

REPORT TO: School Forum

DATE: 10th October 2016

REPORTING OFFICER: Senior Finance Officer, Financial Management Division

SUBJECT: Early Years Funding for 2017-18

1.0 PURPOSE OF REPORT

1.1 To report to the School Forum the Early Years National Funding Formula proposals for 2017-18.

2.0 RECOMMENDATION

RECOMMENDED:

(1) The report be noted.

3.0 SUPPORTING INFORMATION

3.1 Background

The Early Years National Funding Formula (EYNFF) consultation was announced on 11th August with a deadline for responses of Thursday 22nd September 2016. Briefing events were held on 7th September to inform providers of the consultation and of our understanding at that point in time. The proposal is for the new EYNFF to be implemented from April 2017.

3.2 Funding to LA's

The proposals see a move away from historical funding levels to a formula based method. The main funding source will be the base rate, which will account for 89.5% of the total funding and will be multiplied by the number of part time equivalent children in receipt of the 15 hours per week free entitlement (and 30 hours per week free entitlement for working parents from September 2017).

Of the remaining 10.5% of funding, deemed Additional Needs funding, 8.5% will come through a Free School Meal proxy indicator which will use the proportion of KS1&2 pupil eligibility for FSM. A further 1.5% will come through an English as an Additional Language proxy indicator, again using the proportion of KS1&2 pupil eligibility. The final 1.0% of funding will be based on the number of children up to the age of five who are eligible for Disability Living Allowance and this will be based on DWP information.

The base rate and Additional Needs funding will be added together and multiplied by an Area Cost Adjustment. The proposal is that the ACA will be based primarily on

the general labour market measure adjusted for relative nursery premises costs based on rateable values.

The proposals explain that 75% of local authorities will gain through this formula. Unfortunately, Halton is not within this cohort. Transitional protection is proposed with losses held at no more than 5% for 2017-18 and 2018-19. For 2016-17 after moving funding from the Schools Block we have an EY funding level equivalent to £5.69 per hour. The illustrative figures circulated by the DfE show Halton are likely to receive £5.40 per hour for 2017-18. Without the transitional protection we would only receive £5.12 per hour.

3.3 Funding retained by LA's for central spend

The consultation includes a proposal to limit local authority central spend to 5% with a transitional limit of 7% for 2017-18. In Halton, we already retain less than 5% of the Early Years budget - £249,110 (4.20%) in 2015-16 and £262,610 (4.06%) in 2016-17.

Local authorities are allowed under the proposals to hold a contingency fund for in-year demographic growth which would not be counted as central spend as it is eventually shared with providers. Such contingency fund is to be kept at a minimum level to maximise the hourly rate going to providers.

3.4 Funding to providers – the proposed National Funding Formula

The proposals set out two mandatory funding factors and four optional funding factors for local authorities to use in allocating the funding to providers.

The main, mandatory factor is the Universal Base Rate through which a minimum of 90% of funding will be passed to providers. The Universal Base Rate will be the same for ALL providers and will also be the base rate for the Additional 15 hours free entitlement for working parents from September 2017.

The second mandatory factor is the deprivation supplement. Nationally the current deprivation factor passes about 4% of funding to providers. Most local authorities including Halton use the Income Deprivation Affecting Children Index which is an area-based measure. The consultation proposes that local authorities are allowed to choose what basis to use for this factor.

The four optional supplements are: Rurality/Sparsity, Flexibility, Efficiency and the Delivery of the additional 15 hours free childcare.

Rurality/Sparsity – to recognise the additional costs incurred by small providers in rural, sparsely populated areas, similar to the Sparsity factor within the Schools Block funding formula. As we are such a compact local authority no schools qualify under the criteria within the Schools Block funding formula, although LA's are allowed under the consultation to determine their own distance criteria for Early Years providers.

Flexibility – a supplement aimed at encouraging providers to offer more flexible childcare that matches parental working patterns. There is no clear criteria on how a provider would be measured as attaining 'Flexibility' within the consultation with local authorities given the discretion of what kind of flexibility they wish to promote.

Efficiency – a supplement to help providers operate as efficiently as possible, important for them, for parents and for taxpayers. The consultation proposes the option for local authorities to reward and recognise providers who make optimum use of their income to provide high quality childcare, to invest in their workforce and to develop and share strong business models with other providers. No criteria for the way in which an efficiency supplement would be measured or applied is given.

Delivery of the additional 15 hours free childcare – a proposal to allow local authorities the discretion to pay a supplement to settings which participate in delivering 30 hours free childcare. Again, no criteria for the way in which a delivery supplement would be measured or applied is given.

The current Early Years funding formula includes an optional Quality factor but the consultation proposes that this is not continued in the new national funding formula.

Transitional protection is proposed for at least two years for Maintained Nursery Schools to recognise the additional costs incurred because of their structure as a school. The proposal is that the additional funding will take account of the maintained nursery schools' current costs and will provide much needed stability to the nursery school sector.

3.5

Special Educational Needs and Disabilities

Currently in Halton we identify High Needs Block DSG funding to support children in early year's settings with SEN. The consultation proposes that local authorities will be required to set up an Early Years Inclusion Fund to resource support for the needs of children with SEN. The Inclusion Fund would be a mix of Early Years block and High Needs block DSG funding.

There is also a proposal for a new Disability Access Fund of £12.5m in total. This funding would be paid to providers for each child in receipt of Disability Living Allowance taking up a place in their setting. Providers will be able to decide how the funding should be deployed, it could be used the child's specific needs, to improve the setting for a cohort of children or increase the setting's capacity to take more disabled children.

The Disability Access Fund would build on the Early Years Pupil Premium model and would be passed to providers via the LA as an annual sum rather than an increase on the hourly rate.

3.6 Two year old funding

The consultation includes a proposal to increase the hourly rate paid to local

authorities for two-year old provision from £5.09 to £5.39 per hour. The DfE is minded to retain the current two-year old formula but uplift the rates based on additional funding received.

3.7 Modelling based on the consultation document

Modelling work has been done to consider the impact of the proposals on Halton providers. On the basis of the consultation document, illustrative figures provided by the EFA and using the 16-17 pupil numbers we have identified that the PVI and Nursery Unit sectors gain funding while the Nursery School sector loses funding.

3.8 Briefing presentations

Appendix A is the presentation given on 7th September.

3.9 Consultation response

Appendix B is the consultation response submitted on 22nd September based on the Schools Forum sub-group that met the day before.

4.0 **POLICY IMPLICATIONS**

4.1 None

5.0 **OTHER IMPLICATIONS**

5.1 None