

EARLY YEARS NATIONAL FUNDING FORMULA UPDATE

To: Cambridgeshire Schools Forum
 Date: 14th October 2016
 From: Matthew Moore – Learning/Schools Funding Accountant
 Sam Surtees - Strategic Policy and Early Years Operations Manager

1.0 INTRODUCTION

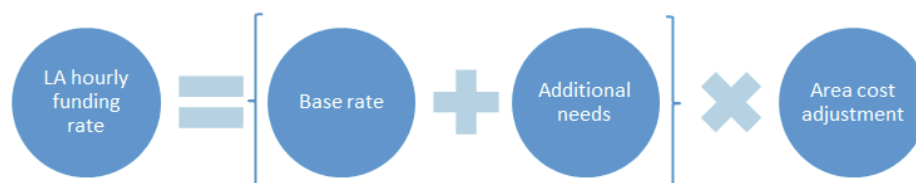
- 1.1 The Department for Education (DfE) published its consultation on the Early Years National funding formula on 11th August 2016. The consultation deadline was 22nd September and the new funding arrangements will be implemented from April 2017 onwards. The local authority response to the consultation is included in appendix 1 of this report.

2.0 Consultation Outline

The key points of the Early Years National Funding Formula are summarised below:

2.1 Part one: Funding from central government to providers

The National Allocation Basis to Local Authorities:



The base rate will account for 89.5% of the national funding envelope in total.

Additional Education Needs (AEN) will be based on three metrics and weighted accordingly:

- Free Schools Meals (FSM) eligibility at Key Stage 1 & Key Stage 2 - 8%
- English as an additional Language (EAL) numbers at Key Stage 1 & Key Stage 2 – 1.5%; and
- Disability Living Allowance (DLA) based on numbers of entitled children aged 0-5 – 1%

- 2.2 These figures will then be multiplied by an area cost adjustment amount which is a combined measure looking at the staff costs in an area (General Labour Market Measure) and the premises costs (Rateable value). This is intended to reflect the higher costs faced in different part of the country. This results in overall funding to Cambridgeshire of £4.42 per hour per pupil.
- 2.3 The consultation document confirmed that the Early Years Pupil Premium (EYPP) will continue to be paid at the same rates as now (£0.53p per hour for eligible children).
- 2.4 Two Year-Old funding will also continue based on the current system but with an enhanced hourly rate. The indicative hourly rate for Cambridgeshire is £5.41 (compared to £5.05 at present) which is a larger increase than most local authorities due to the application of an area cost adjustment.
- 2.5 Part two: Local authority funding to providers**
- The Early Years National Funding Formula will be applied to both the current 15 hours free entitlement and the extended 15 hours offer, which is scheduled for implementation on 1 September 2017.
- 2.6 It is proposed that local authorities will only be able to retain 7% of Early Years block funding centrally for 2017/18, reducing to 5% thereafter. In Cambridgeshire we currently retain approximately 4% of funding centrally.
- 2.7 Proposed centrally retained budget for 2017/18:

Centrally Retained Budget	Value
Qualifications	£375,000
Commissioned Services linked to Early Years childcare development and Support	£245,580
EY Access Officers	£82,263
EYPP Eligibility	£11,000
Contribution to support Early Years Service statutory duties	£340,000
Fixed term Sufficiency Officer Posts to support implementation of the 30 hours entitlement	£130,000
Total	£1,183,843

- 2.8 Local authorities will remain responsible for determining and administering a local Early Years Single Funding Formula which must incorporate a universal base rate for all providers by 2019/20 at the latest.

Supplementary funding would be provided to local authorities with Nursery Schools for two years to help transition towards the universal base rate. For Cambridgeshire, the proposals suggest that this would equate to £1,217,716 per year.

2.9 **Formula Supplements:**

- Local authorities will continue to be able to use funding supplements as part of their local formula to enable them to meet the individual needs within their area.
- It is proposed that Deprivation will remain a mandatory supplement in the local formulae, Local authorities will be free to determine their own metric for allocation. Currently in Cambridgeshire the Income Deprivation Affecting Children index IDACI measure is used to align with the main Schools Funding formula.
- Rurality / Sparsity, Flexibility, Efficiency and Delivery of the 30 hours are proposed as optional supplements within the formula. Of these, flexibility is the only optional supplement that is currently used in Cambridgeshire. Consideration will need to be given, therefore, as to whether this continues.
- The amount of funding to be passed through the above supplements would be capped at 10% of the hourly funding rate.

Part three: Meeting the needs of disabled children and children with special educational needs

- 2.10 Additional Disability Access funding will be allocated to local authorities to pass on directly to providers to enable them to make “reasonable adjustments and build the capacity of the setting to support disabled children”. This funding amounts to £12.5m nationally; further information is awaited on the actual funding rate for providers.
- 2.11 Local authorities may be required to create a central SEN inclusion fund. It is suggested that this could be created by pooling funding from either one or both of the Early Years Block or High Needs Block. Due to budget pressures on the High Needs Block it is unlikely that funding would be available from this source and therefore it is likely that this would need to come from the Early Years Block which would have the effect of reducing the hourly rate to providers.

Part four: Transition to the new funding arrangements

- 2.12 Reductions faced by local authorities will be limited to a maximum of 10% against the 2016/17 baseline. Those local authorities facing reductions will lose a maximum of 5% of funding in 2017/18 followed by a maximum of 5% again in 2018/19.
- 2.13 As outlined in section 2.6, local authorities will be able to retain a maximum of 7% of funding in 2017/18 which will then reduce to 5% in 2018/19.
- 2.14 Local authorities will be required to use a universal per child base rate of funding regardless of provider type by 2019/20 at the latest. In line with expectations in the consultation we would anticipate moving to the universal base rate from 2017/18.

3.0 Issues for Cambridgeshire

- 3.1 Initial modelling, based on existing levels of centrally retained funding and on the continuation of deprivation supplement at the current rates equates to an approximate hourly rate of £4.10 per hour. This is calculated by taking the £4.42 allocated to Cambridgeshire and then removing the deprivation and centrally retained funding. However this takes no account of a continuing flexibility supplement or possible creation of an SEN inclusion fund. Any funding allocated through these mechanisms would result in a reduction of the base rate, at a rate of approximately £0.01 for every £60k required.
- 3.2 As a result of the current proposals, the majority of Private, Voluntary and Independent (PVI) providers in the County should gain additional funding; however, it is likely that a number will only see relatively small increases and feedback from the Early Years Provider Reference Group suggests the funding may be insufficient to enable some providers to offer the extended 30 hour entitlement.
- 3.3 The move to a universal base rate and the removal of the additional funding for quality, leadership and business rates would cause a significant loss of funding for nursery schools if there is no other mechanism to provide them with additional funding. The transition funding in the consultation is available for two years but there is a lack of certainty about what happens after this point with the document implying that the government will consult further in due course. Work is underway with the maintained nursery school sector to review and identify alternative models of delivery to provide sustainability within future available funding levels.

4.0 Next steps

- 4.1 The consultation deadline was 22nd September and therefore it is expected that the outcome of the consultation will be known at the beginning of November.
- 4.2 Once the National Funding Formula is confirmed then we will consult with providers on the local formula including the use and value of any supplements within the formula. This will take place between November and January.
- 4.3 The final local formula will then be confirmed by February for implementation from April 2017 onwards.

Recommendation

- 5.0 **Members are asked to note the contents of the report and to approve the planned Centrally Retained amounts for 2017/18 as set out in section 2.7.**