

SCHOOLS FORUM MEETING – 13th SEPTEMBER 2016

An early years national funding formula – Government Consultation

Introduction

The above consultation has been launched by Central Government to obtain views of moving towards and implementing a National Funding Formula for EY funding to remove the historic inequities in the current funding methodology and to assist with Central Government's manifesto pledge of introducing 30 hours free childcare to eligible working families. The closing date for responses is the 22nd September and officers are currently working on a response. The consultation document has been made available to EY providers and they are encouraged to respond.

Below is a summary of the document:

Summary Proposals

- Introduce a National Funding Formula by 2019-20 to allocate Early Years funding to Local Authorities.
- All Local Authorities to pass on the vast majority (95%) of funding direct to childcare providers.
- Childcare providers in each local authority area to receive the same basic hourly rate of funding.
- More targeted use of Local Authority funding supplements to incentivise providers to meet the needs of parents.
- Additional funding for children with SEND.

Early Years National Funding Formula

Three funding factors proposed to determine the amount each LA will receive:

- A universal base rate of funding of each child
- An additional needs factor, reflecting the extra costs of supporting children with additional needs to achieve good early learning and development outcomes; and
- An area cost adjustment, reflecting the different costs of providing childcare in different parts of the country.

The base rate will account for 89.5% of the early years funding formula, the remainder being through the additional needs.

The additional needs will be based on 3 measures:

- FSM eligibility (8%)
- EAL (1.5%)
- DLA (1%)

Initial DfE modelling sees 112 LA's gain (75%). For those LA's that lose it is proposed that no LA should face a reduction of more than 10% against its 2016-17 baselines as a result of the introduction of the formula.

The guidance indicates that NELC falls into the group of LA's that will gain.

EYPP will continue.

Amending the LA role.

Local authority centrally retained spend will be subject to limits. In 2017-18 then 93% of all EY's funding must be passed on to providers and 95% thereafter.

NELC centrally retains 3.3% of the EY funding in respect of all early years funding, including 2 year old.

The LA funding formulae will be made fairer to different types of providers by requiring LA's to use a universal rate for all providers from 2019-20 at the latest, this means a child in a private setting will receive the same level of per child funding as a child in a nursery class in a primary school.

In future the number of funding supplements will be limited to deprivation, rurality etc. The % cap of 10% will be consulted on.

Managing the Transition

There will be a floor of 10% so no LA will lose more than this.

Protection arrangements will be put in place as LA's transition to the new rates.

Cap on funding reductions in LA hourly rates of 5% proposed in 2017-18 and 2018-19. All LA's to be on formula by 2019-20.

Move to new universal rate required by 2019-20 but earlier adoption will be encouraged by the DfE.

There would be supplementary funding for maintained nursery schools for at least 2 years to keep their transition to a universal base rate manageable.

Support for Children with SEN

Providers to receive additional funding for every child in their setting in receipt of DLA.

LA's to be encouraged to create SEN Inclusion Funds to provide additional top funding to providers.

NELC has an EY SEN fund, does this need to be reviewed?

The impact of the proposals

3 to 4 year old funding

Currently there is a historic wide variation in central government funding to local government, from £3.24 to £9.17.

The National average funding rate under the new proposals will be £4.88, an increase from £4.56. This includes other factors such as EYPP, Disability Access, Quality and expertise, and MNS transition. **This is a national average, within NELC, providers do not receive this rate.**

Proposed formula will result in increases in funding for 112 LA's.

The data, based on the January 2016 headcount, for NELC indicates that the rebased hourly rate for 2016-17 is £3.66. For 2017-18 the illustrative EYNFF indicated by the DfE spreadsheet is £4.30. The illustrative provider rate is £4.07 based on the 95% allowed retention.

2 year old funding

The National average funding rate under the new proposals will be £5.39, an increase from £5.09. **This is a national average, within NELC, providers do not receive this rate.**

For 2017-18 the illustrative 2 year old hourly rate indicated by the DfE spreadsheet is £5.20, the currently hourly rate paid is £4.89 although funding received from the DfE is £4.85. Assuming a 5% retention providers could expect to receive £4.94 .

Other matters to note

Providers are free to charge parents for discretionary items provided they are not compulsory.

There is an expectation that through time providers will pay for training etc provided by the LA.

Conclusion

The above proposals, if implemented represent a significant change and piece of work. Officers are still working through and interpreting the proposals and the impact and as such it is possible that further clarifications from the DfE and our investigations may refine the understanding recorded above.

The implementation of the proposals will require the establishment of a working party and provider events to explain the changes. It is proposed that this is set up once the government has responded to the responses made to this consultation.

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