



To all Members of the Education and Young People's
Services Cabinet Committee
c/o Members' Desk
County Hall

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Date: 3 March 2017

Dear Member,

**EDUCATION AND YOUNG PEOPLE'S SERVICES CABINET COMMITTEE - TUESDAY,
7 MARCH 2017**

An item has been added to the agenda for consideration at next Tuesday, 7 March 2017 meeting of the Education and Young People's Services Cabinet Committee, by agreement of the Chairman and in accordance with 100BA (3)(b) of the Local Government Act 1972. Please find enclosed the relevant report and appendices.

Agenda Item No

B2 **17/00031 - Changes to the Kent Early Years Funding Formula (Pages 3 - 16)**

Sets out a proposal to amend the Kent funding formula for Early Years providers from 1 April 2017, on which the committee is asked to comment and endorse or make a recommendation to the Cabinet Member.

Yours sincerely

John Lynch
Head of Democratic Services

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From: Roger Gough, Cabinet Member for Education and Health Reform
 Patrick Leeson, Corporate Director for Education and Young People's Services

To: Education and Young People's Services Cabinet Committee – 7 March 2017

Urgent item: This item has been added to the agenda by agreement of the Chairman and in accordance with 100BA (3)(b) of the Local Government Act 1972.

Subject: **Changes to the Kent Early Years Funding Formula**

Classification: Unrestricted

Summary: This report sets out for Members proposals to amend the Kent funding formula for Early Years providers from 1 April 2017. These proposals take into consideration the Government's response to the National Funding Formula, the responses to a Kent provider consultation and the views of the Kent Schools' Funding Forum.

Recommendation(s)

The Education and Young People's Services Cabinet Committee is asked to consider, endorse or make recommendations on the proposed decision of the Cabinet Member to amend the Kent Early Years Funding Formula as set out in the proposed record of decision which is attached at Appendix 2 to this report.

1. Introduction

1.1 On 1 February 2017 a report on the Early Years National Funding Formula was presented to this Committee which informed Members of the Government's changes to Early Years funding from 1 April 2017. This report offers a useful background on this subject and a copy can be accessed via the link at the end of this report.

2. Consultation with Kent Early Years Providers

2.1 In January 2017, Kent County Council consulted with all of its Early Years providers to seek views on which of the optional supplements providers valued the most. The consultation also sought views on the preferred operation of the new, required SEN Inclusion Funding (currently known within Kent as SCARF).

2.2 Overall 639 responses were received which represented 51% of all providers. The LA would like to thank all respondents for taking the time to share their views on this important topic. Some of the key messages from the consultation were:

- a. That there is strong support for maximising the base rate.
- b. The supplements that are considered the most important to providers and have the most support are the quality supplements (Qualified Teacher, Early Years Teacher and System Leadership).
- c. There is little support for the English as an Additional Language (EAL) and Rurality/Sparsity supplements.
- d. Whilst the flexibility supplement scored quite highly in the ranking there was not a high level of support for the supplement overall.
- e. The most favoured method of distributing funding from the SEN Inclusion Fund is top-up funding to meet individual children's additional needs. There was little support to increase the SEN Inclusion Fund by reducing the base rate.

2.3 A copy of a report containing a summary of responses, which was presented to the Schools' Funding Forum, is available at Appendix 1.

3 Proposed changes to the Kent Early Years Funding Formula for Three and Four year olds

3.1 In the context of views expressed by providers in the Kent consultation, with effect from the 1 April 2017 it is the Council intention to make the following changes to the EY funding formula for all providers:

1. Until 31 August 2017, the universal base rate, which is paid to all providers, will remain at £3.91 per hour despite the 5p per hour funding reduction. With effect from 1 September 2017 the universal base rate will increase by 5p per hour to £3.96.
2. The deprivation supplement (which is mandatory) will continue to be targeted to the 25% most deprived settings and will range from £0.01 (least deprived) to £0.90 (most deprived) per hour.
3. The quality supplement for Qualified Teachers Status (QTS) (employed and paid under the statutory teachers' pay and conditions) will remain at £0.90 per hour and Qualified Teachers Status (QTS) (**not** paid under the statutory teachers' pay and conditions) and Early Years Teacher Status will remain at the rate of £0.30 per hour. In addition, the LA is introducing a new Quality supplement under System Leadership (in Kent manifested via provider collaborations). A total sum of £250k has been allocated to support collaborations. The LA is currently formulating the process for distribution and providers will be updated on this in due course, with the full £250k funding due to be allocated with effect from September 2017.
4. The Flexibility supplement is being removed. Overall there was less support from providers to retain this supplement and this view is supported by the Council who believe that provision across the County is largely flexible in line with parental need and therefore there is no longer a need to offer providers an incentive in this area.

5. The quality Ofsted Lump sum supplement is no longer permitted and is being removed.
6. Both the Rurality/Sparsity and English as an Additional Language are new optional supplements available from 1 April. There was limited support for the inclusion of these supplements and therefore the LA has decided not to introduce either of them. The LA will routinely review this position and reserves the right to introduce either of these supplements at a future date.

Table 1 – Current rates compared to the proposed rates

	2016-17 Hourly rates	2017-18 Hourly rates
Base Rate	£3.91	£3.91 (increasing by 5p to £3.96 from 1 September 2017)
Deprivation	£0.01 to £0.90	£0.01 to £0.90
Quality – QTS	£0.90	£0.90
Quality – QTS/EYPS	£0.30	£0.30
Quality – Collaborations	n/a	£tbc
Quality – Ofsted	£0.05 per hour + £300 lump sum	No longer applicable
Flexibility	£0.05	No longer applicable

4 Disability funding and SEN Inclusion Fund

- 4.1 From 1 April 2017 there will be a new Disability Access Fund (DAF) and all children who are in receipt of Disability Living Allowance will receive £615 per annum.
- 4.2 The DAF is in addition to the SEN Inclusion Fund which the Council will continue to operate. Providers gave strong support to the distribution of the SEN Inclusion Fund via top up payments to providers rather than access to services funded directly by the LA. Further information about this will follow in due course

5 Changes to the Kent Early Years Funding Formula for 2 year olds

- 5.1 From 1 April 2017 the 2 year old rate will be increased from £4.95 to £5.02 per hour, a 7p increase.

6. Governance

- 6.1 The proposed decision will be taken in accordance with procedures for urgency set out in Appendix 4 Part 6 of the Council's constitution and the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 11 (1) & (2) and will not be subject to call-in.
- 6.2 However, all members will have had an opportunity to comment on the proposals, and the Cabinet Member will have regard to these comments on taking the decision as well as to any comments or recommendations received by the committee.

7. Conclusions

- 7.1 Overall we are pleased to be able to consider offering an increase in the base rate to providers for 3 and 4 year olds at a time when our funding provided by the Government is reducing. Providers told us that maximising the base rate was important to them, and we believe this increase will help incentivise providers in offering places for the Government's commitment to increase entitlement to 30 hours for working parents.
- 7.2 It is our intention to further increase the base rate in the future as affordability allows. We anticipate that this will be possible from the growth in the take up of the 30 hours. The amount of the increase and the timing of the increase will depend on the level of take up and the LA intends to review the take up position at regular intervals and update providers in due course.
- 7.3 The proposals set out above have been fully endorsed by the Schools' Funding Forum at its meeting on 10 February 2017.

8. Recommendation(s)

- 8.1 The Education and Young People's Services Cabinet Committee is asked to consider, endorse or make recommendations on the proposed decision of the Cabinet Member to change the Kent Early Years Funding Formula as set out in the proposed record of decision which is attached at Appendix 2 to this report.

9. Background Documents

- 9.1 [Education Cabinet Committee 1 February 2017 – item C4](#)

10. Contact details

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SCHOOLS' FUNDING FORUM

SUBJECT:	Early Years Funding Formula Survey Results
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AUTHORS:	Simon Pleace, Revenue Finance Manager and Charlotte Landon, Schools and PVI Accountant
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DATE:	10 February 2017
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SUMMARY OF REPORT:	
To inform members of the Forum of the results of the Early Years Funding Formula Survey.	
FOR:	Information

1. Introduction

- 1.1 The Government is introducing changes to the way Early Years funding is calculated from 1 April 2017. The Department for Education consulted in August/ September 2016 and published the response in December 2016. These changes affect all Local Authority Early Years funding formula and as such we are required to consult with our providers prior to making such changes.
- 1.2 As part of KCC's consultation with the sector, a survey was issued to Early Years providers seeking their views on the discretionary supplements in the Early Years Funding Formula (EYFF) and also on the establishment of an SEN Inclusion Fund.
- 1.3 The survey was open from 10th - 30th January. We had 639 responses, a response rate of 51%.
- 1.4 This paper outlines the results of the survey and based on these results, recommendations for Kent's Early Years Funding Formula.

2. Breakdown of responses

- 2.1 The table below shows the breakdown of responses across District and Provider type.

District	Type of provider				Grand Total
	Child-minder	Day Nursery	Pre-School	School run provision	
Ashford	31	15	20	1	67
Canterbury	24	17	18		59
Dartford	14	4	14		32
Dover	11	12	10	1	34
Gravesham	19	6	9	1	35
Maidstone	34	7	27		68
Sevenoaks	15	7	26		48
Shepway	10	12	9		31
Swale	52	12	13		77
Thanet	22	21	8		51
Tonbridge & Malling	42	16	18	4	80
Tunbridge Wells	20	11	24	2	57
Grand Total	294	140	196	9	639

3. Discretionary Supplements

3.1 The survey asked providers whether they supported the inclusion of the following discretionary supplements:

- a) Rurality/Sparsity
- b) Flexibility
- c) Quality
 - Qualified Teacher Status (QTS)
 - Early Years Professional Status (EYPS)
 - System Leadership (Collaboration)
- d) English as an additional language (EAL)

3.2 Providers were allowed to answer Yes/No/Unsure to all questions. A summary of the response results for each supplement are provided in the tables below.

3.3 The results show that there is fairly strong support for the Quality supplements but less support for Rurality/Sparsity, Flexibility and English as an additional language.

Rurality/Sparsity				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	77	105	112	294
Day Nursery	21	86	33	140
Pre-School	63	86	47	196
School run provision	2	3	4	9
Grand Total	163	280	196	639
Percentage	26%	44%	31%	100%

Flexibility				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	156	77	61	294
Day Nursery	52	74	14	140
Pre-School	41	134	21	196
School run provision	1	6	2	9
Grand Total	250	291	98	639
Percentage	39%	46%	15%	100%

Quality - Qualified Teacher Status				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	120	118	56	294
Day Nursery	88	46	6	140
Pre-School	106	69	21	196
School run provision	7	2		9
Grand Total	321	235	83	639
Percentage	50%	37%	13%	100%

Quality - Early Years Professional Status				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	157	74	63	294
Day Nursery	112	24	4	140
Pre-School	124	50	22	196
School run provision	6	2	1	9
Grand Total	399	150	90	639
Percentage	62%	23%	14%	100%

Quality - System Leadership (Collaborations)				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	111	89	94	294
Day Nursery	72	43	25	140
Pre-School	113	46	37	196
School run provision	5	2	2	9
Grand Total	301	180	158	639
Percentage	47%	28%	25%	100%

English as an additional language				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	129	121	44	294
Day Nursery	51	72	17	140
Pre-School	84	91	21	196
School run provision	4	4	1	9
Grand Total	268	288	83	639
Percentage	42%	45%	13%	100%

4. Base Rate vs Supplements

4.1 The survey then asked providers whether we should aim to maximise the amount of funding distributed to providers through the base rate, or target the maximum available funding through the use of supplements (subject to complying with the 10% threshold). Providers had the choice of maximise the base rate, maximise the use of supplements or unsure.

4.2 The table below shows that there is strong support for maximising the base rate compared with maximising the use of supplements.

Base Rate vs Supplements					
Type of provider	Maximise the base rate	Maximise the use of supplements	Unsure	No Answer	Grand Total
Childminder	228	21	38	7	294
Day Nursery	104	26	8	2	140
Pre-School	165	14	14	3	196
School run provision	5	3	1		9
Grand Total	502	64	61	12	639
Percentage	79%	10%	10%	2%	100%

5. Supplement Ranking

- 5.1 The survey also asked providers to rank the supplements in their considered order of importance. Based on the results an average score was calculated for each supplement. The following shows them in ranked order. The lower the score the more important the supplement to respondents.

Rank	Supplement	Average Score
1	Quality - EYPS	2.76
2	Flexibility	3.03
3	Quality - QTS	3.32
4	Quality - System Leadership	3.52
5	EAL	3.90
6	Rurality/Sparsity	4.41

6. SEN Inclusion Fund

- 6.1 The survey asked providers to rank 3 methods of distributing funding from the SEN Inclusion fund based on what method they felt would have the most impact on the learning and development of children with SEN. The 3 options were as follows:

- Centralised, funded training for settings
- Specialist support e.g. funded speech and language therapists
- Top-up funding to meet individual children's additional needs

- 6.2 Similar to the supplement ranking, an average score was calculated based on the responses. The table below shows the options in ranked order of preference. It is clear from the results that top-up funding is the preferred method of distribution.

Rank	Method	Average Score
1	Top up funding	1.74
2	Specialist support	2.02
3	Centralised funded training	2.17

- 6.3 Settings were also asked whether they would support a reduction in the base rate in order to increase the funding available for the Early Years SEN Inclusion Fund. Settings were able to respond Yes/No/Unsure. The table below shows there is little support for this proposal.

Reduction in base rate to increase SEN Inclusion Fund				
Type of provider	Yes	No	Unsure	Grand Total
Childminder	32	203	59	294
Day Nursery	7	111	22	140
Pre-School	12	156	28	196
School run provision	1	6	2	9
Grand Total	52	476	111	639
Percentage	8%	74%	17%	100%

7. Conclusion

- 7.1 We can conclude from the survey results that there is strong support for maximising the base rate.
- 7.2 The supplements that are considered the most important to providers and have the most support are the Quality supplements (Qualified Teacher, Early Years Professional and System Leadership).
- 7.3 There is little support for the English as an additional language (EAL) and Rurality/Sparsity supplements.
- 7.4 Whilst the flexibility supplement scored quite highly in the ranking there was not a high level of support for the supplement overall. The flexibility supplement was originally included in Kent's Early Years Formula to encourage settings to provide more flexible childcare. Settings are now providing flexible childcare without the need for a supplement to incentivise them to do so.
- 7.5 The most favoured method of distributing funding from the SEN Inclusion Fund is top-up funding to meet individual children's additional needs. There was little support to increase the SEN Inclusion Fund by reducing the base rate.

8. Recommendations

- 8.1 Members of the Forum are asked to note the information in this paper when making recommendations on the mix of factors and funding rates in the Early Years funding Formula for 2017-18.

KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION

DECISION TO BETAKEN BY:

Roger Gough, Cabinet Member for Education and Health Reform

DECISION NO:

17/00031

For publication

URGENT Key decision: YES

Subject Matter / Title of Decision

Changes to the Kent Early Years Funding Formula

Decision:

As Cabinet Member for Education and Health Reform, I agree to make the following changes to the Kent Early Years funding formula for three and four year olds:

1. Until 31 August 2017, the universal base rate, which is paid to all providers, will remain at £3.91 per hour despite the 5p per hour funding reduction. With effect from 1 September 2017 the universal base rate will increase by 5p per hour to £3.96.
2. The deprivation supplement (which is mandatory) will continue to be targeted to the 25% most deprived settings and will range from £0.01 (least deprived) to £0.90 (most deprived) per hour.
3. The quality supplement for Qualified Teachers Status (QTS) (employed and paid under the statutory teachers' pay and conditions) will remain at £0.90 per hour and Qualified Teachers Status (QTS) (**not** paid under the statutory teachers' pay and conditions) and Early Years Teacher Status will remain at the rate of £0.30 per hour. In addition, the LA is introducing a new Quality supplement under System Leadership (in Kent manifested via provider collaborations). A total sum of £250k has been allocated to support collaborations. The LA is currently formulating the process for distribution and providers will be updated on this in due course, with the full £250k funding due to be allocated with effect from September 2017.
4. The Flexibility supplement is being removed. Overall there was less support from providers to retain this supplement and this view is supported by the Council who believe that provision across the County is largely flexible in line with parental need and therefore there is no longer a need to offer providers an incentive in this area.
5. The quality Ofsted Lump sum supplement is no longer permitted and is being removed.
6. Both the Rurality/Sparsity and English as an Additional Language are new optional supplements available from 1 April. There was limited support for the inclusion of these supplements and therefore the LA has decided not to introduce either of them. The LA will routinely review this position and reserves the right to introduce either of these supplements at a future date.

As Cabinet Member for Education and Health Reform, I agree to make the following changes to the Kent Early Years funding formula for two year olds

7. From 1 April 2017 the 2 year old rate will be increased from £4.95 to £5.02 per hour, a 7p increase.

Governance:

The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers as it assumes at 1.9 of the scheme that once a Member-level decision has been taken, the implementation of that decision will normally be delegated to officers, so that multiple Member decisions are not required in respect of the same matter.

Reason(s) for decision:

Requirement to comply with Government changes to funding Early Years, which include a reduction to the hourly rate for three and four year olds.

Cabinet Committee recommendations and other consultation:

The proposed decision will be considered by the Education and Young People's Services Cabinet Committee at its meeting scheduled 7 March.

Any alternatives considered and rejected:

The detail of the considerations consulted upon are contained within the body of the report.

Any interest declared when the decision was taken and any dispensation granted by the Proper Officer:

None

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signed

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date