

**EARLY YEARS NATIONAL FUNDING UPDATE**

*To:* Cambridgeshire Schools Forum  
*Date:* 27<sup>th</sup> January 2017  
*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 response to the consultation on the Early Years National funding formula on 1<sup>st</sup> December 2016. The response can be accessed via the link below:

<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>

Following this, the Local Authority have been consulting with providers regarding the proposed Cambridgeshire funding formula. A copy of the consultation documents is included within appendix A. The new funding arrangements will be implemented from April 2017 onwards.

Further to this, from September 17, eligible working parents will be entitled to access an additional 15 hours of free childcare over and above the basic entitlement which would enable them to access 30 hours of free childcare in total.

**2.0 Outcome of the Early Years National Funding Formula Consultation**

- 2.1 The Funding Formula did not change substantially from the original proposals as outlined in the paper to the October 16 Schools Forum. However, the main changes following the original consultation were:

- The quality supplement was reinstated by the Department for Education as an optional supplement.
- The consultation suggested that new supplements based around the financial efficiency of settings or whether they will offer the additional 15 hours, however both these supplements will not be allowed by the DfE, at least for 2017/18.
- The consultation response confirms that the creation of an SEN Inclusion Fund will be mandatory for all Local Authorities.

**3.0 Summary of the Proposed Cambridgeshire Formula for 2017/18**

- 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 is £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 for the lifetime of this parliament. 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 funding formula

##### 4.1 2 year old funding

Funding for eligible 2 year olds will continue to be administered in the same way as at present. The allocation for Cambridgeshire has increased to £5.41 (from £5.05) and this will be passed onto providers in full from April 2017.

##### 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 is a new item of funding that will 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 due to EHCPs or from SEN Inclusion Fund

Settings will get additional top-up funding for children with Education Health and Care Plans (EHCPs). Additional funding will also be available to support children before they have an EHCP in the form of top-up funding from the new Special Educational Needs (SEN) Inclusion Fund. Work is currently ongoing to formulate how the SEN Inclusion Fund will work in practice.

#### 5.0

#### Early Years Centrally Retained Funding

The table below details the proposed LA centrally retained funding 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
Contract to support the implementation of the extended 30 hour entitlement	£130,000
<b>Total</b>	<b>£1,183,843</b>

The new Early Years Funding guidelines restrict local authorities to retaining a maximum of 7% of funding centrally for 2017/18 with a maximum of 5% thereafter. The proposed centrally retained funding outlined above would equate to approximately 3.9% of the relevant funding.

## **6.0 Update on the Extended Entitlement**

- 6.1 The Government is committed to extending the free entitlement to early learning and childcare for 3 and 4 year olds nationally from 15 to 30 hours a week for working parents from September 2017 who meet the qualifying criteria set out below. It will be possible for parents to take the extended entitlement over a period of between 38 and 50 weeks a year.
- 6.2 Qualifying criteria:
- Either both parents must be in work, or in the case of single parent families, the sole parent must be in work. 'In work' is defined as being in employment (including self-employed) and earning more than the equivalent of the minimum wage for working 16 hours a week. As an example, the current minimum wage is £7.20 per hour for over 25s, so the minimum weekly income to be eligible would be £7.20 x 16 = £115.20.
  - Each parent must also earn less than £100,000 per year.
  - One parent must be 'in work' if the other receives disability benefit or benefits related to caring responsibilities.
- 6.3 The Government consulted on their proposals for this in June 2016. A summary of the main findings are attached in appendix B. Further to this, revised statutory guidance is due to be published by the DfE in February.
- 6.4 Work is ongoing in the local authority to prepare for the implementation of the extended entitlement, focusing on four key areas; sufficiency of places, systems, communication to parents and providers and capital funding.

## **7.0 Next steps**

- 7.1 We will be collating and publishing results of the consultation on the County Council website.
- 7.2 The final local formula will be confirmed by Children and Young People's Committee in March for implementation from April 2017 onwards.

## **8.0 Recommendation**

- 8.1 **Members of Schools Forum 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 5.**

## Copy of Early Years Funding Formula Consultation

### Early Years Funding Formula

#### 1) Government Early Years National Funding Formula Consultation

The Government consultation regarding the Early Years National Funding Formula ended in September and the results were released on 1<sup>st</sup> December 2016.

<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>

The significant points from the consultation are summarised below:

- The funding to local authorities is calculated on the basis of a universal base rate for all providers plus factors for additional needs, based on measures of free school meals, disability living allowance and English as an additional language. These amounts are added together and multiplied by an area cost adjustment to reflect variations in local costs.
- All providers will be paid a local universal base rate of funding by 2019-20 at the latest (i.e. no differential rates for settings of different types).
- Supplementary funding will be provided to maintained nursery schools for the duration of this parliament. This will maintain their funding at a similar level to at present.
- The Deprivation supplement will be the only mandatory supplement within the formula.
- The only other additional supplements that will be allowed (but not required) are related to Rurality / Sparsity, Flexibility, Quality and English as an additional language.
- Funding supplements will be capped at a maximum value of 10% of overall funding.
- Local authorities will be required to pass on a minimum of 93% of funding to providers in 2017/18 and then 95% in each year thereafter.
- There are also two changes concerning Special Educational Needs which are explained in detail below:

#### **Disability Access Funding**

An additional Disability Access Fund has been created by the government. The documentation explains that the fund is to *“aid 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)”*.

**Eligibility:** Three and four-year olds will be eligible for Disability Access Funding if they are in receipt of child disability living allowance and if they also receive free early education. Four-year olds in reception class will not be eligible for this funding.

**Entitlement:** The settings of eligible children will receive a one-off payment of £615 per year and children will not need to take up the full 570 hours of early education to receive the Disability Access Funding.

**Identifying eligible children:** Early Years providers will be responsible for identifying eligible children and will be able to use the parent declaration form template that is due to be published alongside the model agreement in early 2017 to identify these children.

**Funding:** Funding will be provided to Local Authorities to pass onto settings in a lump sums. Where the free entitlement is split across multiple providers, the parents will be asked to nominate the main setting who will receive the full funding.

### **SEN Inclusion Fund**

Local authorities will be required to establish an inclusion fund for 3 and 4 year olds with Special Educational Needs taking the free entitlement.

**Eligibility:** The requirement for an inclusion fund is specifically for 3 and 4 year olds although a similar approach can also be taken for 2 year-olds and is intended to be targeted at those children with lower level or emerging SEN.

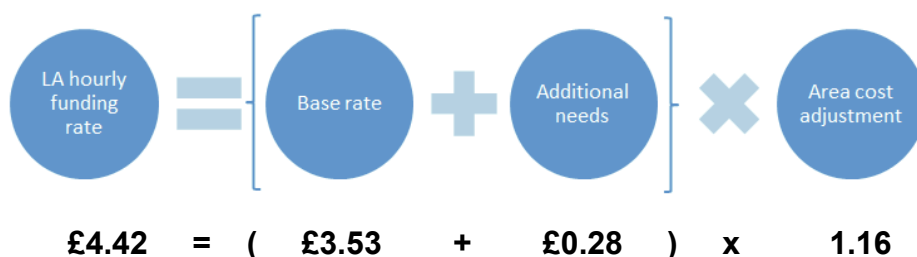
To create the SEN Inclusion Fund, local authorities will combine funding from either one or both of their early years block and high needs block of the Dedicated Schools Grant. Local authorities should pass the majority of their SEN Inclusion Fund to providers in the form of top-up grants on a case by case basis.

All early years providers with funded 3 and 4 year olds will be eligible to receive support from the SEN inclusion fund.

## **2) Proposed Cambridgeshire Early Years Funding Formula**

When formulating the proposed formula we have considered the views of providers via meetings with the Early Years Provider Reference Group. The sections below detail our proposed local formula in which we have sought to keep funding within the base rate where possible to give providers maximum flexibility to determine operating models whilst providing sufficient funding for the SEN inclusion fund and deprivation supplement.

As referenced in section 1, the funding to local authorities is calculated on the basis of 3 factors; a universal base rate of funding, plus additional needs factors and then multiplied by an area cost adjustment. For Cambridgeshire this results in overall funding of £4.42 per hour:



The government have indicated that the average rate to providers nationally once different factors have been included will equate to £4.88. Please note this includes factors such as EYPP, the recently allowed maintained nursery supplement and the disability access funding. The equivalent figure for Cambridgeshire would be £4.64 if calculated in the same way.

### **Supplements**

To keep the formula as simple as possible and to keep funding within the base rate we are proposing to keep Deprivation as the only supplement within the formula. This would be allocated in the same way as at present at the following rates:

Rank	Residence of child	IDACI Rank	Value per
------	--------------------	------------	-----------

			hour
<b>1</b>	Highest 10% per IDACI	0 - 3284	£1.30
<b>2</b>	Next highest 10% per IDACI	3285 - 6568	£1.00
<b>3</b>	Third highest 10% per IDACI	6569 – 9852	£0.65
<b>4</b>	Fourth highest 10% per IDACI	9853 - 13136	£0.30
<b>0</b>	Remaining 60% least deprived	13137 - 32844	£0.00

This represents a 5p reduction for bands 3 and 4 with the funding level and band 1 and 2 remaining the unchanged.

### **SEN Inclusion Fund**

Funding of £0.5m per year has been provided from within the High Needs Block of funding to support the creation of an SEN inclusion fund. We are intending to add a further £0.5m from within the Early Years Block to create an overall fund of £1m from which to finance the SEN inclusion fund and Education Health and Care Plans (EHCPs) within Early Years.

The SEN inclusion fund will be available from April 17 in the form of top-ups or lump sums for providers relating to the needs of individual pupils. Work is ongoing to look at how the inclusion fund will work in practice including the thresholds for support, the funding amounts and the process for accessing the funding. This will replace the existing Early Years Access funding although criteria for support will not necessarily be the same. Further information will be provided in due course about this.

### **Early Years Centrally Retained Funding**

Funding retained centrally by the Local Authority to fund our statutory duties will account for approximately 3.9% of the funding provided (dependent on pupil numbers) which is below the final limit set by government of 5% from 2018/19 of 5%.

### **What Base Rate does this give?**

Overall funding paid to local authority	£4.42
Less: Est. Deprivation Funding	£0.14
Less: SEN Inclusion Fund contribution	£0.07
Less: LA centrally Retained Funding	£0.17
Base Rate to all providers	<b>£4.04</b>

### **Funding in addition to the hourly rate**

**Deprivation Supplement:** Will continue at the rates outlined earlier in this document.

**Early Years Pupil Premium:** Will continue to be paid at a rate of £0.53 per hour for eligible children.

**Disability Access Funding:** £615 lump sum paid to settings for eligible children.

**Top-up funding due to EHCPs or from SEN Inclusion fund:** Funding rates from the SEN inclusion fund for eligible children will be confirmed in due course.

### **2 Year-old funding**

2 Year-old funding will continue to be administered in the same way as currently. Cambridgeshire will receive a higher rate of £5.41 (from £5.05 at present) and this will be passed on in full to providers from April 17 onwards.

### **Funding to Nursery Schools**

The move to a universal base rate of funding for all providers would have the biggest impact on maintained nursery schools. The government have therefore provided additional funding to enable funding levels to nursery schools to be maintained for the duration of this parliament.

It is our intention to pass on the additional funding to maintained nursery schools as an additional hourly supplement separate to the base rate of £4.04.

We will review the local formula annually and will recycle money back into the formula where possible, for example if the amount paid through the Deprivation went down then this money would go back into the base rate.

### **3) Alternative Options**

#### **Delay Implementation until September 17**

One option that was discussed with the Early Years Provider Reference Group would be to delay implementation of the new funding formula until September 17 as opposed to from April 17. This would provide an additional sum of one-off funding that would be the difference between the old overall funding rate from government and the new one.

Depending on pupil numbers then this provides approximately £800k of one-off funding. This funding could be used to increase the base rate by 2p to £4.06 for the first few years, this would be sustainable in the long term as funding can be released from the local authority central funding when a number of fixed term posts finish at the end of 2018/19.

We are minded not to use this option and to instead implement the new formula as soon as possible although we would welcome your views on this. If this option is taken then the funding rate would be £4.04 initially but would increase by 2p later once the fixed term posts finish in late 2018/19.

**Question:** Do you agree with our proposal to implement the new funding rate from April 2017? The alternative, to implement from September 2017, would enable the base rate to be 2p higher.

#### **Deprivation Supplement**

As mentioned, the deprivation supplement is mandatory for all local authorities. In our proposed formula we have lowered the deprivation supplement payable by 5p for bands 3 and 4. Another option would be to keep deprivation rates as they are at present which would then lower the hourly base rate to £4.03.

**Question:** Should we reduce the Deprivation supplements at band 3 and 4 by 5p, or should we keep them the same? Keeping the Deprivation banding rates the same would reduce the base rate by 1p.

## **Appendix B: 30 Hours Free Childcare Entitlement: Delivery Model**

The government published their response to this consultation, first published in June 2016, in November. The full response document can be found via the following link

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/565668/Government\\_response\\_-\\_30\\_hours\\_delivery\\_consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/565668/Government_response_-_30_hours_delivery_consultation.pdf)

In summary, in response to the main findings, excluding funding which is covered in a separate consultation response document below, the government will:-

### Eligibility

- Set a national grace period to ensure simplicity and clarity for parents and providers, and fair, consistent arrangements for children and families irrespective of where they live;
- Develop the existing national Eligibility Checking Service to automatically calculate the grace period, minimising administrative burdens on local authorities and providers; and
- Carry out further informal consultation on the length of the grace period, before setting out final decisions in statutory guidance in the new year.

### Flexibility

- Make clear in statutory guidance that, while the free early years entitlement must be provided over no fewer than 38 weeks, local authorities are expected to work with childcare providers to enable, as far as possible, parents to “stretch” their free childcare over the full year where that is what they wish;
- Extend the hours over which the funded hours can be delivered, to between 6am and 8pm;
- Limit to two the number of sites on which children can take up their free entitlement in a single day, to avoid the potential negative impact on children of multiple transitions between sites; and
- Remove the minimum session length in response to the view of the majority of consultees but retain the maximum session length of 10 hours per day.

### Supporting Children with Special Educational Needs and Disabilities

- Introduce, subject to the early years funding consultation, a targeted Disability Access Fund and an SEN Inclusion Fund model;
- Include proposals for improving SEND support in forthcoming early years workforce strategy;
- Develop best practice guidance to improve the quality of early years sections of Local Offers, which will include planned departmental advice on delivery of 30 hours free childcare;
- Publish examples of good practice to support local authorities with a particular focus on strategic, collaborative and effective systems of SEND support for children in early years; and
- Revise statutory guidance to make clear, and bring together, the responsibility of local authorities under both the Children and Families Act 2014 and Equalities Act 2010

### Reformed local delivery model

- Amend statutory guidance to set a clear expectation that by September 2018 childminders should be paid monthly and all other providers should also be paid monthly unless they request an alternative payment model. This will ensure that cashflow does not prevent small providers, including childminders, from offering the extended entitlement;



- Proceed with plans to develop a model agreement template, working closely with providers, local authorities and representative organisations, to bring clarity and consistency to agreements between local authorities and providers; and
- Make it clear in statutory guidance that government funding is intended to deliver 15, or 30 hours, a week of free, high quality, flexible early education and childcare. It is not intended to fund the cost of consumables,(eg drinks, meals and nappies) or additional services. Providers are already free to charge parents for such discretionary items provided they are not compulsory, i.e paying for additional services must not be a condition of taking up a free publicly funded place.

#### Childcare Information for parents

- Strengthen the regulations and guidance to make clear that local authorities will be required to update and publish their childcare information on a termly basis;
- Require local authorities to publish the information by electronic means via their websites, and also to continue to provide the information in other formats where it is needed and to signpost parents to other information or service that will benefit them; and
- Make clearer in guidance where local authorities could publish other helpful information for parents beyond the list set out in schedule 1 of the Childcare Act. For example where childcare providers work in partnerships to offer more wraparound services for parents, and providing details of any outreach activity they undertake to publicise the childcare offer, especially to under-represented groups not accessing their entitlement.

The government's response to the findings from the responses they received to "An early years national funding formula consultation" which was published on 11<sup>th</sup> August was published at the beginning of December 2016 and can be found via the following link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574040/Early\\_years\\_funding\\_government\\_consultation\\_response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574040/Early_years_funding_government_consultation_response.pdf)

#### **National Evaluation of the Pilot Local Authority Areas**

This is underway and is being led by Frontier Economics. They will be capturing the learning about early implementation from local authorities, providers and parents and it is hoped will be shared in late Spring 2017.