

From: Roger Gough, Cabinet Member for Education and Health Reform
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To: Education and Young People's Services Cabinet Committee – 1st February 2017

Subject: **Early Years National Funding Formula**

Classification: Unrestricted

Summary: The Government is introducing changes to the way Early Years funding is calculated from 1 April 2017. The Department for Education consulted on the proposals last year and has now published its response. This paper highlights the main implications for this Council and its Early Years providers.

Recommendation

The Education and Young People's Services Cabinet Committee is asked to note the main points from the Government's response to its earlier consultation and the implications for Kent and its Early Years providers.

1. Introduction

- 1.1 Between 12 August to 22 September last year, the government ran a consultation on the introduction of an Early Years National Funding Formula. The Department for Education published consultation documentation can be accessed via the link at this end of this report. In addition, an internal briefing note on this topic was shared with the Schools' Funding Forum at its meeting on 16 September which has been attached at appendix 1 for information.
- 1.2 On the 30 November the Department for Education (DfE) published its response to this consultation. This paper focuses on this response.

2. Key Points from the Government's response

- 2.1 There has been no change to Kent's new funding rate as proposed in the original consultation from 2017-18 of £4.48 per hour. This is a decrease of £0.05 per hour from £4.53 per hour to £4.48.
- 2.2 The Qualifications Supplement, which in the consultation was being removed, is now being retained. However, the revised Qualification Supplement is to recognise workforce qualifications and/or system leadership and not Ofsted judgements. Therefore the Quality Lump Sum payment we currently make will not be an allowable supplement in future. Efficiency and the Additional 15 Hours supplements consulted on are no longer allowable, and a new supplement is being introduced for English as an Additional Language (EAL). Each of these supplements is discretionary.

- 2.3 There will be slightly longer protection, until 2019-20 (1 additional year), for Maintained Nursery Schools and commitment from the Government to review after 2019-20.
- 2.4 Centrally retained expenditure by the local authority is being limited to 7% for 2017-18 and 5% for 2018-19.
- 2.5 Children who meet the Disability Assessment Fund criteria will receive £615 per annum.

3. The Early Years National Funding Formula - Government to Local Authority

- 3.1 There has been no change to the proposals in the consultation. The factors used to determine the level of funding received by a LA will consist of three elements
 - a) A universal base rate
 - b) An Additional need factor, made up of three sub factors, Free School Meals, English as an Additional Language and Disability Living Allowance.
 - c) An Area Cost Adjustment (ACA) which has two drivers; staffing costs and premises costs.
- 3.2 In Kent County Council's (KCC's) consultation response it raised a major concern regarding the high level of funding (15.5%) allocated through ACA. The government's consultation response reported that there was wide support to include the ACA, however there were mixed views on the precise metric. Disappointingly no change has been made to the methodology or multipliers used in the original consultation.

4. The Early Years National Funding Formula - Local Authority to Providers

- 4.1 The proposal for a clearer and simpler formula was underpinned by a universal base rate for all providers and a prescriptive list of supplements, which in the main would be at the LA's discretion whether they would be used in the local formula.
- 4.2 There has been considerable change to the allowable supplements. The options to have supplements for Efficiency and delivery of the Additional 15 Hours have been removed. We had serious concerns about the practicalities of the inclusion of the Efficiency Supplement so this is a welcome change.
- 4.3 An additional supplement for EAL has been added, but the most important and welcome change from the original proposal is to retain the Qualification Supplement.

Supplements Overview		
Category	Mandatory / discretionary	Allowed / not allowed
Deprivation	Mandatory	N/A
Rurality/Sparsity	Discretionary	Allowed
Flexibility	Discretionary	Allowed
Quality	Discretionary	Allowed (useable for Workforce Qualifications and/or System Leadership not Ofsted judgements)
English as an additional language	Discretionary	Allowed
<i>Efficiency</i>	<i>N/A</i>	<i>Not allowed</i>
<i>Additional 15 hours</i>	<i>N/A</i>	<i>Not allowed (future possible inclusion will be kept under review)</i>

4.4 The final change is in relation to Maintained Nursery School protection, where we see the additional lump sum protection extended until 2019-20 and the commitment by Government to review maintained nursery school funding beyond this point.

5. Managing the Transition

5.1 **Move to new funding** - There is no change to the original proposal where no LA will see a reduction of more than 10% in its funding rate. However, an additional level of protection has been included that guarantees that a LA will not receive a rate of less than £4.30. In both instances this does not affect Kent as our new rate is £4.48 and therefore above this threshold.

5.2 **Central costs** - No change has been made to the level of pass through funding to Early Years providers. In 2017-18 LAs will have to pass through 93% of early years funding to providers and in 2018-19 it will be increased further to 95%. The DfE have now provided greater clarity on the methodology to calculate the central expenditure limit. Detailed modelling will now need to be undertaken to understand the impact and options available to the LA.

5.3 **Support for Children with SEN** - As proposed in the consultation, there will be a new Disability Access Fund (DAF) and eligible¹ children who meet the DAF criteria will receive £615 per annum. In addition, all LAs will be required to have an SEN Inclusion Fund which LAs will need to include in their Local Offer. The DfE has stipulated that LAs need to consult on this in their consultation with Early Years providers. In Kent we feel that we already fulfil this requirement with SCARF funding so this may just mean some small administration adjustments.

5.4 **Two year old funding** - There has been no change to two year old funding from the proposal in the consultation that sees a universal increase in funding of 7.1%. Kent will see its rate increase from £4.93 to £5.28.

¹ Those children in receipt of Disability Living Allowance

6. Next Steps

- 6.1 All of these changes now need to be implemented by the 1st April 2017, which means we have an extremely tight time frame to work within. Our next steps are as follows:
1. We must consult with all Kent Early Years providers around changes to the EY funding formula. The consultation commenced on 10 January and concluded on 27 January.
 2. Schools' Funding Forum (SFF) meet on 10 February to consider the final funding formula based on the responses to the consultation.
 3. In mid-February we will run the early years formula and calculate individual provider rates.
 4. In early March we will be sending letters to all providers confirming their hourly rate for 2017-18 financial year.

7. Conclusions

- 7.1 Overall we are disappointed not to be receiving an increase in our funding for Early Years to help incentivise providers to offer working parents the additional 30 hours of free childcare. Based on the consultation response and our confirmed funding rate, this is now going to be extremely challenging.
- 7.2 We are pleased that we can continue to recognise qualified staff through the payment of a supplement to the base rate.
- 7.3 We will be analysing the consultation responses carefully and we will use the views of providers to help amend our local Early Years funding formula to comply with the new regulations.

8. Recommendation

- 8.1 The Education and Young People's Services Cabinet Committee is asked to note the main points from the Government's response to their earlier consultation and the implications for Kent and its Early Years providers.

9. Background Documents

- 9.1 Report to the Schools' Funding Forum on 16 September on the Early Years Funding consultation (item 3), shown at Appendix 1 to this report.

10. Contact details

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