and an allocation rate of £615 per child.

## **6. RECOMMENDATIONS**

- 6.1 As stated on the report cover