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1. Introduction & Background

1.1 The Schools & Early Years funding settlement for 2019/20 will be announced by the Secretary of State for Education in December 2018.

The main headlines in relation to Early Years funding are:

- The funding that makes up the Dedicated Schools Grant (DSG) will continue to be provided in three distinct blocks; Early Years, Schools and High Needs,
- The Early Years National Funding Formula (EYNFF) will continue to determine how much Early Years funding each local authority receives. It is then down to schools forums to make decisions on how this funding is distributed to providers and how much is centrally retained,
- The Early Years block funding allocation will remain at £5.83 per hour and the overall level of funding will continue to be dependent upon the number of actual Early Years pupils accessing the free entitlement as nursery funding is determined by participation (actual hours taken up on the free entitlement),
- Funding for Early Years will be amended during the year based on the following census dates; January 2018 (the baseline), January 2019 and January 2020,
- The Free Entitlement offer for three and four year olds increased to 30 hours per week from September 2017, for those children whose parents are both working and meet the criteria. The guidance is clear that the hourly rate for these additional hours should be funded at the same rate as the universal free entitlement,
- Funding for the Free Entitlement offer for two year olds will continue to offer a free place for those children that are in the 40% most deprived families across the country. Schools Forum is proposing no changes to the current mechanism,
- Retained items within the DSG funded from the Early Years block will be reviewed by Schools Forum and will change dependant on changing priorities.

1.2 The local authority is required to consult with the Schools Forum annually on a set of matters prescribed in the Schools Forums (England) Regulations 2012, which includes the arrangements for distributing and administering the available resources which will come from the Early Years block for 2019/20.

1.3 This consultation paper sets out the proposed funding arrangements for 2019/20 relating to Hillingdon's Early Years funding. The decisions taken will shape the allocation of funding for the Early Years Funding Formula (EYFF) along with those central services funded from the Early Years block. Final allocations will not be finalised until February 2019, and should be viewed as a consequence of the proposals agreed in this consultation

1.4 This consultation paper provides detail on the following which is being consulted on:

- The proposed EYFF base rate for 2019/20;
- The Vulnerable Children fund for 2019/20.

- 1.5 This paper is being circulated widely to encourage engagement with schools, independent nursery providers and childminders, in order to assist Schools Forum in making a final decision on the use of the Early Years block funding prior to submitting the required details to the Department for Education (DfE).
- 1.6 Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response.
- 1.7 The release of this paper allows just a short period of time for consultation with stakeholders. Schools Forum will review the responses before setting the Early Years budget in mid-January 2019. This means that responses will be required to be returned by midnight on 21 December 2018.

2. Early Years Block Proposals

Base Rate

- 2.1 The DfE guidance states that only 5% of Early Years block funding will be allowed to be retained centrally. Of the remaining 95% funding, the regulations limit the amount that can be paid through supplements to 10% (including the mandatory deprivation factor) and therefore 90% must be passed to providers through the base rate.
- 2.2 The Hillingdon EYSFF base rate was set at £4.92 in April 2017, following the implementation of the EYNFF. The base rate remained the same for 2018/19, however given funding pressures it has been decided by Schools Forum that a reduction in the base rate needs to be considered for 2019/20.
- 2.3 In making the decision to consult on a potential base rate reduction, Schools Forum have considered benchmarking which indicates that compared with the average hourly rates paid by neighbouring local authorities Hillingdon is one of the higher funders of Early Years (see table below).

Local Authority	EYNFF hourly rate 2017-18	Funding hourly rate all providers 2017-18
Buckinghamshire	£4.64	£4.34
Harrow	£5.58	£4.44
Surrey	£5.18	£4.61
Hounslow	£5.91	£4.72
Brent	£5.37	£5.20
Ealing	£5.83	£5.25
Hertfordshire	£5.38	£5.33
Hillingdon	£5.83	£5.46
Slough	£5.79	£5.58

- 2.4 It has been decided to seek views from stakeholders through this consultation on the following potential reductions in the base rate;
- 3p reduction,
 - 6p reduction.
- 2.5 As well as comments on a base rate reduction, the consultation is also seeking views from stakeholders on the impact of a reduction in base rate funding on the following;
- Sustainability of providers,
 - Quality of childcare,
 - Future educational outcomes of children.
- 2.6 Schools Forum considers that any consultation should give providers the opportunity to share information on how they operate in order to fully understand the market and the impact of any

funding reduction decisions. Therefore alongside seeking views on proposals this consultation is also being used to request the following information from providers;

- a. A brief explanation of the delivery model,
- b. Staffing levels, with particular focus on recruitment difficulties,
- c. Staffing pay ranges,
- d. Premises rents/rates costs,
- e. Ability of the setting to raise fees.

Deprivation Supplement

- 2.7 The deprivation factor will continue to be a mandatory factor within the set of possible supplements in the EYSFF. The reason for this is that a considerable portion of funds are being channelled through the formula to LAs for additional needs and it is therefore considered appropriate that this is passed to providers.
- 2.8 Currently the deprivation factor within the Hillingdon EYSFF is 7% of the total rate with the Income Deprivation Affecting Children Index (IDACI) used as the indicator. Schools Forum are not proposing any changes to this supplement.

Additional Need Supplement

- 2.9 The DfE recognises that funding supplements can play an important role in channelling additional funding to providers for particular purposes to reflect key objectives. However, the amount of funding that will be allowed through the use of supplements will be limited at 10% (including the mandatory deprivation factor).
- 2.10 Currently the only additional supplement within the Hillingdon EYSFF uses IDACI to focus more targeted resources to those children who are from the most deprived areas of the borough and are therefore more likely to have additional needs. The settings that attract this supplement are those with an average IDACI ranking of over 0.25 (currently the average IDACI rank for Early Years settings in Hillingdon is 0.2 and the highest ranking is 0.365). This ensures that resources are targeted at the children that need the most additional support. It is proposed that this supplement remains at 2% of the funding payable to providers.

Vulnerable Children Fund

- 2.11 Currently the DSG contributes £209k to a vulnerable children fund, which was established in order to fund additional childcare and support for the most vulnerable children. This funding has never been accessed in full and has previously been reduced to reflect this. The proposal is to reduce this by a further £70k to £139k, which would bring the budget in line with the 2017/18 actual expenditure.