

SCHOOLS FORUM

Early Years' Contingency January 2018

1 Purpose of the Report

This report provides the Schools Forum with further details of the Early Years' contingency listed on the monthly Revenue Monitoring Report.

2 Recommendations

The Schools Forum is asked to note the content.

3 Background

Since its introduction in April 2017, the Early Years' National Funding Formula (EYNFF) has set the hourly funding rates that each local authority is paid to deliver the universal, and additional entitlements, for three and four year olds.

Local authorities are required, from 2018-19 onwards, **to pass 95%** of their three and four year old funding from Government onto Early Years' providers. However WBC has in 2017-18 passported 96% of the funding on to their providers.

This pass-through requirement ensures that the vast majority of Government funding reaches providers so that they can deliver the free entitlements.

The '95%' includes the following budgets:

- base rate funding for all providers;
- supplements for all providers;
- lump sum funding for Maintained Nursery Supplement (MNS);
- the top-up grant element of SEN Inclusion Funds paid to providers; and
- **contingency funding.**

Extract from the Department of Education (DfE), Early Years operation guidance 2018-19, November 2017.

4 Financial Summary

The 2017-18 contingency of £229,000, which has not changed for several years, is more appropriately described as a Providers Reserve Fund. The DfE recommends that the Council holds an allocation of funds for future growth in numbers. This fund represents a provision for growth of 93 children a year at £2,462 per year (15 hours for 38 weeks of the year, at an average hourly rate of £4.32).

The funding for each Early Years' provider is based on the May, October and January census and the funding is therefore adjusted 3 times a year to reflect any changes in provider numbers as per each census.

To ensure providers can plan their budget for the new financial year, hourly rates and the Early Years' budget needs to be set by the end of February. The contingency funding therefore also helps to fund any negative budget adjustments that the DfE might make in July when they finalise the budget using the January census information.

To fully assess how much of the contingency has been used for the current year it is therefore important to consider the number of families that have taken up their free entitlement on all 3 census, May 2017, October 2017 and January 2018.

From September 2017 the Government introduced the 30 hour free entitlement for working parents. The October 2017 and January 2018 census are therefore particularly key for the 2017-18 financial year in giving the Council an indication of how many working parents have taken up this offer and the growth to be funded.

Based on the adjustments that were required following the October census, and assuming a pro-rata trend for the spring term, then figures project that the full contingency will not be utilised in year. However, until the January census information is available the final position for the financial year will not be known.

5 **Summary**

The DfE encourages local authorities to have a contingency within the minimum amount of 95% for providers to cope with growth.

January estimated census will be available from early February 2018 and this will inform a provisional out-turn on the Early Years' budget for the 2017-18 financial year, and a full assessment of the level of contingency that has been required to fund growth in-year. This will be reported to Forum in February.

This contingency can only be given to providers and cannot be spent on any other service outwith the minimum 95% funding threshold. The final use of the contingency held will therefore be reviewed to ensure that in 2017-18 at least 95% has been allocated to providers, identifying options where any shortfall exists.

The provisional 2017-18 outturn and proposed 2018-19 budget, including centrally retained element, will be presented to Forum in February.

Coral Miller
Interim School Finance Manager
January 2018

John Ogden
Head of Finance
January 2018