

TO: SCHOOLS FORUM
DATE: 8 DECEMBER 2016

CONSULTATION ON PROPOSALS FOR 2017-18 EARLY YEARS FUNDING
Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek comments on proposals from the council for the funding arrangements to be put in place for Early Years (EY) provisions from 2017-18 and to approve the release of the consequential consultation document to providers and other interested parties. Changes are now being proposed in order to comply with new requirements from the Department for Education (DfE).
- 1.2 The report also confirms a new EY representative on the Schools Forum at this important time for the sector.

2 EXECUTIVE SUMMARY

- 2.1 The DfE is making changes in arrangements for EY funding in order to enable those parents that want to work more hours to do so. The free entitlement to education and childcare (the "free entitlement") for 3 and 4 year olds will therefore be extended from 15 to 30 hours per week for working families. There will be £1 billion of additional funding by 2019-20 to increase provider funding rates and to encourage the development of the additional places that will be required to meet increased take-up.
- 2.2 The DfE consultation proposals indicate that Bracknell Forest Council (BFC) will substantially gain from the changes with an estimated 14.1% increase in per child funding rates in 2017-18 compared to the national average increase of 7%. This equates to around £0.586m for the core 15 hours free entitlement. A further £0.273m is expected in 2019-20 when the new arrangements are fully implemented, so £0.859m in total. At this point per child funding will have increased by 20.1%.
- 2.3 The local changes proposed in this consultation by BFC are intended to maximise quality of provision, increase the number of free entitlement hours and target support to children that need it the most to succeed who providers then prioritise. They result in an average increase in provider hourly funding rates of 14.1%, with around 1 in 3 providers expected to see their rates increase by at least 15%. The new enhanced funding rates will also be paid to those providers choosing to deliver the extended entitlement between 15 and 30 hours for working families.
- 2.4 In respect of the free entitlement for 2 year olds, as this is a very recent development, the DfE are not intending to make any changes to current arrangements and are instead proposing to increase all LA per child funding rates by 7.1%. The council proposes to follow this approach and apply a 7.1% uniform increase to the current £5.10 hourly rate paid in BF, making a new rate of £5.46.

3 RECOMMENDATIONS

3.1 To AGREE the distribution of the EY funding consultation document and supporting papers at Appendices 1 and 2, subject to any approved changes.

3.2 To NOTE following a nomination process, Michelle Tuddenham has been appointed as the new EY provider representative on the Schools Forum.

4 REASONS FOR RECOMMENDATIONS

4.1 To seek comments from the Schools Forum on the EY funding arrangements proposed to be implemented from April 2017, in advance of a formal consultation with providers and other interested parties.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 These are set out in the supporting information and the attached Appendix 1.

6 SUPPORTING INFORMATION

Background

6.1 The previous meeting of the Forum received an update on DfE funding proposals for 2017-18 in respect of schools, education and EY services. In respect of EY services, this reported that in order to deliver the national policy objective of enabling more families to work by extending the free entitlement to childcare from 15 to 30 hours per week for parents that want to work, there would be £1 billion additional funding by 2019-20 to increase provider funding rates to encourage the development of the additional places that will be required from increased take-up. The details of the DfE proposals were set out in *An Early Years National Funding Formula and change to the way three and four year olds entitlements to childcare are funded* consultation document, of which the key issues are:

1. the extension to 30 hours per week for eligible children would commence from September 2017
2. to encourage providers to increase capacity to ensure sufficient places are available, funding rates should increase
3. to ensure funds are allocated to Local authorities (LAs) on a consistent and objective basis rather than continue with historic spending levels, an Early Years National Funding Formula (EYNFF) would be introduced
4. changes would be made to the way LAs could implement their local EY funding arrangements including:
 - a. changing the factors that can be taken into account in the determination of a provider's hourly funding rate
 - b. requiring at least 95% of an LAs EY funding to be passed on to providers, of which at least 90% of the amount paid to providers having to be allocated through a uniform base rate that must be set at the same amount for all providers, irrespective of the setting type or characteristics

- c. clarifying the expectation of arrangements to be put in place to ensure children with special educational needs (SEN) or disabilities can properly access the free entitlement.

- 6.2 At this stage, the DfE has yet to publish final decisions on the required EY funding framework for next year. However, a clear set of proposals have been set out in the national consultation and in order to have sufficient time to seek and consider views from providers on how future arrangements should be structured locally, the Bracknell Forest Council (BFC) consultation needs to commence now and therefore assumes the original DfE proposals will be implemented. To delay further would put at risk a successful April 2017 implementation. Should any significant differences emerge between the national consultation and the final DfE decisions, a further local consultation may be required, otherwise, decisions will need to be taken directly through the Schools Forum.
- 6.3 In order to ensure that EY providers are properly represented on the Forum at this important stage of the development of EY funding, the current EY provider representative indicated that due to current business commitments, she could no longer devote sufficient time to properly represent the sector and resigned her position. Therefore, nominations were sought from other providers to fulfil this role for which 2 were received. One was supported by 4 other providers, the other had the support of one other provider. For the EY representative on the Forum, the DfE Regulations require the LA to appoint, but it is good practice to seek nominations from the relevant bodies. The council has followed this process and determined that Michelle Tuddenham, Director of Little Acorns Montessori, with settings in Winkfield and Priestwood received the most support and has therefore been appointed.

Anticipated financial implications arising from the DfE proposals

- 6.23 In general, the council welcomes the proposals from the DfE to move towards a national funding formula for EY that uses clear and objective criteria consistently across the country, that necessarily reflects regional cost differences, ensures all areas are funded on the same basis and that high levels of funds are passed on to providers. The provision of £1 billion additional funds is also supported.
- 6.24 To help determine the potential impact from the national proposals, the DfE has published illustrative financial information at LA level. Whilst this is very welcome, it does need to be viewed with caution due to the assumptions used as these can produce out of date results. For example, the published hourly funding rates currently paid to LAs by the DfE are calculated from dividing the 2016-17 LA budget figures by January 2016 actual hours of participation. For BFC this divides 1.086m hours of participation into a £4.126m budget to give an hourly funding rate of £3.79. The BFC budget of £4.126m was in fact calculated on the assumption that 1.010m hours of free entitlement would be taken in 2016-17, which is in line with the actual hours delivered in 2015-16, meaning a real average hourly funding rate of £4.08. The average hourly funding rate BFC expects to pay to providers in 2016-17 is £3.85 and clearly this level would not be affordable using the DfE calculation of £3.79.
- 6.25 In trying to provide realistic financial information there can be a lag in the information available to the DfE compared to that accessible in individual LAs. However, in order to provide a guide to the potential financial implications, the following data is presented:

1. Average LA hourly funding rates in 2017-18 from all sources will increase from £4.56 to £4.88 (7.0%, this is a DfE calculation). This rate funds all expenditure and not just payments to providers.
2. BFC hourly funding rate for 2017-18 is estimated to increase from £4.08 (BFC calculation) to £4.66 (14.1%, DfE calculation). This is an increase in funding of around £0.586m.
3. LAs gaining the most from the changes will not receive the full increase immediately, but will need to contribute to a fund for 2 years to support LAs facing the largest funding reductions. This will ensure no LA receives an hourly funding reduction of more than 5% in each of the next 2 years which is intended to protect provider funding rates in those areas.
4. Once these transitional funding protection arrangements finish – expected for 2 years, so to April 2019 – LAs due to experience the largest gains from these changes will receive the full increase.
5. After the 2 year transitional funding period, BFC hourly funding rates are then expected to increase by another £0.27 to £4.93 (7.1%, DfE calculation), an overall increase in per child funding from 2016-17 of 20.1%. This is estimated to amount to a further £0.273m on top of the £0.586m immediate gain, so £0.859m in total.

Outline of BFC consultation proposals

- 6.26 The proposals from BFC are intended to maximise quality of provision, increase the number of free entitlement hours and target financial support to children that need it the most to succeed who providers then prioritise. The expectation is that proper targeting of financial support in EY settings now will result in more children achieving their full potential and fewer developing more complex and costly needs. This approach reflects the key strategic aims of the council.
- 6.27 As set out above, in trying to provide realistic financial information there can be a lag in the information available to the DfE compared to that accessible in individual LAs. In order for the financial information presented in the BFC consultation to reflect the most up to date and accurate picture, BFC data is generally used. Despite taking this approach, it needs to be borne in mind that final figures will almost certainly differ from those quoted in the BFC consultation document. This is because per child funding rates that are calculated from the number of hours of free entitlement delivered are all currently estimates as actuals for 2016-17 and 2017-18 are not yet known.
- 6.28 In considering the future local EY funding formula, a number of key principles have been applied, including aiming for a transparent and predictable calculation and targeting additional resources only where these are justified through additional costs or promotion of key priorities. In addition, for each of the top up supplementary payments that the DfE permits to be paid to providers, a consistent, and where possible, evidence based approach has been taken to formulate recommendations.

6.29 Taking this approach, the following represents the key elements of the proposed local EY funding framework:

1. In respect of the local EY Funding Formula, of which around 94% (£5.4m) of total funds will be distributed:
 - a. Around 92.75% of funds will be distributed through the uniform base rate to be paid to all providers, estimated at £4.08 per hour (currently £3.17 for schools and £3.71 for private, voluntary and independent sector (PVI) providers). This factor must comprise at least 90% of the funding distributed through the EY funding formula.
 - b. Around 5% of funds will be allocated through a deprivation supplement, based on post code level low family income data included in the Income Deprivation Affecting Children Index (IDACI), with variable hourly funding rates based on relative levels of deprivation, estimated at £0.20, £0.40 or £0.61 per hour. This is a key factor to deliver additional financial support to providers with the most challenging children, to maximise their school readiness and to help close the attainment gap as they move into schools.
 - c. Around 1% of funds will be paid to providers offering the most flexible offer to parents e.g. availability early or late in the day, at weekend or school holidays. Estimated hourly rates are proposed to vary depending on the degree of flexibility. Providers can qualify for more than one element of flexibility top up, with top up rates varying from £0.05 to £0.15 and can achieve a maximum hourly top up of up funding rate of £0.35.
 - d. Around 1.25% of funds will be paid to providers delivering the additional 15 hours, to encourage additional availability and to reflect current market conditions and charges currently being levied by providers. The rate is estimated at £0.30 per hour, paid only for provision above the core 15 hours entitlement, on an individual child basis.
 - e. The DfE will no longer allow a quality supplement top up to be paid to providers. Therefore, the current hourly payment rates of £0.21, £0.27 and £0.48, based on staff qualification data, will no longer be permitted. This is the highest value top up supplement in the 2016-17 EY Funding Formula.
 - f. The DfE also allows a sparsity top up to be paid to support providers with very low levels of participation, but this is not considered necessary in BF.
 - g. The DfE also allows an efficiency top up to be paid to providers. However, there is insufficient information on the detail of what this means, how it would be measured or how it would operate. Until more information is available, it is not proposed to reflect an efficiency supplement in BF.
2. In respect of the remaining funds, of which around 6% (£0.328m) of total funds will be distributed:
 - a. An SEN Inclusion Fund will be created to support relevant children, in accordance with clear eligibility criteria. This is expected to hold 1 % of available EY funds (£0.057m) but will be supplemented by funding

in the Dedicated Schools Grant High Needs Block as appropriate where additional need is demonstrated.

- b. A ring-fenced account will be established to provide financial support to children eligible to the Disability Living Allowance, holding around 0.6% (£0.35m) of available funds. Paid to each provider, which is the amount allocated to BFC by the DfE. This is intended to provide additional financial support to relevant children to access the free entitlement.
- c. A provider contingency will be established with around 1.5% of available funds (£0.086m) to finance in-year increases in take-up of the free entitlement and also to support providers in financial hardship where this relates to ensuring sufficiency of places for parents.
- d. Funding for central management by the council for fulfilment of statutory duties and the delivery of local and national priorities, which will be capped at 3% of available funds (£0.172m).

Appendix 1 of this report sets out the BFC consultation document that the Forum is requested to comment on and approve for distribution to providers, with a deadline for responses set at 20 January 2017. Annex 1 of Appendix 1 provides more financial information on the overall budget proposed for EY, with Annex 2 setting out illustrative individual provider funding rates.

Appendix 2 of this report sets out the more detailed information and workings that support the main consultation document.

6.30 If all of the proposals in the BFC consultation document are accepted, taking account of the assumptions used in generating the financial information, the following highlight changes are expected in provider funding rates:

1. 23 (36%) providers receive at least a 5% increase in hourly rate
2. 29 (45%) providers receive at least a 10% increase in hourly rate
3. 18 (28%) providers receive at least a 15% increase in hourly rate
4. 10 (16%) providers receive at least a 20% increase in hourly rate

Note, the above analysis excludes the impact of the flexibility and additional 15 hours top up supplement as it is unknown which providers will deliver these options and to what level. Actual increases will therefore be higher than those indicated for providers delivering these options.

6.31 The DfE state that “funding for the most disadvantaged 2 year olds is already allocated on a fair and formulaic basis and is not covered by these proposals.” However, as part of government spending plans, the BFC hourly funding rate will increase by 7.1% from £5.10 to £5.46. The consultation also proposes to increase provider hourly funding rates by the same 7.1%.

Next Steps

6.32 The BFC consultation will be supported by two evening briefings; on 10 January at 7.00 pm and 12 January at 6.00 pm. Both sessions will be held in the Forest Suite at Bracknell Sports and Leisure Centre, RG12 9SE and will explain the key issues raised and the potential implications. The sessions will address each question on the consultation and provide an opportunity for attendees to raise their own questions.

The intended audience is those involved in the delivery of the free entitlement, including school governors.

- 6.33 The results of this consultation will be summarised and presented to the Schools Forum on 9 March 2017, as part of the normal budget setting process. The Schools Forum will need to take a strategic approach in recommending the budget for the Executive Member to agree, including taking account of the overall level of resources. The Executive Member is expected to make the budget decisions on 21 March 2017.
- 6.34 One of the outcomes from this consultation will be agreement to hourly top up rates for 2017-18: To have a proper understanding and evaluation of the impact of any changes implemented as a result of this consultation, and to consider whether any refinements are required, a review is intended to be undertaken with providers towards the end of 2017 in order for any changes to be considered by the Schools Forum as part of the 2018-19 budget setting process.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal implications are addressed within the main body of the report..

Borough Treasurer

- 7.2 The anticipated financial implications are set out in the supporting information. Final proposals made by the Forum to the Executive Member will need to be affordable within the anticipated level of resources.

Equalities Impact Assessment

- 7.3 The DfE has completed an EIA on the impact of these proposals.

Strategic Risk Management Issues

- 7.4 The most significant issue anticipated from the proposals is failure to deliver the number of additional free hours required by parents. This is being mitigated by the expectation that provider funding rates will increase by an average of 14.1%, and for additional funding of £0.30 per hour to be paid to providers choosing to deliver the additional hours.
- 7.5 However the majority of provision within the private, voluntary and Independent sector will only receive between 2.5% and 10% and it is possible that a number of providers will struggle to be sustainable particularly as they will not be able to charge for the additional hours above the 15 hours free entitlement as they currently do. This could result in some providers opting out of the scheme. Most schools could receive the full amount available, and many have the capacity to extend, but currently many are not keen to change their model.
- 7.5 There is also the possibility that with a new funding formula, funds allocated to providers will exceed the budget. This could be as a result of additional hours needing to be paid, or providers becoming eligible to higher rate top up payments than those currently anticipated. There could also be additional cost pressures to support children with SEN. These will be managed through the £0.085m contingency and High Need Block budgets.

- 7.6 Many providers operate in community/church halls where it may not be possible to expand provision. There is a lack of available space in the borough for providers to rent.
- 7.7 There will be added pressure to recruit additional, qualified, staff at the appropriate levels as there is already a shortage.
- 7.8 If the capital bid to the EFA is unsuccessful we will lose a current provider who has been given notice to leave the school site in July 2017. There is no other capital fund currently available for this purpose.
- 7.9 We are working closely with all providers offering business and practice advice, support and guidance and encouraging collaborative working between providers. This may mitigate some of the above risks.

8 CONSULTATION

Principal Groups Consulted

- 8.1 This report presents part of the consultation process that will also include a formal written consultation with all providers. To date, consultation has only included CYPL Departmental Management Team.

Method of Consultation

- 8.2 Written report.

Representations Received

- 8.3 Included in body of the report.

Background Papers

DfE early years funding consultation:

<http://schools.bracknell-forest.gov.uk/sites/default/files/assets/an-early-years-national-funding-formula-consultation.pdf>

Contact for further information

David Watkins, Chief Officer: SR&EH (01344 354061)
David.Watkins@bracknell-forest.gov.uk

Paul Clark, Head of Departmental Finance (01344 354054)
paul.clark@bracknell-forest.gov.uk

Karen Frost, Head of Early Intervention (01344 352737)
karen.frost@bracknell-forest.gov.uk

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