

EARLY YEARS NATIONAL FUNDING FORMULA REVIEW 2018/2019 UPDATE

To: Cambridgeshire Schools Forum
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1.0 INTRODUCTION

- 1.1 The Department for Education (DfE) announced the introduction of the Early Years National funding formula which would come into effect from April 2017 and the introduction of a new early learning and childcare scheme for working parents from September 2017. Eligible working parents are now entitled to access an additional 15 hours of free childcare above the Universal Entitlement which would enable them to access 30 hours of free childcare in total.

The Local Authority undertook a full consultation with providers in Cambridgeshire and a new Cambridgeshire funding formula was agreed and implemented which came into effect in April 2017.

2.0 Funding for 2018 – 2019

- 2.1 The DfE recently published the Early Years National Funding Formula Hourly Rates for 2018 – 2019 financial year. This confirms that there will be no increase to baseline funding rate of £4.42 received during 2017 -18 and no changes within the operational guidance which will have an impact on the Cambridgeshire Funding Formula.

3.0 Summary of the Proposed Cambridgeshire Formula for 2018/19

- 3.1 Unlike the schools funding formula, Local Authorities will continue to be responsible for determining and administering their own Early Years Single Funding Formula.

- 3.2 The proposed Cambridgeshire Formula is as follows:

1. **Base Rate** – This is a basic hourly rate that is paid to providers on a per child basis, based on actual hours of provision. This factor is applied to all providers and all providers will be paid the same hourly rate which is a result of the national guidance changes. The proposed funding rate will remain at £4.04 per hour.
2. **Deprivation** – This is a mandatory supplement provided to settings on a per child basis to children living in a postcode deemed to be deprived according to the Income Deprivation Affecting Children Index (IDACI). The ranking are as follows:

Rank	Residence of child	IDACI Rank of postcode	Value per hour
1	Highest 10% per IDACI	0 - 3284	£1.30
2	Next highest 10% per IDACI	3285 - 6568	£1.00
3	Third highest 10% per IDACI	6569 – 9852	£0.65

4	Fourth highest 10% per IDACI	9853 - 13136	£0.30
0	Remaining 60% least deprived	13137 - 32844	£0.00

3. **Nursery School Supplement** – Nursery schools would be the most adversely affected by a move to a universal base rate of funding for all providers. Therefore, in recognition of this the government is providing an additional Nursery School supplement to Local Authorities, guaranteed until 2019 – 2020. This funding will be passed onto Nursery Schools in the form of additional top-ups so that their funding is maintained at current levels.

4.0 Additional Funding outside of the 3 and 4 year old funding formula

4.1 2 year old funding

Funding for eligible 2 year olds will continue at the rate of £5.41 and will be administered in the same way as at present. Further discussion and exploration of options to allow for the creation of an Additional Needs Fund to support those funded two year old children with additional needs but who do not meet the threshold for an Education Health and Care Plan.

4.2 Early Years Pupil Premium

This will continue to be paid at a rate of £0.53 per hour for eligible children.

4.3 Disability Access Funding

This fund was introduced in April 2017 and will continue be paid at a rate of £615 per eligible child per year. Eligibility is based on three and four year olds who are in receipt of child disability living allowance.

4.4

Top-up funding from SEN Inclusion Fund for three and four year olds

Settings will get additional top-up funding for children with Education Health and Care Plans (EHCPs) and additional funding will also be available to support three and four year old children accessing their universal or extended entitlement before they have an EHCP in the form of top-up funding from the new SEN Inclusion Fund (SENIF). The SENIF has been created through an agreed EY top slice and funding of £500k from the High Needs Block.

Work has been ongoing since last April to put in place the policy, process and criterion for the new SEN Inclusion Fund, which came into effect for new children from September 2017. The current SENIF policy, guidance and application documentation can be found at <https://www.cambslearntogether.co.uk/early-years/sen-support/>

A two tier system has been implemented for SENIF applications:

- Tier 2-One off payment of up to £1000 which could be used, for example for a short term targeted intervention for a child; and
- Tier 3-High need funding for up to 30 hours for those with the most complex needs to be paid at an hourly rate of £7.87 during 2017/18 and 2018/19

Funding requests are for an amount of hours per child and are a contribution towards any additional support and/or resources the child may need. The maximum amount of hours available will be 30 in line with their early learning and childcare entitlement and eligibility. This is not a true reflection in all cases of the hours being accessed by the child each week especially when a child is accessing up to 50 hours per week at a full day care setting.

The funding will be paid directly to settings once awarded and for the Tier 3 funding it will be for a period of up to 38 weeks, split across 3 academic terms, paid on a termly basis, with the option to apply for up to 48 weeks funding if the child is accessing provision all

- 4.5 year round with the expectation that review paperwork will be submitted at the end of each term. Funding is attached to the child, and therefore if the child moves setting the funding will follow the child.

Creation of Additional Needs Funding (ANF) for children aged 0 – 3 including funded twos.

It has been identified, in working with providers, that despite the creation of the SENIF, many settings will be supporting children for hours for which they do not meet the eligibility criteria for SENIF funding. This could be because the child is accessing more hours than the universal, or extended entitlement hours as a three and four year old; or because they are younger than three. For example, as a result of the eligibility criteria for free early learning and childcare for two year olds, many of the children taking up these places present with additional needs, requiring additional support, which is not provided for within the current hourly rate and which could prevent the child from being able to access their statutory entitlement hours.

It is estimated, using current data, that there are currently 50 children aged 0 – 3 currently accessing an early years setting who are following the EHCP pathway. To support settings during the 20 week EHCP process, funding totalling £118k has been identified from within the High Needs Block which will allow settings to access up to 15 hours per week of additional funding to support the needs of these children. This will be available from April 2018. As has been stated in respect of the SENIF, whilst welcome, this will not, in many cases, reflect the true number of hours being accessed by the child at a setting.

5.0 Early Years Centrally Retained Funding

The following centrally retained amounts laid out below were approved at Schools Forum in December 2017:

Centrally Retained Budget	Value
Qualifications and supporting work	£375,000
Commissioned Services Linked to Early Years childcare development and Support	£245,580
Early Years Access Officers	£88,355
Early Years Pupil Premium Eligibility	£11,000
Contribution to support Early Years Service statutory duties	£340,000
Support for the implementation of the extended 30 hour entitlement	£130,000
Total	£1,189,935

The new Early Years Funding guidelines restrict local authorities to retaining a maximum of 5% of funding centrally for 2018/19. While the Cambridgeshire allocation for 2018/19 is not yet known, we do know that the hourly rate we will be paid remains unchanged, the proposal is to retain approximately 3.4% of current funding, well within this restriction. 2018/19 will be the final year that we request to retain the £130k to support the implementation of the extended 30 hour entitlement, and we will undertake a full review of the other centrally retained amounts looking forward to 2019/20.

6.0 Update on the Extended Entitlement

- 6.1 The extended entitlement to early learning and childcare for 3 and 4 year olds was implemented nationally from 15 to 30 hours a week for working parents from September 2017 who meet the qualifying criteria.
- 6.2 It was estimated by HMRC that in Cambridgeshire there would be up to 5010 families with children who would be aged 3 and 4 who would be eligible to take up this entitlement in the

first full year of implementation.

- 6.3 There are 3,666 children taking up the extended entitlement this term.

7.0 Next steps

- 7.1 A working group of local authority (LA) officers and representatives from the early years sector is to be set up to look at and review application criteria and processes for both this funding stream and the SENIF.
- 7.2 Work will also continue over the summer term to explore options and funding streams which might be available to support settings in meeting the needs of these younger children. This might include the creation of a specific fund to support eligible two year olds accessing their entitlement hours, by reducing through top slice the hourly rate paid to all providers. Also to be considered is the use of other funding sources which might be available which will provide for earlier intervention for these younger children.
- 7.3 All ANF and SENIF funding and claim numbers will be reviewed throughout the year to ensure that the current offer is sustainable for future years
- 7.5 The final local formula will be submitted to the Children and Young People's Committee in March recommending implementation from April 2018 onwards.

Recommendation

Members of Schools Forum are asked to note the contents of the report.