



Children, Education, Libraries and Safeguarding Committee

21 February 2017

Title	Early Years Funding Formula
Report of	Commissioning Director – Children and Young People
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	None
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Summary

At its meeting on the 21st September 2016 the Children, Education, Libraries and Safeguarding Committee agreed to:

Delegate to the Commissioning Director, Children and Young People (Director of Children’s Services) – in consultation with the Chairman of the Children, Education, Libraries and Safeguarding Committee – authority to make any necessary amendments to the early years funding formula, following consultation.

Alongside the increase to 30 hours of childcare for 3 and 4 year olds of working parents, the Department for Education has consulted on early years funding and in December published the changes to the funding for local authorities. The council is required to amend its formula to meet these requirements, including that 93% of the allocated funding is passed on to providers in 17/18 and 95% in 18/19. The council was required to let

providers know their rate as early as possible in advance of 2017/18.

A consultation was undertaken with local providers in October and November. Taking account of the responses to the consultation and feedback from Schools Forum members, proposed amendments to the early years funding formula were presented to the Commissioning Director, Children and Young People for consultation with the Chairman of the Children, Education, Libraries and Safeguarding Committee.

Following consultation with the Chairman of this committee, the Commissioning Director, Children and Young People agreed that the new early years funding formula will include a base rate of £5.17, a supplement for deprivation (5% of the funding allocation) up to a maximum of £1.53 and a SEND inclusion fund, as required by the DfE. The modelling shows that the impact of this will be that all providers (Schools, PVI's and childminders) will receive a higher rate of funding than they do currently. At the beginning of February early years providers were informed of the new rate.

Recommendations

It is recommended that the Children, Education, Libraries and Safeguarding (CELS) Committee:

- 1. Note that following consultation the local funding formula for early education and childcare has been amended to include a base rate of £5.17, a supplement for deprivation (5% of the funding allocation) up to a maximum of £1.53 and a SEND inclusion fund, as required by the DfE.**

1. WHY THIS REPORT IS NEEDED

1.1 A new early years national funding formula for 3- and 4- year olds was announced on 1 December 2016. The key points are:

- The new formula allocates funding to local authorities for the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year children of eligible working parents. The funding rates for both the existing 15-hour entitlement and the additional 15-hour entitlement are the same. Funding in 2017-18 for the additional 15-hour entitlement (the 30 hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.
- The formula consists of a universal base rate plus factors for additional needs, using measures of free school meals; disability living allowance and English as an additional language.
- The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.

- As a result of the move to the Early Years National Funding Formula (EYNFF), Barnet will receive £5.90 per hour for three- and four-year-olds, an increase from the £4.80 per hour per child received in 2016/17. Extra funding at the same rate per hour has also been provided to cover the cost of extending free childcare to 30 hours a week for eligible working parents.
- It is a requirement of the EYNFF that LAs must set a universal base rate per hour for all providers and it is also mandatory to include a deprivation supplement in the new formula.
- A further requirement is that in 2017/18 at least 93% of the funding for three- and four-year-olds is passed on to providers through a combination of the formula funding for places and an Inclusion Fund to support children with low level or emerging special educational needs in Early Years settings.
- The early years pupil premium has been set at the same level as 2016/17 but may be subject to change.
- Funding for two year olds is calculated in a similar way to that for 3 and 4 year olds. The funding rate remains £5.92 an hour to the local authority, whilst the LA funds providers at the slightly higher rate of £6 per hour.

1.2 A consultation was undertaken with local providers in October and November. The survey went live on 14th October. The survey ran for 5 weeks and was closed on the 21st November 2016. Providers were notified and encouraged to respond through the following routes:

- Notice in schools circular
- Head teachers advised at network meeting
- Link shared at Early Years Network meeting
- Link was sent to all PVI's and child minders

1.3 The response to the survey was small with 54 providers responding. Of these 48 were from the PVI sector and childminders, 2 were maintained schools, 3 were maintained nurseries and 1 independent school. The key points from the responses were:

- Concerns around viability- proposed rates not meeting costs of delivering good quality child care
- 26% of respondents felt based on current information the funding would help them provide 30 hour places, 36% stated it would not and 37% were unsure
- There was no significant difference in preference for any of the options.

1.4 The results were then taken to Schools Forum, the feedback from which was that there should not be a supplement for flexibility. Taking account of the responses from the survey and feedback from Schools Forum members, the proposals detailed below were presented to the Commissioning Director, Children and Young People and the Lead Member for Children's Services.

- 1.5 The options, all of which included deprivation as the only supplement, were:
- a) Base funding rate and deprivation supplement at 5% (we are required to pay up to a maximum of 10% in supplements)
 - b) Base funding rate and deprivation supplement at 7.5%
 - c) Base funding rate and deprivation supplement at 10%

5% deprivation	
Target total spend = 17,506,081	
Total Base rate spend = £16,630,777	Total Deprivation spend = £875,304
Hourly Base rate	Deprivation
£5.17	£1.53

7.5% deprivation	
Target total spend = 17,506,081	
Total Base rate spend £16,193,125	Total deprivation spend = £1,312,956
Hourly Base rate	Deprivation
£5.03	£2.30

10% deprivation	
Target total spend = £17,506,081	
Total Base rate spend = £15,755,473	Total deprivation spend = £1,750,608
Hourly Base rate	Deprivation
£4.90	£3.07

- 1.6 The lower the percentage of supplements is, the higher the base rate is.

Following consultation with the Chairman of this committee, the Commissioning Director, Children and Young People agreed to adopt option 1 (supplements of 5%) as impact data shows that Barnet providers (schools,

PVIs and childminders) are better off with a higher base rate pass through. As a result, after allowing for central expenditure and the Inclusion Fund the hourly base-rate to providers will be £5.17 and the 'notional' rate to providers will be £5.44 per hour (compared to £4.30 in 2016/17). This is the average rate to providers consisting of base rate (the minimum for every child) plus a deprivation supplement based on the IDACI score of each child, which will vary for each child/ setting.

1.7 Two new measures are being introduced for 2017-18 to support children with disabilities or SEN:

- the Disability Access Fund (DAF) aids access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or helping with building capacity (be that for the child in question or for the benefit of children as a whole attending the setting);
- the SEN Inclusion Fund - local authorities are required to set up a fund to help providers better address the needs of individual children.

Three- and four-year olds will be eligible for the DAF provided they are in receipt of child disability living allowance and receive free early education.

1.8 The purpose of the SEN Inclusion Fund is to support local authorities to work with providers to address the needs of individual children with SEN. The fund is for 3- and 4-year-olds who are taking up any number of hours of free entitlement. 2-year-olds are not eligible to receive this funding. Local authorities are expected to target the fund at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.

1.9 The council has paid a subsidy to nursery schools since the introduction of the Barnet Early Years Funding Formula. This was reduced to 50% of the 14/15 subsidy level in 2015/16 and to 25% in 2016/17. Under the National Early Years funding formula, the same funding formula will apply to all providers. Supplementary funding will be paid to some local authorities for up to two years, where this is needed to enable local authorities to maintain their current maintained nursery schools' funding levels.

1.10 Barnet has not yet received any supplementary funding – the Maintained Nursery School (MNS) allocation - because the DfE believes the notional hourly rate exceeds the rate that was paid to Barnet nursery schools in 2016/17. However, officers are in discussion with the DfE about this. Whatever the outcomes of these discussions, Barnet nursery schools will receive a similar level of funding in 2017/18 without the supplementary funding than they did in 2016/17 with the subsidy included.

2 REASONS FOR RECOMMENDATIONS

- 2.1 The new funding rate (a higher base rate and supplements of 5%) was recommended because impact data shows that this is the only option where all Barnet providers (Schools, PVI's and Childminders) will receive a higher rate than they do currently.
- 2.2 Also, the increase in funding rate from the DfE is being provided to enable providers to provide the additional 15 hours of childcare to working parents of 3 and 4 year olds. This increase in provision is therefore needed across the borough and not just in areas of deprivation, which will be best achieved through a greater increase to the base rate. The free early education places for two year olds of disadvantaged parents will continue to be offered and provide the targeted support to build the resilience of families in deprived areas specifically.

2 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Supplements for Quality, English as an Additional Language (EAL) and Flexibility were considered. They were not recommended because they would be difficult to administer and could be seen as inequitable across the range of providers. Current funding has supplements for deprivation and flexibility, the latter having presented some challenges in administration and not being supported in the consultation or view of Schools Forum.
- 3.2 A higher deprivation rate was also considered but the increase in provision is needed across the borough to meet the increased demand created by the additional 15 hours for 3 and 4 year olds of working parents. The two year old funding will continue to be offered focused in deprived areas specifically.

3 POST DECISION IMPLEMENTATION

- 4.1 Providers were notified of the new funding formula at the beginning of February 2017 to give them maximum notice ahead of the new financial year.
- 4.2 New funding arrangements will commence for the existing 15-hour entitlement in April 2017 alongside the funding rate uplift, and for the additional 15 hours in September 2017 when the 30-hour entitlement is implemented nationally.

4 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The proposals set out align with key themes from the council's corporate plans of families and work. Increasing the funding rate to providers will reduce

the cost of childcare for working families and break down the barriers to work, so that parents who want to return to work or work more hours can do so.

5.1.2 The ability to access good quality early years education and childcare provision is also critical to realising the vision, set out in the Children and Young People's Plan, of resilient children and families. There is a body of national evidence which shows that when early education and childcare provision is of high quality there are positive effects on a range of child outcomes, particularly educational attainment, that are sustained well into the teenage years. Increased employment supports households to move out of poverty and builds the resilience of families.

5.1.3 The proposals are also intended to support the corporate principle of fairness by providing a funding rate that will enable providers to offer free childcare to eligible families and remain sustainable in the long term.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The Early Education Entitlement for 2, 3 and 4 year olds is funded through the Dedicated Schools Grant (DSG), the current rates for 2 year olds in 2016/17 is £6 per hour and base rate for 3 and 4 year olds £3.76 per hour (£4.30 per hour including supplements).

5.2.2 The proposed rates for 2017/18 are set out in paragraph 1.6 above.

5.3 Legal and Constitutional References

5.3.1 Section 6 of the Childcare Act 2006 places a duty on local authorities to secure, so far as reasonably practicable, that the provision of childcare is sufficient to meet the requirements of working parents and those wishing to take up work or undertake education or training. Section 7 places a duty on local authorities to secure that early years provision is available free of charge for prescribed children. The current duty relates to 15 hours per week of free early education to all 3 and 4 year olds and 15 hours per week of free early education to prescribed disadvantaged 2 year olds. The Childcare Act 2016 sets out a new duty for eligible 3 and 4 year olds of working parents, which if brought into force would extend the free provision to 30 hours per week. Whilst the detail of the duty is reserved to regulations, the recent consultation indicates that the duty will take effect from September 2017 and will apply to working parents with a specified means test.

5.3.3 Under current legislation, local authorities are required to set and use a locally determined formula to fund all types of early years provision (the early years single funding formula) and supply to all providers an indicative budget at the beginning of the financial year and adjust budgets to reflect actual levels of participation. The formula must be constructed of either a single base rate for

all providers or a number of base rates to differentiate by type of provision, based on unavoidable cost differences. The formula must include a deprivation supplement for 3 and 4 year olds and must be based on a count of children attending the provision. Local authorities are required to have a schools forum and to include representatives from the early years sector on this forum. Under the Schools Forum (England) Regulations 2012, a local authority must annually consult its schools forum in respect of its functions relating to schools budgets, in connection with arrangements for early years provision.

- 5.3.5 Responsibility for Functions, Annex A, as laid out in the council's constitution states that the Children, Education, Libraries and Safeguarding Committee has responsibility for those powers, duties and functions of the council in relation to Children's Services.

5.4 Risk Management

- 5.4.1 The actions outlined in the report, including consulting with providers, require implementation in order to create a fair funding process. Without this action, it is unlikely that there will be a significant increase in provision and therefore that the Council will be able to secure sufficient childcare provision.

5.5 Equalities and Diversity

- 5.5.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
 - advance equality of opportunity between people from different groups
 - foster good relations between people from different groups
- 5.5.2 The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services
- 5.5.3 Detailed profiling has been undertaken in order to identify eligible children in Barnet, this includes a wide range of characteristics, including relevant equalities and diversity characteristics.

5.6 Consultation and Engagement

- 5.6.1 During January 2016, as part of the Childcare Sufficiency Assessment, a telephone survey was undertaken with private, voluntary and independent childcare providers (PVI), including childminders and children's centres, operating throughout Barnet. The aim of the survey was to understand whether providers were likely to expand under the forthcoming extension to childcare. This showed that whilst 89% of providers were familiar with the

planned increase of the additional 15 hours for three and four year olds for working families, only 45% of PVIs expect to offer additional sessions. One of the key reasons cited by providers for not intending to offer the additional hours was the lack of certainty around the funding rate. Most providers said that they thought the current funding rate was too low and that if they increase the free entitlement hours for one child to 30 hours per week at the current rate, therefore reducing the additional hours they could sell privately at a higher rate, this would make their business model unviable.

5.6.2 Following consultation with Schools Forum, a consultation was undertaken with local providers in October and November. The consultation was via Survey Monkey and information on the consultation and how to access the survey will be through the Barnet website, and through direct communication to providers.

6. BACKGROUND PAPERS

6.1 Consultation document- Early Years National Funding Formula
https://consult.education.gov.uk/early-years-funding/eynff/supporting_documents/Consultation%20Document%20%20Early%20Years%20National%20Funding%20Formula%2011%2008%2016.pdf