**Early Years Funding Proposals and Consultation for 2019/20**

**Key issues**

There are no changes to the key principles of Surrey’s approach to early years funding, with the proposed central retention remaining at 5% and 95% being passed through to providers. There are however some small changes proposed to the early years funding formula for 2019/20 and use of the retained 5%, as outlined below.

**Background**

The DfE’s focus for the free early education entitlement for the year ahead centres around provision for the most disadvantaged 2 year olds, ensuring there is sufficient inclusive provision for children with SEND and promoting social mobility. This mirrors the key priorities in Surrey’s developing Early Years Strategy to be launched in early 2019. DfE have also highlighted that 2019/20 will require a higher level of market management in order to increase the supply of places to achieve statutory sufficiency of provision.

In 2019/20, the DfE is not expected to increase the hourly rates at which Surrey is funded for the free early years entitlement, either for 2 year olds or for 3-4 year olds. Thus only small changes in funding are possible. The following proposals are possible because the level of contingency was set at a high level for 2018/19 in order to mitigate the risks related to the launch of 30 hours funded Early Education and Childcare Entitlement, as the level of take-up of the 30 hours entitlement, and in particular the variation between terms, was unknown. With the benefit of a year’s experience and an assessment of the impact on the sector we propose that the level of contingency can be reduced, releasing funds to focus on priority areas and to provide some increase in the basic hourly rate.

**Proposed headlines for funding of free entitlement for two, three and four year olds in 2019/20**

* No change to the two year old funding hourly rate
* Reducing the level of contingency held from 3 and 4 year old funding
* Providing a small increase to the hourly rate to providers for 3 and 4 year olds by re-assigning part of the allocation from contingency.
* Increasing Early Years inclusion funding to better support children with SEND, improving early identification and responding to increases in demand.
* No change to the proportion of funding allocated to the deprivation supplement.
* Continue with current approach to Maintained Nursery Schools Transitional Grant.
* Fund children in SEND resource places at the same hourly rate as other 3-4 year olds, with a corresponding slight reduction in place funding rate[[1]](#footnote-1)
* Maintain centrally retained funds at 5% of total 3-4 year old funding to:
	+ meet sufficiency requirements, including commissioning new provision;
	+ improve quality of provision, support children with SEND and meet statutory requirements;
	+ provide full time hours for non-entitled children with additional educational and social needs in maintained nursery schools;
	+ establish new Inclusion Fund for funded 2 year olds; and
	+ develop specific projects focussed on supporting early identification and transition of children with SEND, family resilience and social mobility.

**Funding for disadvantaged two year olds**

Free early entitlement funding for disadvantaged two year olds “FEET funding” is currently allocated to providers at a rate of £5.88/hr. In 2019/20, we are proposing to maintain this rate, which is the same as the DfE hourly funding rate for Surrey.

**Level of contingency for three and four year olds**

In September 2017, the Extended Entitlement allowing working families to access up to 30 hours funded entitlement was launched. Last year, in preparation for this change, the decision was made to increase the level of contingency to £1.3 million in order to ensure that we had sufficient funds should more families than predicted be entitled to 30 hours. Following a successful implementation of 30 hours in 2017/18, we now have sufficient data to be confident of reducing the level of funding held in contingency to £468,000. This is the equivalent of funding for 92 children for 30 hours for a full year. This reduction enables us to redirect funding to increase the base rate for 3 and 4 year olds and increase the Inclusion Fund to support early identification and early intervention.

**Hourly rate**

The current hourly rate for 3-4 year olds is £4.60. We are proposing an increase to £4.65, which is offset against the reduced contingency.

|  |  |
| --- | --- |
| Proposed increased hourly rate | Funding required for increase |
| £4.65 | £670,000 (transferred from reduced contingency) |

**Inclusion funding**

We propose to increase the Inclusion Fund by £132,000 and maximise its use, which will enable us to support our focus on early identification and early intervention and to respond to increased demand. This will be achieved by reducing the contingency budget, as set out above. We encourage settings to use some of this funding for small group work and for SENCo support, both of which have been identified through sector consultation as high priorities. Surrey CC is currently under-going a comprehensive review of SEND funding processes and as part of this we intend to explore the future use of both Inclusion and Discretionary Funding to ensure an integrated approach and better meet the needs of pre-school children with additional needs.

**Deprivation funding supplement**

The is no change proposed to the proportion of estimated formula funding set aside for deprivation funding for 3 and 4 year olds, which therefore remains at 2.5% as in 2018/19.

**Maintained nursery school transitional grant**

We are proposing no change to the use of the maintained nursery school transitional grant, which DfE has confirmed will continue in 2019/20. As in 2018/19, this transitional grant will be used first to fund existing maintained nursery school specific factors (business rates and split site funding) and the balance will be divided equally between the four maintained nursery schools. The long term future of the transitional grant is still unknown.

**Funding for SEN resources** *(Please note - this only affects the four maintained nursery schools and the three nursery classes with SEN resource places)*

Currently SEN resourced places in maintained nursery schools and maintained / academy nursery classes are funded at £10,000 per place and £3.70 per pupil hour. From April 2019 it is proposed that the hourly rate for resourced places is increased to match the basic hourly rate and that the place funding is reduced to £9,145. The net impact on individual schools will be close to nil but this will be consistent with the principles applied to SEN centres in mainstream schools from 2018/19, i.e. mainstream funding at the normal rate and reduced place funding.

**Full-time hours for non-entitled children with additional educational and social needs in maintained nursery schools** (no change)

We are not proposing to change the current funding of full-time places for children at the 4 maintained nursery schools with additional educational and social needs, but do not meet criteria for 30 hours. We will however be working with nursery schools to review how this is implemented to ensure these funds are used fairly and equitably.

**Centrally retained funds**

We propose to continue retaining 5% of the National Funding Formula funding in order to meet statutory duties in administering and distributing the funding, ensuring there are sufficient places for eligible 2, 3 and 4 year olds with particular regard to children with SEND requirements and for the more vulnerable children. This in line with DfE guidance. Centrally retained funds are used to pay for a number of teams who do this work (see Appendix 2). In addition to this, we propose to use the 5% to cover the following initiatives:

**Creation of a 2 year old Inclusion Fund** (new – subject to availability of funding)

We propose to create a small two year old inclusion fund for children with SEND in 2019/20, responding to research showing the positive impact of earlier identification and high-quality support, whilst also alleviating pressure on the statutory 3 & 4 year old inclusion fund over time. We hope to increase this in future, subject to evidence of impact.

**Exploring further specific projects** (new – subject to availability of funding)

We propose specific time limited projects that focus on the priority areas of: improving the transition of children with SEND to primary school and between settings; personal, social and emotional development and wellbeing in areas highlighted by EYFSP data; and closing the word gap, again in response to EYFSP data.

**Appendix 1: Summary Breakdown of current Early Years Funding for 3-4 year olds 2018/19**

**(Based on original estimate of 2018/19 takeup)**

**The table below provides an overall summary of the Early Years budget allocation for three and four year olds in 2018/19 and proposals for 2019/20**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Original | Based on Jan 2018 census | proposed redistribution of contingency | Proposed revised allocation |
| Early Years funding 2018/19 |  |   |  |  |  |
|   |  | £000s | £000s | £000s | £000s |
|  |  |  |  |  |  |
| Main formula (basic hourly rate) |  |  61,876 | 59,261 | 670 | 59,931 |
| Deprivation |  | 1,572 | 1,552 |  | 1,552 |
| Contingency |  | 1,321 | 1,270 | -802 | 468 |
| Inclusion fund |  | 1,298 | 1,298 | 132 | 1,430 |
| Central (amounts subject to 5% limit) |  | 3,345 | 3,336 |  | 3,336 |
| **Total** |  | 69,412 | 66,717 | 0 | 66,717 |
| Children (fte) |  | 14105 | 13,558 |  |  |

(Fte =25 hrs per week x 38 weeks)

The revised illustrations are based on the Jan 2018 census data as this is the latest “actual “ data we have. Funding for 2019/20 will actually be based on Jan 2019 and Jan 2020 school and early years census data which may be higher or lower than Jan 2018 census data.

The main impact of census changes is on the centrally retained amount. By way of illustration the table below shows how the allowable centrally retained amount changes as overall takeup changes

|  |  |  |
| --- | --- | --- |
| Children (fte) | Change | Central £000s |
| 13,558 |  | 3,336 |
| 12,880 | -5% | 3,169 |
| 12,202 | -10% | 3,002 |

Current projections of demand indicate a reduction in the amount of funding available for centrally managed services, which is addressed in the proposals, some of which remain subject to the resources being available.

Appendix 2

**Purposes for which centrally retained funds are used**

The following teams work together to support Early Years provision across all sectors including maintained, private, voluntary, independent sectors to promote quality and improve outcomes for children in Surrey

Within the Supporting Children Team:

* Early Education & Childcare Team
	+ Provides support and advice to settings in relation to quality of early education and childcare, with a focus on settings at requires improvement or inadequate, as well as providing targeted support around work with vulnerable groups.
* Special Educational Needs and Disability Team
	+ Provides support and advice to settings in relation to of support for children with SEND, with a particular focus on inclusion, quality and early identification of need.
* Early Support Team
	+ Provides targeted support to particular children and their families who are identified as having SEND alongside other vulnerabilities.

Early Years & Childcare Commissioning Team

Meeting the Council’s statutory duties to ensure a sufficiency of places for funded 2, 3 & 4 year olds across Surrey. Monitoring and delivering sufficiency; providing support, advice and to promote business sustainability; and individual commissioning of provision for the most disadvantaged families.

Finance & Practice Team

Managing the funded entitlement by advising providers, processing, administrating and making payments, including support for the FEE portal.

Safeguarding Advisor

Providing support and advice regarding safeguarding children including allegations against an adult working with children.

1. Please note – this change is consistent with the change made in 2018/19 for SEN centre places in schools [↑](#footnote-ref-1)