

**From:** Sarah Hammond, Corporate Director of Children, Young People and Education

**To:** Rory Love, Cabinet Member for Education and Skills

**Decision:** 23/00127 - The extension of funded early years entitlement, increased access to wraparound childcare, and KCC's local funding formula for early years providers funded entitlement payments for 2024-25.

**Key decision - This decision affects all electoral divisions and involves expenditure over £1m**

**Classification: Unrestricted**

**Past Pathway of report:** Children's, Young People and Education Cabinet Committee – 16 January 2024

**Future Pathway of report:** Decision by Cabinet Member for Education and Skills in consultation with Cabinet Member for Integrated Children's Services

**Electoral Division: All**

**Summary:** The report sets out the existing early years funded entitlement offer and the Government's extension of funded childcare for working families (both early years and primary school aged), the mechanisms to deliver this, the timescales, and the proposals for funding early years providers. It informs the Cabinet Committee of the Government initiative to increase access to wraparound childcare for the primary school aged children of working families. It seeks delegated authority to progress delivery.

**Recommendation(s):**

The Cabinet Member for Education & Skills is asked to take the proposed decision to implement the proposals set out in the Record of Decision.

## **1. Introduction**

- 1.1 Currently, all eligible parents of children aged three- and four-years old are entitled to up to 30 hours funded childcare per week (for the equivalent of 38 weeks) up until they start school (a universal offer of up to 15 hours per week with a further 15 hours per week for working parents). Disadvantaged two-year olds who meet certain criteria are also entitled to up to 15 hours per week.
- 1.2 Local authorities are responsible for setting the payment rates to early years providers for the funded entitlement for two-, three- and four-year olds and for making payments to providers for the funded places taken up.

- 1.3 The Council also has a duty to secure sufficient childcare, so far as is reasonably practicable, for working parents or parents who are studying or training for employment for children aged 0-14 (or up to 18 for disabled children).
- 1.4 In the Government's Spring 2023 budget, the Chancellor introduced and announced funding for two new initiatives: New Early Years Entitlements and Wraparound Provision. These are intended to support working parents with the cost of childcare and help parents to return to work.
- 1.5 The new entitlements are being introduced in phases:
  1. From April 2024, eligible working parents of 2-year-olds can access up to 15 hours per week for 38 weeks of the year.
  2. From Sept 2024, eligible working parents of children aged 9 months up to 3-year-olds can access up to 15 hours per week for 38 weeks of the year.
  3. From Sept 2025, eligible working parents of children aged 9 months up to 3-year-olds can access up to 30 hours per week for 38 weeks of the year.
- 1.6 Parents working the equivalent of 16 hrs a week (earning the national minimum wage or living wage) will be able to benefit from this offer. HMRC will continue to confirm eligibility. Eligible low-income families in receipt of certain benefits will continue to be entitled to 15 hours of funded childcare for 2-year-old children.
- 1.7 Local authorities must set entitlement funding rates in line with Government guidance and the cost of these payments are fully funded from the Early Years Block of the Dedicated Schools Grant provided by the Department of Education (DfE). On 29 November, the Government announced the intention to increase the Early Years Block for the funding of existing entitlements (for 3- and 4-year olds and disadvantaged 2 year olds), along with additional funding to deliver the new entitlements from 1 April 2024. The Council must now decide how the existing early years providers payments should change from the 1<sup>st</sup> April 2024 and the basis for calculating the rate paid for the new entitlements in 2024-25. The DfE expect views will be considered from both early years providers and the Schools Funding Forum.
- 1.8 In addition, the Government announced its ambition that, by 2026, all parents and carers of primary school-aged children who need it will be able to access term time childcare in their local area from 8:00am- 6:00pm. This is known as wrap-around provision or childcare. To support this, the DfE is issuing a separate revenue grant, over the next three financial years (2024-25 to 2025-26) called "Wraparound Childcare grant". The County Council is to receive a maximum of £52k in 2023-24, £4.1m in 2024-25 and an indicative allocation of £1.9m in 2025-26.
- 1.9 To support the expansion of the funded entitlement for working age parents and to achieve the ambitions of the wraparound childcare programme, the DfE is making available some capital funding to support place development. The County Council has been allocated a total of £2.66m capital funding. The DfE is expecting approximately 80% to be spent on expanding funded entitlements and 20% on wraparound childcare provision.

## **2. Delivery of New Funded Entitlements**

2.1 The Department for Education (DfE) has made estimates of the demand arising from the new entitlements, and the number of places needing to be created:

May 2023: GP Registered 0-4s	May 2023: Est. children using formal childcare	Anticipated new demand from April 2024	Anticipated new demand from September 2024	August 2022: Supply	April 2024: Est. Need for Places	September 2024: Est. Need for Places
89,200	48,200	1,600	4,000	38,000	15,500	17,500

N.B The 15,500 places are the DfE’s estimate of take up in. It expects the majority to be children already in provision funded by parents and thus “converting” to funded entitlement, with 1,600 being its estimated required new places.

2.2 Delivery Framework - The new entitlements will be delivered using the current arrangements, which are a commissioned partnership between the County Council and The Education People (TEP) with the following roles:

- ✓ The Childcare Sufficiency Assessment (CSA), an assessment of supply and demand for childcare provision in the County, is the responsibility of KCC Analytics, with TEP’s Early Years and Childcare Service (the Service) being a major contributor of place supply and vacancy data
- ✓ TEP leads on the development of new places and support for existing places across all types of provision, being early years and out of school childcare groups and childminders
- ✓ KCC’s Management Information Team (MI) administrates claims for funded places from providers
- ✓ KCC Finance makes the payments to providers
- ✓ TEP works with KCC’s Marketing and Resident Experience Team (MRX) to ensure timely and effective communications with parents.

2.3 Where we are now –

- ✓ It was agreed at Partnership Operations Board that TEP should lead on both the new entitlements and wraparound provision. A Steering Group has been established, led and chaired by TEP and with relevant KCC representatives.
- ✓ Based on the Summer Sufficiency Audit carried out by TEP, we know what places and vacancies we have currently. This has informed the CSA for 2023/24, which is close to completion and publication.
- ✓ Local Authority funding rates were published by the DfE on 29 November 2023. The Council is consulting with providers during January (further details in section 4).
- ✓ The DfE has been late in issuing technical specifications to IT providers and aspects of what will be required do not appear in the specifications. An assessment is being made as to the possible manual workarounds that may be required.
- ✓ TEP is working with KCC’s MRX Team to update Kent.gov, with Management Information updating provider facing KELSI pages.
- ✓ The final version of the new Statutory Guidance is not expected until 1 January 2024, with parents of eligible two-year olds being able to apply from 2 January 2024. This timeframe is unhelpful.

2.4 Next Steps - The following activities need to be completed:

- ✓ The Spring Vacancy Audit, due to be carried out by TEP in January/February, will be used alongside the annual CSA to give as clear a position as possible for April, assessing vacancies against parental demand as far as this can be ascertained.
- ✓ A parental questionnaire is being launched (combined with Wraparound Provision) by KCC Analytics in January, to run for the first four weeks of Term 3, with outcomes being available by or on 19 February.
- ✓ Information from the Spring Audit will then be aggregated to identify potential gaps in provision.
- ✓ MI to implement the new IT solutions.
- ✓ The local authority must confirm the funded entitlement rates, and payment process, by 31<sup>st</sup> March of each year for the forthcoming financial year, in consultation with early years providers and Schools Funding Forum. Providers are anxious for rates to be confirmed as early as possible to enable them to decide whether to offer additional places.
- ✓ Once all relevant information has been received from the DfE, this will inform the Marketing and Communications Plan which is currently being developed by TEP and KCC's MRX Team.
- ✓ Criteria and processes need to determine for allocating the capital funding to support sufficiency planning for the roll out of the new entitlements. DfE has indicated possible uses of funding could include making existing provisions more accessible for children with SEND, expanding existing provision including via a further site, remodelling provision to create more spaces, and modifying or improving central IT systems used by the local authority to deliver the entitlements.
- ✓ Provider agreements to be refreshed to ensure these cover the new entitlements. Legal support will be required.

2.5 Risks – There are a number of risks to achieving delivery of the new entitlements, which arise as a consequence of the timeline for implementation, and the fragility of the market.

- ✓ There is a risk of significant system issues, used to collect data from early years providers, which may impact the ability to make payments to providers on time and report required information to the DfE on a termly basis.
- ✓ Providers will not commit to offering places until local funding rates are known and they have seen the new Statutory Guidance, the timescales for which are extremely tight for the introduction of new places in April.
- ✓ Dependant on the confirmed local rate and in the context of increases in both the national minimum and living wages, affordability for providers may be a risk, which could deter them from agreeing to offer any new places.
- ✓ Where new places are required and this necessitates building refurbishment and/or extension, the lack of suitable space/premises may be an issue. Where a new build is required, lack of suitable land and/or affordability may be an issue.
- ✓ Whilst outside of local control, there continues to be a national crisis in the recruitment and retention of quality staff. A new DfE campaign is due to launch in the new year, but even if successful this would be unlikely to significantly enough boost the workforce for April, if not also September.
- ✓ Parental expectations about the new entitlements are already high so should there be any shortfall in meeting these expectations, complaints may be an issue.

### 3. Delivery of Wrap-around Childcare

3.1 The expectation is that by September 2026, all primary schools will offer (on-site or off-site) wrap around childcare. The DfE’s original estimates for Kent were:

**Supply of on-site wraparound childcare in Kent**

Schools with primary-aged pupils	Schools offering before-school childcare	Total number of before-school places	Schools offering after-school childcare	Total number of after-school places	Schools providing before and after school	Schools providing neither	Schools providing full wraparound	Schools not providing full wraparound
462	386	14,889	299	11,625	294	71	171	291

3.2 The table reports information about on-site wraparound childcare provided at schools with primary-aged pupils situated within Kent based on returns from schools in the January 2023 School Census. This is considered by the DfE to be the most timely available data, but has not been directly verified by the Council. It does not report on wraparound provision that may be supplied through off-school sites. It also does not report whether capacity is exceeded by demand at schools or not. ‘Full wraparound’ refers to schools which provide both before-school childcare (before or at 8am to the start of school) and after-school childcare (after school and to 6pm or later).

3.3 The Wraparound Childcare grant can be used to fund new and expanded provision, either to meet current demand or guarantee supply to build future demand by covering running costs. It can be used to cover costs, including as staffing, training, and transport (eg minibus hire) and resources. It cannot be used to subsidise an individual place. 11% can be retained by the local authority to cover its capacity costs.

3.4 The guidance on how capital funding can be spent includes building modifications to adapt space for use to deliver inclusive wraparound childcare, improvements to storage, new physical assets such as minibus purchase (to support a hub model of wraparound provision), play equipment (including outdoor play equipment), or tables and chairs. To be considered capital expenditure the asset must bring an economic benefit, and able to be depreciated, over more than one financial year.

3.5 Delivery Framework – Wraparound Provision, as with the new entitlements in Kent, will be delivered in partnership between KCC and TEP with the following roles:

- ✓ The CSA is being extended by Kent Analytics to include all term-time wraparound provision.
- ✓ TEP leads on the development of new and support for existing places across the County.
- ✓ TEP and KCC’s MRX Team to ensure timely and effective communications with parents.
- ✓ KCC Finance and Education will support TEP in developing a costed delivery plan for both revenue and capital funding, ensuring future payments are made to providers in a timely way, and ensure the terms and conditions of the grant are met for accounting and audit purposes.

3.6 Where we are now -

- ✓ The CSA currently only includes breakfast places so is being expanded to include after school.
- ✓ TEP has carried out a telephone audit of schools which completed mid-December
- ✓ A Microsoft Forms audit of childminders and early years and out of school childcare group providers is in process and closes on 5 January.

3.7 Next Steps - The LA has to submit a costed delivery plan to the DfE for the use of the capacity funding (February 2024). This has to be followed by a costed delivery plan for the use of the revenue (programme) funding (May 2024). To achieve these a number of activities need to be completed:

- ✓ Combine the outcomes of the telephone audit of schools with that being done for all other providers via Microsoft Forms in order to inform the CSA in relation to supply.
- ✓ As previously mentioned, a parental questionnaire (combined with Early Years Entitlements) will be carried out.
- ✓ The combined audits will be aggregated with the outcomes of the parental questionnaire to inform gaps in supply.
- ✓ Promote wraparound provision to parents and other partners.
- ✓ Submit supply and demand mapping data to the DfE (March 2024).

3.8 Risks - The key risk for Wraparound Provision is its long-term sustainability once the programme funding expires. Past experience would tell us that schools may be reticent to engage, because of the possibility, if not probability, of low take-up. The programme funding can be used to help set up provision, and fund ghost places while demand is built up. However, it is expected that the provider will charge families the full cost from the outset, rather than use funding to subsidise places.

#### **4. Funding Rates for Providers**

- 4.1 Early Years Entitlements are funded from the Early Years Block of Dedicated Schools Grant provide by the DfE. The Early Years Block is distributed to local authorities based on DFE pre-determined hourly rates and the estimated number of hours children access from the various funded entitlement offers (under 2, 2 year old and 3- & 4-year olds). The pre-determined hourly rates (and their calculation) vary depending on the funded entitlement offer.
- 4.2 Local authorities are then responsible for setting their own local formulae (known as the Early Years Funding Formulae) to determine the rate paid to their own early years providers. Local authorities can retain up to 5% of the total funding received for early years entitlements (excluding pupil premium and disability access fund) to contribute towards services provided for early years.
- 4.3 The DfE confirmed on 29 November 2023, the Local Authority basis for the Early Years Block for 2024-25. Kent's indicative allocation is due to increase by £49.1m (to £154.2m), of which, £114.5m relates to the existing funded entitlement offer for three- and four-year olds and disadvantaged 2-year-olds and £39.8m relates to the new expanded entitlement offer for children of working age parents.

##### Existing Funded Entitlement Rates

- 4.4 The existing allocations for 3- and 4-year old entitlement will increase by 3.8% (compared to the equivalent figure in 2024-25). The Department has also rolled in the funding for the Early Years Supplementary Grant (EYSG), received separately between September 2023 and March 2024, [Decision - 23/00070](#) - Increase to Early Years Free Entitlement Rates from September 2023: Allocation of the Early Years Supplementary Grant 2023-24, along with the recently announced Teacher Pay Grant (TPG) and further funding for higher employer contributions for teachers. The maintained schools supplementary funding has also increased by the equivalent of 6.7 Along with the Early Years Pupil Premium and Disability Access Fund rate paid for eligible three- and four-year-old children increasing by 2.9% and 3.2%, respectively. The 2- year-old disadvantaged rate will increase by 2.9% (compared to the equivalent figure from September 2024).
- 4.5 The Local Authority must agree the Early Years Funding Formula that will be used to determine the rates paid to providers for three- and four-year olds. Due to the timing of funding announcements for the Early Years Block, consultation with early providers and the Schools Funding Forum will take place during January, ahead of the Cabinet Member taking the Key Decision. Key considerations will include how the EYSG and TPG is incorporated into the Early Years Funding Formula; along with overall uplifts to the basic rates; funding of the Special Educational Needs Inclusion Fund; and proposed changes to the calculation of the deprivation supplement (in light of a consultation that took place during the Summer Term).
- 4.6 The calculation of the two-year old disadvantaged rate is impacted by the rollout of the new funded entitlements and more detail is provided below.
- 4.7 The three- and four-year old Early Years Pupil Premium and Disability Access Fund are paid based on DfE prescribed rates.

#### New Funded Entitlement Rates

- 4.8 The DfE ran a consultation with local authorities, early years providers and other representative bodies over the summer focusing on the way funding for the new entitlements will be distributed to local authorities and the funding rules for how local authorities determine their own local formula to pay providers for the hours claimed by families. The DfE consultation feedback, alongside the funding rates for local authorities and the funding guidance was published at the end of November.
- 4.9 The DfE has announced the funding rate used to determine grant allocation to local authorities for the two-year old working parent entitlement will be set at the same rate as the existing two-year old, disadvantaged rate (£8.10 per eligible hour), whilst the hourly rate for under twos entitlement will be set at £11.01 per eligible hour.
- 4.10 The DfE has announced indicative allocations for the new entitlements based on estimated take up, the characteristics of the children and families taking up the funded hours. Local authorities will use the indicative allocations to calculate proposed rates for their local formulae.
- 4.11 The DfE has also extended the existing scheme for 3- and 4-year olds for Early Years Pupil Premium and the Disability Access fund to the new funded entitlements for 2-year-olds and under, these must be paid based on the DfE prescribed rate.

- 4.12 The Local Authority must now agree the Early Years Funding Formula that will be used to determine the rates the Council will pay to providers for two-year olds and under two-year olds entitlements. The formula must meet the DfE guidelines. Key parameters for setting the new entitlements include:
- Universal hourly base rate dependent upon age
  - Disadvantaged 2-year-old funded hours must not be paid at a lower rate than hours provided to 2-year-olds from working families
  - Special educational needs inclusion fund which should be targeted at children with lower level or emerging special educational needs
  - Optional supplements for deprivation, rurality, flexibility, quality, and English as an additional language

### Funding Rate Consultation

- 4.13 Before deciding on its local formulae and provider hourly rates, the LA must consult with its providers and schools forum to decide how the money will be spent. Prior to consultation we discussed the DfE consultation and the possible options for local consultation with a group of providers reflecting a cross section of the different providers in Kent.
- 4.14 We launched the Early Years funding rate and payment consultation on Tuesday 9th January which sets out a number of proposals for the early years local funding formula from 1 April 2024. The consultation is open for a minimum of two weeks outside the school Christmas holidays, the consultation closes on Wednesday 24th January. We are encouraging all private, voluntary and independent providers, maintained nursery classes, maintained nursery schools and academies within the KCC area to respond with their views. Full details on our consultation will be shared after Tuesday 9th January.
- 4.15 The consultation responses will be shared with the Schools' Funding Forum on 2nd February 2024. The Forum will be asked to review these responses before reaching a recommended set of proposals to change the local funding formula from 1 April 2024
- 4.16 The consultation responses, together with the Schools' Funding Forum's recommendations and the views of this Cabinet Committee will be considered by the Cabinet Member for Education and Skills before a key decision on the local funding formula is taken.
- 4.17 While the formula can be approved, it is necessary for the final decision on the hourly rates to be paid to be based on affordability, which cannot be finalised until the formula is approved. For this reason, it is necessary for the Corporate Director of Children, Young People and Education to be delegated authority to approve the hourly rates.

## **5. How the proposed decision supports Framing Kent's Future 2022-2026**

- 5.1 The proposed decision supports the key priority "Levelling up Kent" within the 'Framing Kent's Future (2022-26)'. Supporting the Kent economy to be resilient and successful depends upon having a flexible, adaptable, talented workforce. Enabling parents to be active in the workforce is an essential component of this.



## **6. How the proposed decision supports Securing Kent's Future.**

- 6.1 The proposed decision supports "Securing Kent's Future – budget recovery strategy". The additional activity is funded by Government Grant, with allowances within these for the County Council's delivery costs. No additional funds from KCC are required. Supporting families to work and be independent of state support assists the County Council's budget position.

## **7. Financial Implications**

### Funded Entitlements

- 7.1 The revenue costs of paying existing and new entitlements is expected to be fully covered by the Early Years Funding Block of the DSG. It will be necessary to ensure that the hourly rate is affordable within the grant funding provided. The Local Authority's cost of delivering the current and new entitlements are also expected to be fully covered by the early years block funding in 2024-25 through retention of up to 5% of the grant. For 2023-24, the DfE has provided a separate one-off grant of £233,579 to support the Local Authority's activities required ahead of the 1<sup>st</sup> April to deliver the new entitlement offer. Benchmarking is taking place with other local authorities to identify areas where possible efficiencies from existing early years & childcare services delivered by TEP could be made. In light of the additional work over the next two financial years resulting from expanding the offer, some staffing & resource reductions are expected to be postponed, with staff instead delivering the new entitlements, funded by the additional capacity funding instead. Additional capacity is needed within Management Information and Finance to manage the additional volume of eligibility checks, payment check and payments. All costs are expected to be fully covered by the grant.

### Wraparound Childcare Grant

- 7.2 Spending plans to support delivery of the ambitions of wraparound childcare will be set within the revenue grant available (outlined in paragraph 1.8). Criteria for use will be developed. The 2023-24 grant allocation is expected to fund the local authority's central delivery costs for this initiative, and 11% of future year grant allocations can be used for this purpose in subsequent years. TEP has identified the need to redeploy five staff to deliver this work over the 18-month period April 2024 to September 2025. As above, some proposed staff & resource reductions will be postponed with staff instead delivering the wraparound childcare ambitions, funded by the capacity funding.
- 7.3 Similarly, criteria and a process for using the capital grant (as outlined in paragraph 1.9) for both funded entitlement sufficiency and wraparound childcare development will be determined, with spending plans limited to the amount of grant funding available.
- 7.4 All proposals are expected to be fully funded from external grants and there will be no additional LA funding requirement.

## **8. Legal implications**

- 8.1 The LA has a duty to ensure families can access their funded early years entitlements, and as far as is practicable to access childcare for 0-14 year olds

to enable them to work or access education and training. Delivering the extended funded entitlements and wraparound childcare ambition is necessary to discharge these duties.

- 8.2 The existing provider agreement provides the revenue contracts required for the new entitlement. It will be refreshed with legal support to ensure the new entitlements are covered.
- 8.3 Contracts/funding agreements will need to be entered in to for capital awards, and for wraparound grant funding.
- 8.4 The Council is required to set the schools and early years budget in accordance with Education Act 2002 and the Conditions of Dedicated Schools Grant 2024-25. The Early Years funding rates must be published by 31st March for the forthcoming financial year.
- 8.5 The Schools Funding Forum generally have a consultative role whose composition, constitution and procedures of schools forums are set out in the Schools Forums (England) Regulations 2012 (S.I. 2012/2261) (as amended).

## **9. Equalities implications**

- 9.1 An equalities impact assessment has been completed and is included as part of the consultation documentation. There were no adverse impacts identified.
- 9.2 No data protection implications have been identified.

## **10. Other corporate implications**

- 10.1 Delivery of these requirements will require support from the MRX Team, but is not expected to have any corporate implications.

## **11. Governance**

- 11.1 A key decision is required to accept and utilise the new grants. It is expected responsibility for these and for delivery of the new entitlements/wraparound childcare will be delegated to the Director for Education and SEND as these are extensions to existing delegations.

## **12. Conclusions**

- 12.1 Delivery of these new entitlements and widening access to wraparound childcare is important to supporting working families in the County. It will not only help them financially by covering childcare costs, but open opportunities to extend working hours, return to work, or take on new roles. The LA has a statutory duty to enable families to access their entitlement, thus this activity must be undertaken.
- 12.2 The funding rates for providers must be determined, being both critical to existing provision, and to whether or not providers will sign up to the new entitlements.

## **13 Further Update**

13.1 Since the presentation at Cabinet Committee on 16 January, recommendations on the early years free entitlement rates have been finalised following the results of the consultation held during January and discussed with the Schools Funding Forum on both 18 January 2024 and 2 February 2024. The Schools Funding Forum endorsed all recommendations set out in the Record of Decision and summarised in Sections 13.3 to 13.5. Background is provided in section 4 of this report.

13.2 Appendix A and B provide a summary of the consultation responses with early years providers during both the October 2023 and January 2024 consultations. The results of the consultations have been used to support the recommendations for setting the early years funding formula for 2024-25. Subgroup meetings were held with volunteers from the Schools Funding Forum (early years representatives) and a cross section of early years stakeholders to develop the options and pre-consultation engagement. The October 2023 consultation was focused on options to allocate the deprivation supplement linked to 3- & 4-year-old entitlement funding, there were 89 responses (8.4% of all providers). The January 2024 consultation was focused on the wider approach to free entitlement funding from April 2024 for all age groups (3-&4-year-olds, 2-year-olds and 9-months to 2 years), whilst this consultation was open, 3 virtual briefing sessions were also held to promote the consultation and answer questions. This consultation received a much higher response rate of 610 providers (57.6% of all providers).

### 13.3 Principles for setting the Existing 3- & 4-year-old funded entitlement rate

13.3.1 For 2024-25, The Department for Education (DfE) announced a 3.8% increase in the Early Years block funding paid to the Local Authority for the existing 3- and 4-year-old funded entitlements. The proposal is to pass on the uplift of 3.8% to providers from April 2024 through an increase in the hourly rate paid to providers for both 3- and 4-year-olds, in addition to increasing the qualified leader supplementary rate – to reflect the increase in teachers’ pay and pension costs. We also proposed to add the supplementary grant rate, paid separately in 2023-24, of 42p per hour to the base rate from April 2024. This would increase the basic hourly rate for 3- and 4-year-olds from £4.55 to £5.16 and increase the Qualified Leader Supplement (for those employed on Statutory Teachers’ Terms and Conditions) from £1.05 to £1.20 per hour.

13.3.2 The Local Authority would continue to retain 4.41% of the total 3- and 4-year old funding received towards the Local Authority central services provided to early years providers and the local authority would budget for the 3- & 4-year-old Special Educational Needs Inclusion Fund (SENIF) payments to be funded from both the Early Years block and High Needs block in future, in line with DfE guidance, with the future aim for all payments relating to SEN support to be funded from the Early Years block whilst payments for children with an EHCP continue to be funded from the High Needs block.

13.3.3 There was support from both early years providers and the Schools Funding Forum to these proposals.

13.3.4 The consultation on the proposed changes to the method for allocating the deprivation supplement was less conclusive and further advice and discussion was had the Schools Funding Forum before agreeing the final recommendation. The early years deprivation supplement is a mandatory supplement for 3- and 4-year-old funded entitlement payments which must be used to recognise deprivation in local areas and used to support the progress and attainment of

disadvantaged children. The proposal is to move away from the use of Mosaic to calculate the average relative level of deprivation of all children supported by a provider to determine eligibility for the supplement and the rate paid. This will be replaced by a tiered funding rate for each child supported by an early years provider who is identified as living in the top 25% deprived areas in the county measured using the IDACI (Income Deprivation Affecting Children Index). This will mean payments to providers will be made on a child level rather than setting level which will enable providers to know more specifically what they are getting for specific children and enable them to target funding more easily. It also not reliant on parents having to confirm eligibility as is the case with other deprivation related payments such as pupil premium. The proposed rates are set out below:

	Band	Rate	Annual total*
Pupils in the most deprived 5% of LSOAs	A	£0.54	£307.80
Pupils in the next 10% most deprived LSOAs	B	£0.27	£153.90
Pupils in the next 10% most deprived LSOAs	C	£0.13	£74.10
Remaining pupils	D	£0.00	£0.00

\*based on 15 hour/week, 38 weeks/year. LSOA means Lower-layer super output areas.

#### 13.4 Principles for setting the new 2-year-old funded entitlement rate

13.4.1 Providers were consulted on whether there should be a different rate paid to providers for children whose families were claiming the free childcare place through the disadvantaged family's entitlement or working family's entitlement. They were also asked whether a quality supplement should be introduced (as is the case for 3- & 4-year-olds) to recognise the relative qualification of the staff. The majority of providers felt the funding rate needed to be kept as simple as possible and that with the extension of pupil premium to 2-year-olds, this could be used to support additional activities. There was little support for a quality supplement. Therefore, the recommendation is to fund providers with single hourly rate for all 2-year-olds, with no supplements, which would be £7.55 per hour.

13.4.2 In line with the DfE guidance, the Local authority would retain 5% to contribute towards the services provided by the Council for early years including the administration and payment of funded entitlements as well as SEN services. Spending would be informed by the Early Years review along with a review of how our systems and processes need to change to cope with the expansion of the free entitlement offer. The council would also establish a SENIF payments for 2 year olds and budget for SENIF payments for low and emerging need (SEN Support) to be funded from the Early Years Block. The process for accessing the SENIF payments would remain the same as is 3- & 4-year old payments.

13.4.3 The council will also retain a 1% contingency to mitigate the risk of setting the rates based on indicative data provided by the Department of Education until such time we have a more reliable data set and better understanding of both the level of take up, and the characteristics of the children taking up the offer.

#### 13.5 Principles for setting the new 9-months to 2 years funded entitlement rate

13.5.1 Providers supported the principle of a single rate with no additional supplements for qualification of staff, therefore the hourly rate would be set at £10.26 per hour.

13.5.2 Following the same principles as the 2-year-old rate and in line with DfE guidance, the Local Authority will retain 5% of the Early Years block to contribute towards central services for early years, establish a SENIF fund for children aged 9 months to 2 years to be funded from the Early Years block and retain a 1% contingency to mitigate against the risk of using indicative data to calculate the rates.

#### 13.6 Mechanisms for funded entitlement payments

13.6.1 The local authority will look at ways improve payment process for providers including prioritising the establishment of monthly payments for childminders.

### **14. Recommendation(s):**

The Cabinet Member for Education & Skills is asked to take the proposed decision to implement the proposals set out in the Record of Decision.

### **Background Documents**

[Childcare Expansion Capital Grant - Allocations Guidance \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

[National wraparound childcare programme handbook: a guide for local authorities \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

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