



Children, Young People
and Learning
Department

RESPONDING TO DfE REFORM OF EARLY YEARS FUNDING

A CONSULTATION WITH EARLY YEARS PROVIDERS IN BRACKNELL FOREST

**9 DECEMBER 2016
TO 20 JANUARY 2017**

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Executive Summary

1. This document summarises the reform of Early Years (EY) funding proposed by the Department for Education (DfE). It also seeks views on the changes proposed in Bracknell Forest (BF) to meet the needs of providers and the DfE requirements.
2. The DfE is making these changes in order to enable those parents that want to work more hours to do so. To this end, the free entitlement to education and childcare (the “free entitlement”) for 3 and 4 year olds will 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 to encourage the development of the additional places that will be required to meet increased take-up.
3. 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 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%.
4. 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 will 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.
5. However, to ensure that all funds are allocated to providers in accordance with DfE requirements, and that where flexibility exists to make local decisions that the right choices are made, the Council is seeking views from providers on the proposals, and in particular:
 - The value of the hourly base rate that must be paid at the same amount to all providers
 - The top up supplements that should be paid to providers
 - The criteria that should be used to determine eligibility for each supplement
 - The hourly rate that each supplement should be set at
 - Funding arrangements to be put into place to support children with a Disability Living Allowance
 - Funding arrangements to be put into place to support children with Special Educational Needs (SEN)
 - How much money should be spent on the EY support services that the Council should deliver
6. In respect of the free entitlement for 2 year olds, as this is a very recent development, the DfE are not looking 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.

7. This is an important consultation that will have significant financial implications and all providers are therefore encouraged to complete a response so their views can be considered when final budget decisions are taken in March 2017.

Introduction

8. The purpose of this consultation is to gather views from EY providers and other interested parties on the council's funding proposals for April 2017. These need to be updated to reflect new requirements from the government. It builds on the briefing note sent to providers in September, with updates where appropriate, and includes firm proposals in respect of funding arrangements for EY providers and support services.
9. Unless otherwise stated, this consultation relates to 3 and 4 year olds only. The DfE are not proposing any significant changes to the funding arrangements for 2 year olds.
10. A range of supporting information is also available with this consultation. The following additional materials have been produced:
 1. A list of Annexes. This expands on the information contained in this, the main consultation document, and includes an illustration of the expected financial impact on each provider, from the range of options being presented.
 2. A spreadsheet to illustrate the potential funding rates for providers to help understand the anticipated financial impact on them from the options and proposals being presented.
11. The consultation documents and supporting information from both the DfE and BF council can be found at the following BF website address:
<http://schools.bracknell-forest.gov.uk/finance/early-years-funding-reform>
12. Due to the significance of this consultation, and the amount of paperwork involved, paper copies of this consultation document and the separate list of annexes document will be printed and circulated to all providers.

Information sessions

13. This 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 all providers in the private, voluntary and independent (PVI) ¹ sectors and head teachers, and school ² governors. School bursars will be provided with a briefing at the 12th January 2017 Bursar Support Session.
14. If you plan to attend one of the briefing sessions, please can you include the date of the intended session in the title of your email and **reply by Monday 19 December to:**
early.years@bracknell-forest.gov.uk

¹ "PVI" is the term used in this document to mean all current and potential providers of the free entitlement other than council maintained schools or academies, this includes pre-schools, day nurseries, private nurseries, independent schools childminders and out of school providers.

² In this document "school" means a council maintained school or academy school providing the free entitlement.

Responses

15. A separate response form accompanies this consultation, and you are asked to return your signed, scanned reply **by Friday 20 January 2017** to:

education.finance@bracknell-forest.gov.uk

or by post to:

Education Finance, Bracknell Forest Council
Time Square, Bracknell, RG12 1JD

Who should respond to this consultation?

16. Providers of the free entitlement. For maintained schools, the response should be completed by the chair of governors, in consultation with the headteacher and other governors. Other interested parties such as childminders and out of school providers that are not currently registered for the free entitlement are also welcome to make a response.

Queries

17. If you have any queries on this consultation, please contact:

PVI sector providers:

Early Help Business Support Team

Tel: 01344 354027 or 01344 352187

Email: ehbs@bracknell-forest.gov.uk

School providers and other interested parties:

Education Finance

Tel 01344 354053

Email: education.finance@bracknell-forest.gov.uk

Background to Early Years Funding

18. Local Authorities (LAs) are currently funded by the DfE for most of their EY responsibilities through a specific grant called the Dedicated Schools Grant (DSG). The DfE determines how much each LA will receive and what the funding can be spent on.
19. There is a simple formula to calculate the distribution of money to LAs. Each receives a fixed amount of funding for every child taking up the 15 hours free entitlement³. The funding rate paid to each LA varies and reflects their individual spending levels in 2010 which was the point that the DfE first required LAs to fund providers of the free entitlement through a local EY funding formula.
20. The DfE also specifies that EY DSG can only be spent on relevant EY provisions and support services. There is a degree of local flexibility available for LAs and Schools Forums⁴ on the composition of the local EY funding formula, including the use of top up supplement payments where providers face additional costs or deliver national or local priorities.
21. The amount of funding available for EY, and what it can be spent on, is therefore set by the DfE and not LAs. In 2016-17, BFC expects to receive around £4.126m of EY funding for 3 and 4 year olds with providers delivering 1,010,110 hours of free entitlement.

Early Years Funding: DfE proposals at a glance

22. The following text is taken directly from the 63 page DfE consultation document that has previously been circulated to providers and can be viewed at:

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

National funding to local authorities

- Hourly funding rates (national average) will increase from £4.56 to £4.88 for three- and four-year olds (including average Early Years Pupil Premium spend) and from £5.09 to £5.39 for two-year olds.
- A new early years national funding formula would allocate funding to local authorities for the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year children of eligible working parents.
- The formula would include factors for additional needs and an area cost adjustment to reflect variations in local costs.
- While the majority of local authorities would see increases in their hourly funding rates, we would set a funding floor to ensure that no authority could see a reduction of more than -10% once the formula is fully implemented.

³ LAs are funded for actual take up each January: April to August funding is based on the previous January; September to March on the January that falls within the relevant funding period.

⁴ Local authorities must constitute a local Schools Forum to consult with on budget and other financial matters relating to education. BF Schools Forum representation comprises head teachers, governors, SEN specialists, a16-19 provider, an early years PVI provider and a Trade Union representative.

- We would also use transitional protections to ensure that no local authority could see an annual reduction in their hourly funding rates of more than -5% in any year.
- We propose all local authorities should be funded by the early years national funding formula, without any transitional protections, by 2019-20.

Local funding from local authorities to providers

- We would require that all local authorities pass 93% in 2017-18 then 95% in 2018-19 of early years funding to providers. This would maximise funding to childcare providers.
- Local authorities would use a universal base rate to fund providers for each hour of the free entitlement, by no later than 2019-20. This would bring about greater equality in funding between different types of provider.
- There would be supplementary funding for maintained nursery schools for at least two years to keep their transition to a universal base rate manageable.
- There would be a limited set of permitted funding supplements, limited to those which reflect drivers of cost and incentivise providers to meet the needs of parents. These supplements would be capped at 10% of the hourly funding rate.

Meeting children's additional needs

- There would be a new Disability Access Fund to support disabled children to access the free entitlements.
- Local inclusion funds for children with special educational needs would support providers in driving outcomes for these children.
- The Early Years Pupil Premium will continue.

Bracknell Forest position and approach to EY funding

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 Council's response to the DfE consultation can be viewed at:

<http://schools.bracknell-forest.gov.uk/sites/default/files/assets/consultation-response-from-bfc-to-dfe-on-EYNSFF.pdf>

24. Arrangements regarding education funding in Bracknell Forest have been well established on the basis of a partnership with schools, other interested parties and the Bracknell Forest Schools Forum. Where significant changes are proposed from one year to the next, a consultation is undertaken with key stakeholders. As there have been no funding changes in recent years, with the DfE continuing to pay the same per child funding rate to LAs each year, there has been no scope to make changes to local funding rates. Consultations on EY funding arrangements have not therefore been undertaken. However, significant changes are now required, and this document presents proposals for 2017-18.
25. Whilst the DfE has yet to publish final decisions on the required EY funding framework for next year, a clear set of proposals have been set out in the national consultation. In

order to have sufficient time to seek and consider views from providers on how future arrangements should be structured locally, this 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 DfE consultation and their final decisions, a further local consultation may be required, otherwise, decisions will be taken directly through the Schools Forum.

26. A timetable for this consultation and implementation of the agreed changes is set out in Annex 1 of the list of Annexes document.

Early Years Funding: determination of current arrangements in BF

27. Current funding arrangements in BF were established in 2010 in response to the then new government requirement that all LAs must introduce a single local Formula to fund providers for the free entitlement. It had to properly reflect the different structure and cost bases for EY provision in schools and PVI sectors so that the prevailing inconsistencies between the sectors were removed and that increased flexibility of provisions and the extension of the free entitlement were properly encouraged.
28. To guide the Council on this process, the Schools Forum established a representative group drawn from schools and the PVI sector in the ratio of 2 schools to 6 PVI settings, with the ratios of membership set in proportion to the overall number of providers in each sector. The Group analysed:
- all providers to establish the existing baseline of provision and resourcing;
 - provider cost surveys to help identify cost bases and to inform on how funds should be distributed;
 - LAs that have introduced a funding Formula early through a national pilot scheme, so that good practices can be adopted;
 - guidance issued from the government to ensure that national policy requirements were incorporated.
29. In forming recommendations in respect of formula design and values, the following key principles were used by the Group:
- To allow for proper business planning, the Formula must be transparent, stable and predictable in its delivery of funding;
 - A single basic hourly rate for all providers, with differential amounts for the schools and PVI settings where this is supported by reliable data;
 - Impact from individual business practices or choices will not to be reflected;
 - Hourly supplements to be made where justified to incentivise good practice and to promote national and local policy objectives;
 - The Formula must be affordable within the existing Early Years funding envelope.
30. Whilst a provider reference group was used to inform on the original implementation of the EY funding formula in 2010, the changes required for 2017-18, whilst significant, are considered to be a progression to the earlier work and therefore the reference group has not been re-convened but rather the original key principles have been reviewed and updated to guide the approach now being taken.

Early Years Funding: current payments to providers and BF budgets

31. As set out above an EY Funding Group recommended a structure for the BF EY funding formula, which following consultation with providers was amended where responses identified improvements, with Table 1 below representing the final funding formula. The rates quoted in Table 1 and amount of funds allocated are based on the provisional 2016-17 budget and reflect subsequent changes to hourly funding rates agreed by the Schools Forum since 2010 as part of the usual budget setting process. Table 1 also sets out the value of budgets centrally managed by BFC.

Appendix 1 to this document sets out key Early Years budget data.

Table1: BF EY Funding with original 2016-17 budget data (estimate)

Formula Factor	Hourly rate range	Total cost	Share of EY Formula
EY Funding Formula:			
Base rate	£3.17 or £3.71	£3,524,690	90.6%
Supplements:			
<i>Deprivation</i> – Income Deprivation Affecting Children Index (based on child post code)	£0.11 to £0.32	£124,100	3.2%
<i>Quality</i> - based on staff qualifications	£0.21 to £0.48	£214,940	5.5%
<i>Flexibility</i> - based on availability over an extended day, choice of days attended, school holidays etc	£0.05 to £0.035	£27,340	0.7%
Total EY Funding Formula	£3.44 to £4.24 1,010,110 hrs	£3,891,090	100.0%
Average hourly provider funding rate	£3.85		
Council managed funds:			
Support to children with SEN - based on assessed needs, paid to providers	£7.20 or £9.00	£27,000	
Other budgets		£207,910	
Total Council managed funds		£234,910	
GRAND TOTAL	£4.08	£4,126,000	

Table 1 excludes the Early Years Pupil Premium grant paid at £0.53 per hour for eligible children.

32. More detail on the current elements of the BF EY Funding Formula and associated eligibility criteria are set out in Annex 2 of the list of Annexes document. Budgets centrally managed by BFC are listed in Annex 3.

Basis of financial data used in the BF consultation

33. 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 additional information, it does need to be viewed with caution due to the assumptions used which can produce out of date results. For example, the published hourly funding rates 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 based on funding the estimated number of hours participation to be taken in 2016-17 of 1.010m (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.
34. Unfortunately, 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 this consultation to reflect the most up to date and accurate picture, BFC data is generally used. Despite taking this approach, it needs to be bourn in mind that final amounts will almost certainly differ from those quoted in this 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.

Early Years Funding: Proposals for BF

Overview

35. Reviewing the financial illustrations published by the DfE and updating where relevant to more up to date local data presents the following key points:
- Average national 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.
 - 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.
 - 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 that 5% in each of the next 2 years which is intended to protect provider funding rates in those areas.
 - 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.
 - 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 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.

Local funding from BFC to providers – the proposed structure of the local EY Funding Formula and weightings to be applied to each factor

Key principles

36. 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.
37. In considering the future EY funding formula, the following key principles have been applied, with those highlighted in bold font remaining from the original principles adopted when the EY Funding Formula was originally established in 2010:
1. **The Formula must be transparent, stable and predictable in its delivery of funding**, compatible with DfE requirements and efficient to manage;
 2. Data used for funding purposes e.g. the measure of deprivation in the deprivation supplement, must be readily available and objective in nature;
 3. **Hourly supplements to be made where justified to incentivise good practice**, or reflect an additional cost, **or promote national or local policy objectives**;
 4. **The Formula must be affordable within the existing Early Years funding envelope.**

Process undertaken to propose indicative provider funding rates

38. As set out above in paragraph 34, this document uses the illustrative 2017-18 funding allocations for BFC produced by the DfE, updated for the latest information, to model the potential financial impact at individual provider level. The figures are estimates which means that the amounts and rates quoted below will almost certainly need to be revised. Any requirement to update the amounts quoted here will be determined by the Schools Forum as part of the normal budget setting process and will take account of the latest information, including responses from providers to this consultation and requirements and guidance from the DfE.
39. In meeting some of the DfE requirements, a decision taken on one part of the funding formula can often have a direct impact on how another part has to be developed. For example, setting the amount of funds to be allocated to providers through the EY funding formula, can only be established after all other budget requirements have been set, such as an SEN Inclusion Fund, support for children in receipt of a Disability Living Allowance, and funds to be centrally managed by the Council. Therefore, in formulating a full set of proposals, assumptions have had to be made.

Top-up supplements

40. The DfE is expected to require at least 90% of EY funding formula funds to be allocated through the uniform base rate that must be paid to all providers. Therefore, top up supplements must aggregate to below 10%. **Unless otherwise stated, top up supplements will apply equally to all providers, irrespective of type of setting.** The approach taken in this consultation is to consider which top up supplements should be used in BF, the approximate percentage of funds they should each distribute, with the remaining balance available to fund the uniform base rate. Information on proposals for

the uniform base rate are set out below from paragraph 52.

41. To apply a consistent approach to the use of top up supplements, the following 4 questions are considered for each available option:

1. Is there a need for the supplement to **“incentivise good practice, or reflect an additional cost, or promote national or local policy objectives”**?
2. Are there **“readily available and objective”** measures to target funding to the children / providers that need it?
3. What approximate proportion of funding should be allocated through the supplement? So how important is it?
4. Should the supplement have a uniform funding rate or should it vary according to relative need?

Bold type above reflects wording from the key principles set out above in paragraph 36. Others relate to how the supplement should be calculated and allocated to providers.

This consultation considers all of the top up supplements that the DfE proposes can be used by LAs when allocating funds to providers.

Deprivation

42. In terms of assessing this supplement against the 4 key questions:

1. **Is there a need for this supplement?**

LAs must include a deprivation factor in their local EY Funding Formula, so there is no choice. The DfE require this as a considerable portion of funds at national level (8% of the national EYNFF) are being channelled for children with disadvantage and low-level special educational needs.

2. **Are suitable measures available to allocate funds?**

The DfE will permit LAs to use any measure of deprivation they chose. The most common measures available are Income Deprivation Affecting Children Index (IDACI) which is a geographical measure at post code level of deprivation calculated by the government from data on families on low income, Index of Multiple Deprivation, which uses 7 different measures of deprivation - Income, Employment, Health and Disability, Education, Housing, Living Environment and Crime - to determine an aggregate score for an area and commercially available products, such as ACORN or MOSAIC that classify postcodes into types based on census and other information using cluster analysis and various statistical methods to arrive at a deprivation rating. **The current BF EY Funding Formula uses IDACI and this is proposed to continue.** Annex 4 from the list of Annexes document provides more information on the available measures and their advantages and disadvantages and why IDACI is recommended to continue.

3. **How much money should there be allocated through this factor?**

It was agreed through the consultation when the current BF EY Funding Formula was established that around 3% of funds should be allocated through a deprivation measure. Table 1 above at paragraph 31 shows that over time, the percentage has increased to 3.2% with the movement generally accounted for as hours of free entitlement delivered by providers

in the most deprived areas have increased at a higher rate than providers in less deprived areas.

There is little meaningful objective data available to base the appropriate proportion of funds that should be allocated through a deprivation measure. However, there is substantial evidence available that confirms children from the most deprived areas need additional support to achieve the same levels of attainment as those from less deprived areas. The 2016 Early Years Foundation Stage profile judgements in BF show an average points score difference of 22.3 between the disadvantaged and non-disadvantaged.

With the government requiring this supplement, and distributing 8% of national funds through this measure, the expectation must be for a relatively high percentage. **The recommendation is therefore to increase the proportion of funds distributed through the deprivation factor from 3.2% to 5%.**

4. **Should the hourly top up rate be a fixed amount or variable?**

As with all supplements, the intention is to target resources rather than pay them to all providers as the base rate provides for general costs that all providers are expected to experience, including those arising from relatively low levels of deprivation. Therefore, with the mandatory deprivation supplement, a decision needs to be taken on how to target resources.

The current EY funding formula only resources 60% of providers; those assessed as delivering the free entitlement in settings with the greatest concentration of deprived children. Furthermore, the hourly top up rate varies so that the top 10% are funded at 3 times the basic rate (Band 3), the next 25% at 2 times the basic rate (Band 2) and the final 25% at the basic rate (Band 1). Using this approach can move providers between top up rates purely as a result of changed scores at other providers, so in some instances, providers will move to a lower or higher top up rate when their average deprivation score is unchanged.

A more appropriate measure is considered to have IDACI scores as the funding threshold. In this way, a providers rate would only change if their score, and therefore deprivation measure changes, and would not be impacted by changes in deprivation occurring at other providers.

As the recommended IDACI deprivation measure scores geographical areas by relative severity, this provides a sound basis to vary the hourly top up rate as those with the highest scores will generally be facing the highest costs. In addition, the higher the concentration of children with deprivation in a setting, the greater impact on additional support needs as spare capacity to support more needy children is quickly absorbed. For these reasons, **a variable hourly rate is recommended to continue to be paid.**

IDACI provides a deprivation score for each post code area of between 0 where the probability of families receiving low income is zero, to 1, where there is a 100% probability of a family having low income, and a score in the middle at 0.5 indicating a 50% probability that the family is receiving low income, and so on. **It is recommended that IDACI scores of 0.33, 0.25 and 0.2 are used to allocate 3 times the basic rate (Band 3 at £0.61), 2 times the basic rate (Band 2 at £0.40) and the basic rate (Band 1 at £0.20) respectively.** This equates to a setting having approximately 1 in 3 children from deprived families, 1 in 4 and 1 in 5 respectively. Providers with higher ratios would not receive top up funding.

The current BFC EY deprivation supplement does not apply to childminders. This is because the low number of children receiving the free entitlement

with childminders means an IDACI score from one child can have an undue influence on the average setting score. In light of the government focus on deprivation and the need to narrow the attainment gap, and the fact that childminders will face the same challenges from children from these backgrounds as other providers, childminders are now proposed to be eligible to a deprivation top up.

To reflect the issues set out above, the application of the deprivation factor for childminders is proposed to be applied in the same way as to all other providers to calculate the IDACI score for the setting, but funding will only be allocated when the score is at least 0.33 i.e. 1 in 3 children are considered to live in a low income family. In these circumstances, top up funding will be capped to Band 1, the lowest funding level, estimated at £0.20 per hour. Childminders will therefore only qualify for deprivation top up funding when they have relatively high levels of deprivation on the IDACI score, with the rate of funding paid at the lowest available hourly rate.

Table 2 below sets out the anticipated impact on providers based on current deprivation scores if these changes are implemented. Note, due to lack of data, this excludes childminders.

Table 2: Anticipated impact from proposed deprivation top up supplement

Deprivation Band	Existing position		Future position		Change	
	No.	Amount	No.	Amount	No.	Amount
3: High	8	£37,644	4	£45,192	-4	+£7,548
2: Medium	16	£58,164	21	£132,257	+5	+£74,093
1: Low	16	£31,302	12	£44,771	-4	£13,469
Total	40	£127,110	37	£222,220	-3	£95,110

In respect of the mandatory deprivation top up supplement:

Question 1 – Do you agree that the Income Deprivation Affecting Children Index (IDACI) should continue to be used as the deprivation measure? (IDACI is a geographical measure of deprivation at post code level, ranked by severity of deprivation, calculated from government from data that identifies areas with the lowest levels of family income).

Assuming a deprivation top up supplement is agreed:

Question 2 – What proportion of funds do you think should be allocated through the deprivation measure in the BF EY Funding Formula? Around 3% (£0.133m existing amount), 4% (£0.178m) or 5% (£0.222m and recommended amount)?

Question 3 - Do you agree that funding should be further targeted so that providers with 1 in 3 children from a deprived background receive 3 times the basic rate (Band 3 at £0.61), those with 1 in 4 children from a deprived background 2 times the basic rate (Band 2 at £0.40) and those with 1 in 5 children from a deprived background the basic rate (Band1 at £0.20)?

Question 4 - Do you agree that to reflect the circumstances in childminder settings, the deprivation top up should only apply where IDACI data indicates at least 1 in 3 children

are from deprived backgrounds (score of at least 0.33), and that in such circumstances, funding will be applied at the Band 1 level, estimated at £0.20 per hour?

Rurality / sparsity

43. In terms of assessing this supplement against the 4 key questions:

1. **Is there a need for this supplement?**

This supplement is available as the DfE consider that in “some very sparsely populated areas, childcare providers may be delivering an important service to a very small number of local families. Where a childcare provider faces higher costs from operating at very small scale in sparsely populated areas – where that setting provides an important service to local families with no alternative source of childcare provision – we propose that LAs should have the discretion to offer a funding supplement to maintain the providers viability.” Where this supplement is used, funding must be allocated on the basis of a distance measure.

The council does not consider there are any providers in the borough operating within the circumstances detailed in the DfE consultation, **and it is therefore recommended that there is no justification for this supplement.**

In respect of a discretionary rurality / sparsity top up supplement:

Question 5 – Do you agree that there is no case to use a rurality / sparsity supplement in BF?

Flexibility

44. In terms of assessing this supplement against the 4 key questions:

1. **Is there a need for this supplement?**

The draft statutory guidance from the DfE on flexibility makes clear that children should be able to take up their full entitlement to a funded place at times that best support their learning, and at times which fit with the needs of parents to enable them to work if they wish to do so. Therefore, to meet national priorities, a flexibility supplement needs to be paid in BF.

2. **Are suitable measures available to allocate funds?**

The DfE consider it appropriate for LAs to retain discretion over what kind of flexibility should be promoted locally. This could be to support growth in a particular segment of the local childcare market or could reflect a local definition for flexibility. This consultation proposes that the supplement links to a local definition of flexibility as follows, with proposed hourly supplements:

- a) No restrictions are placed on the hours or days when the free entitlement can be accessed and subject to availability, the setting seeks to meet any parental requests to change attendance patterns within six weeks of the request. **Top up at £0.15 per hour.**
- b) Parents are able to access the free entitlement across the year including at least 10 weeks of school holidays. **Top up at £0.10 per hour.**

- c) Parents are able to access the free entitlement across the year including at least 30 week ends. **Top up at £0.05 per hour.**
- d) Any other innovative methodology approved by the Director of Children, Young People and Learning. **Top up at £0.05 per hour.**

Annex 5 of the of the list of Annexes document provides more detail on flexibility.

3. **How much money should there be allocated through this factor?**

Around 0.7% of funds are currently allocated through this supplement. As this is a key national and local priority, it is proposed to increase this to around 1%. This is intended to widen choice and support the extension to 30 hours free entitlement to working families.

4. **Should there be a uniform hourly top up rate or variable?**

The proposed local definition to be used to assess provider flexibility includes a number of measures which means a degree of flexibility can be established. The proposal is therefore to pay increased levels of supplement to providers as they meet more eligibility criteria.

In respect of a flexibility top up supplement:

Question 6 –Do you agree that a flexibility supplement should be in place in BF?.

Assuming a flexibility top up supplement is supported:

Question 7 – Do you agree with the local definition around providing the free entitlement without restrictions of hours or days of availability, including early and late in the day, during school holidays, weekends attempting to accommodate changes in patterns of attendance, and innovative arrangements agreed by the Director of Children, Young People and Learning?

Question 8 – Do you prefer it to represent around 0.7% of total funds (£0.028m current level), 1% (£0.04m recommended level) or 1.5% (£0.061m)?

Efficiency

45. In terms of assessing this supplement against the 4 key questions:

1. **Is there a need for this supplement?**

The DfE consultation states that “We are minded to include the option for LAs to reward and recognise providers who make optimum use of income to provide high quality childcare, to invest in their workforce and to develop and share strong business models with other providers.”

However, there is no information on the detail of what this means, how it would be measured and also how it would operate as the consultation says “We welcome your views on whether a supplement to recognise and reward such behaviours would be valuable in your local area, and if so how it might be designed.”

With a lack of clarity over what this means and how it would be measured, **it is not recommended to implement this supplement** for April 2017 but rather to wait for final guidance from the DfE and to consider again at the

end of 2017 whether it is a worthwhile top up which could then be introduced for 2018-19.

In respect of a discretionary efficiency top up supplement:

Question 9 – Do you agree that due to lack of clarity on what this supplement is intended to reward and how it would work in practice that it is not used in BF in 2017-18?

Delivery of the additional 15 hours

46. In terms of assessing this supplement against the 4 key questions:

1. **Is there a need for this supplement?**

The DfE “overarching objective is to ensure that the childcare market offers sufficient high quality places and delivers 30 hours from September 2017, as well as continuing to deliver the 15 hour offer for all 3 and 4 year olds, and for the most disadvantaged 2 year olds”. At the same time, the DfE would want to make sure that such a supplement would not “create a disadvantage to providers who choose to, or whose capacity is limited to, offering only the existing 15 hour free entitlement.”

Again, the DfE are not clear on how such a supplement could work, but suggest there could “be a ‘growth’ or ‘new places’ supplement to offer additional money for new capacity where it is genuinely required to meet parental demand, while protecting existing places.”

In light of the additional money that will be received next year, and the recommendation at paragraph 55 to increase the uniform base rate by between £0.37 and £0.91 to £4.08, the expectation is that the extra financial benefit providers will receive will ensure that all existing places are protected. However, there is a recognition that some providers will receive relatively low increases and may also face additional costs in offering 30 hours or suffer a loss of income if the hours are currently being paid for by parents at a higher rate than that paid for free entitlement provision.

The DfE recognise this as an issue, with the likelihood that different solutions will need to be introduced across the country, so are again seeking views on how the supplement could be designed. **As a key national and local policy priority, it is recommended that a supplement to deliver the additional 15 hours is included in the BF funding formula.**

This supplement will only be paid where a setting provides more than 15 funded hours for a child in a week.

Examples:

A setting providing 20 hours of care for a child in a week, will only receive the supplement for the 5 hours over the first 15 hours.

2 settings sharing the 30 hours, both providing 15 hours, neither will receive the supplement.

2 settings both providing more than 15 hours of care in a week. Funding will be split between the providers by:

- The parent decides the split of funded hours between the settings
- Otherwise, the funding is split on a pro-rata basis

2. **Are suitable measures available to allocate funds?**

As set out above, the DfE have yet to determine how this could work, however, it appears that a 'growth' or 'new places' supplement would be an option in the local funding formula, but this has yet to be confirmed. Until further information is confirmed by the DfE on this supplement, this consultation proposes the supplement rewards providers that deliver new hours of free entitlement above the existing 15 hours on an individual child basis to the maximum of 30 hours (for eligible children).

Clearly this data is not currently available, but for modelling purposes, the assumptions used by the DfE in calculating the number of extra places that will be required in each LA from September 2017 have been used. In essence this has been calculated from national population estimates for parents of 3 and 4 year olds on low income, less an estimate for those earning above the £100,000 wage limit who are not eligible, then multiplying each LAs estimated proportion of pupils entitled to additional hours funding provides the estimate for pupils eligible for additional hours funding. There is then an adjustment to reflect the expected actual take up, with DfE assuming 80% of eligible children will take up some additional hours, at an average of 12 of the available 15. Using this method, the DfE estimate 219,184 additional hours will be delivered.

3. **How much money should there be allocated through this factor?**

As the delivery of the additional hours is a key national and local policy objective that is a significant factor in securing the substantial additional resources being made available for delivering of the free entitlement this should be reflected in the local funding formula.

In terms of current market charges for hours delivered above the free entitlement, providers are charging an average £5.05 per hour which is £1.20 above the £3.85 average hourly rate paid for the free hours. If free entitlement hours of up to 30 per week are delivered, then this charge will no longer be allowed to be levied, resulting in a loss of income. The additional 15 hours supplement will need to take account of this loss of income and encourage more providers to deliver the required hours.

Generally speaking, admitting children for more than 15 hours is not expected to incur any significant additional costs compared to delivering the first 15 hours. Therefore, the charges levied above 15 hours provision are considered to be set at a level that covers costs across all hours delivered and not just those above the 15 free hours. This implies that where 30 hours are delivered, the £1.20 additional charge is recovering costs across double the number of hours it has been levied against. Clearly, other scenarios also exist.

This means that some providers are in effect charging £0.60 per hour delivered to parents i.e. half the actual billable rate contributes to current free entitlement hours provision, and the other half to paid hours provision.

Annex 1 of this document sets out that excluding any top up that may be paid through this additional hours supplement, there is expected to be a £0.49 average increase in provider hourly funding should all the proposals in this consultation be accepted, which is £0.11 per hour below the income some providers will be receiving from up to 15 hours billing. With the additional hours supplement proposed to be paid only for the additional

hours, and not the existing 15 free hours, the funding shortfall could be £0.22.

In order to provide some protection to the existing market, and to encourage new entrants, **an hourly funding top up of £0.30 is recommended, which based on estimated DfE take up hours of 219,184 would equate to around 1.25% of the money allocated through the EY Funding Formula.**

4. **Should there be a uniform hourly top up rate or variable?**

As set out above, a uniform hourly top up rate of £0.30 is considered the most appropriate funding method.

Due to the largely unpredictable nature of how many additional hours will actually be delivered, and its impact on the current fee paying hours, this element of the EY Funding Formula will need to be closely monitored to measure its appropriateness and effectiveness.

In respect of a discretionary delivery of the additional 15 hours top up supplement:

Question 10 – Do you agree that delivery of an additional 15 hours top up supplement should be included in the BF funding formula

Assuming an additional hours top up supplement is supported:

Question 11 – Do you prefer it to represent around 1% of funds (around £0.044m and £0.25 per hour), 1.25% (recommended level, and around £0.068m and £0.30 per hour) or 1.5% (around £0.082m and £0.35 per hour)?

Note: as this supplement relates to increased participation from the additional 30 hours, the amount of funds illustrated as likely to be allocated is calculated against 1.229m hours. Other amounts in this consultation are calculated against the existing 15 hours only and 1.010m in total.

Supplements – other matters

47. Each provider's hourly funding amount of base rate, plus where relevant, supplements for deprivation and flexibility will be paid at the same hourly rate irrespective of how many hours of the free entitlement are delivered. Those delivering the additional 15 hours will be paid the same for these elements of the formula no matter how many hours are provided, up to the maximum of 30.
48. In respect of the supplement relating to the delivery of the additional hours, this will only be added to the extra hours provided to individual children above the current maximum of 15.

Removal of the Quality Supplement

49. The DfE will no longer allow LAs to pay a quality supplement to providers as good quality should be expected of all providers. Table 1 above in paragraph 31 shows that £0.215m is expected to be paid through the BF EY funding formula for quality making it the highest value supplement. The effect of this restriction is that the money will be recycled within the BF EY funding formula.

Frequency of review of provider eligibility criteria

50. Whilst it is important to minimise the operating costs of the EY funding system, there is a case to make that provider eligibility to top up supplements should be regularly reviewed to ensure that correct hourly rates are paid, especially when increases are due. Hourly rates are currently reviewed and updated once a year, for the start of April. There is the option to update hourly rates each term, but this would require providers to supply relevant data 3 times a year and for the LA to review and verify it before changing payment rates.
51. The key points to consider before moving to termly updates to hourly rates are:
1. There would be extra work for providers to supply termly data returns to the LA;
 2. There would be extra work for the LA to review and verify the data.
 3. Payments to providers would be less predictable, with potential fluctuations in hourly rates now 3 times a year;
 4. With more dynamic and fluctuating supplements, providers would receive faster updates in funding to reflect any changing circumstances, so for example, funding adjustments in respect of changes in the delivery of the additional 15 hours would be funded quicker, as would changes in a provider's flexibility offer.

In respect of updating provider eligibility to hourly top up supplements:

Question 12 – For each of the following top up supplements, do you prefer an annual or termly update to determine provider eligibility:

- a) Deprivation (requires LA activity)
- b) Flexibility (requires LA and provider activity)
- c) Delivery of the additional 15 hours (requires LA and provider activity)

Base rate

52. The approach taken in this consultation is to make recommendations on the amount of funds to be allocated through each of the top up supplements, with the remaining balance left for allocation through the uniform base rate. With 7.25% of funds recommended to be allocated through supplements as set out below, this means 92.75% will be delivered through the base rate. A summary of the estimated cost of top up supplements is as follows:
1. Deprivation supplement should allocate around 5% of funds;
 2. Flexibility should allocate around 1%;
 3. Delivery of the additional 15 hours around 1.25%.
53. The DfE are proposing 2 key controls on how the hourly base funding rate should operate in the local EY funding formula:
1. It must be used to distribute at least 90% of funds.
 2. No later than from April 2019, the same uniform rate must be paid to all providers;

54. Paragraph 52 above sets out the proposal to allocate around 7.25% of funds through top up supplement, thereby ensuring that the minimum 90% threshold set by the DfE will be met. In respect of a uniform base rate, the current EY funding formula pays a differential hourly base rate with schools receiving £3.17 compared to the £3.70 paid to PVI providers.
55. Moving to a uniform base rate for April 2017, using 92.75% of available funds and assuming providers deliver the same number of hours of the free entitlement as at January 2016 indicates a new uniform hourly base rate of £4.08. This is an increase of £0.91 for schools and £0.37 for PVI providers.
56. In considering whether the uniform base rate should be fully implemented in April 2017, or on a phased basis to April 2019, **the recommendation is to fully implement the uniform base rate from April 2017**. This proposal is based on:
 1. The additional funds being received that will ensure the increase to lower paid providers does not need to be funded from a reduction to those receiving higher rates;
 2. The removal of the quality supplement will also free up funding (circa £0.215m) to ease the financial impact;
 3. Avoiding a period of funding fluctuations to providers that would arise if the change is introduced on a phased basis.
 4. The DfE requirement is promptly implemented.

In respect of the uniform hourly base rate

Question 13 – Taking account of your views on the right amount of funds to be allocated through top up supplements, do you prefer the uniform hourly base rate to be set at below 92.75% of total funds, around 92.75% of funds (recommended level), or above 92.75%?

Question 14 – Do you agree that the uniform hourly base rate is introduced at April 2017 rather than being phased in over 2 years?

Summary impact from proposed recommendations

57. If all of the proposals in this 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.

Appendix 2 of this document sets out a summary of current and potential provider funding rates.

Funding to be centrally managed by the Council

58. This section looks at services and budgets that are considered best delivered through central management by the council. The DfE have set a cap on the amount of such funds at 5% of the amount allocated through the EY funding formula. For BF, this will be around £0.27m in 2017-18. Where such funding ultimately ends up being passed on to providers, this is not counted within the cap. Paragraphs 58 to 67 below look at funding proposed to be centrally retained that is **OUTSIDE this cap**. Paragraphs 68 to 72 look at funding proposed to be centrally retained that is **INSIDE the 5% cap**.

Centrally managed funding OUTSIDE the 5% cap

59. The DfE consultation states that “the Government is clear that all children should be able to access their entitlement to childcare and that no child should have access to their entitlements restricted or denied because of special educational needs or a disability”. Clear proposals on how relevant children should be supported in these circumstances are included in the DfE consultation, of which more detail is set out below. In both instances, the DfE expects LAs to hold relevant funds in the first instance, before they are passed on to qualifying providers. As the funding ultimately reaches providers, the DfE proposes to exclude these amounts from the 5% cap on centrally retained funds. Paragraphs 60 to 61 set out funding proposals to support disabled children, with paragraphs 62 to 65 setting out funding proposals to support children with SEN.

Meeting children’s additional needs: Disabled Living Allowance

60. The Equalities Act 2010 requires LAs and all EY settings to make reasonable adjustments where these are required by disabled children. To provide a dedicated funding stream to support these requirements, the DfE consultation proposes a targeted fund is paid to LAs that must then be passed on to providers for each child in receipt of a Disability Living Allowance. This would be paid as an annual lump sum rather than an increase to hourly funding rates with providers then responsible for making decisions about what the funding should be spent on. The DfE intend to monitor how the funding is spent in order to develop an evidence base of best effect. Each eligible child will deliver to the provider the amount of funding provided by the DfE for this purpose, which for BFC is expected to be £500.
61. It is recognised that the DLA specific funding will not always cover the full costs of required support. Providers will still be responsible for supporting all children within their setting as per their duties under The Early Years Foundation Stage and Equalities Act 2010. In addition, the LA will be available to provide additional support from budgets available to support children with high needs. In order for providers to be clear of their obligations and the circumstances when they can expect to receive additional financial support for disabled children, **a recommended policy has been developed to support disabled children, and this is set in Annex 6 of the list of Annexes document**. This proposes the following criteria must be met before a provider can request additional financial support from the council:

1. All providers must demonstrate that they do not discriminate against, harass or victimise disabled children. Policies should evidence that settings are inclusive and all children will be welcomed regardless of disability.
2. All providers must demonstrate that reasonable adjustments have been made, including the provision of auxiliary aids and services, to ensure that disabled children and young people are not

at a substantial disadvantage compared with their peers. Examples of reasonable adjustments are:

- Creating a communication friendly environment using alternative and augmentative communication (including signing and visual aids)
 - make spaces for children to spend time away from the group if required
 - Physical building adaptations where possible, depending on ownership and practicality of required works
3. Schools must have published an accessibility plan setting out how they plan to increase access for disabled pupils to the curriculum, the physical environment and to information.

In respect of supporting children with disabilities:

Question 15 – Do you have any comments on the policy proposed to support children with disabilities, as set out in Annex 6 of the list of Annexes document?

Meeting children's additional needs: SEN Inclusion Fund

62. The DfE acknowledges that “the current funding system in the early years lacks the necessary structure and transparency to ensure that children with SEN receive the support that they need to develop while taking up the free entitlement.” It also believes that “a common feature of LAs and providers that are delivering effective support for children with SEN is a strategic and clear approach on how funding is allocated to meet additional needs.”
63. To facilitate this, the DfE propose that LAs should set up a SEN Inclusion Fund to support the children they consider need additional support. The fund would be used to finance additional support for relevant children that would be passed on to providers, on a case by case basis. This would assist close working between LAs and providers to identify children with SEN and to ensure that appropriate support is in place.
64. Again, in order for providers and parents to be clear of their obligations and the circumstances when they can expect to receive additional financial support, **a recommended policy has been developed to support children with SEN**, and this is set out in Annex 6 of the list of Annexes document, the key points of which are:
1. Child is known to the Child Development Centre (CDC)
 2. Child's current developmental levels
 - a) 3 prime areas for under 3's
 - b) 7 areas of EYFS for 3-5 years
 3. Provision map detailing interventions to date (over and above those offered to all children)
 4. Diagnosis/including medical needs
 5. Evidence of implementing recommendations from other professionals, e.g. CDC Officers, speech and language therapists
 6. Details of how the funding will be used to improve outcomes for the child
 7. Parental consent to apply for the fund

65. In terms of the amount of funds that should be included in any SEN Inclusion Fund, the DfE has identified that 6% of 3 and 4 year olds taking up the free entitlement have SEN. The intention of BFC is to continue to fund those children with an Education, Health and Care Plan from high needs budgets, and not EY specific funding. Nationally, this covers 0.7% of 3 and 4 year olds. As the 0-25 SEND Code of Practice states there is a graduated approach to supporting children with SEN, some of the remaining 5.3% of young children with SEN will need limited financial support that can ordinarily be met from hourly rate funding. The recommendation from this consultation that the SEN inclusion fund should total around 1% of the amount allocated through the EY funding formula, including the addition 15 hours, which is around £0.057m, and double current levels of expenditure. If this is insufficient, BFC would add funding set aside for High Needs Funding to compliment EY specific funding, subject to available resources.
66. The recommended SEN policy sets out 3 levels of additional support; low at up to 6 hours a week, moderate at above 6 and up to 9 hours a week, with high at above 9 and up to 15 hours a week, with criteria attached to each category. Low support requirements would attract £710, moderate £1,060 and high £1,770. The funding rates are based on £8.45 per hour staffing costs plus 10% employer on-costs, so £9.30 in total. Payments would be adjusted pro rata where a different number of hours was being delivered. In exceptional circumstances, alternative funding agreements may be appropriate, and these would be agreed on a case by case basis.
- 67.

In respect of supporting children with special educational needs:

Question 16 – Do you agree that an SEN Inclusion fund should be maintained to provide financial support to children with SEN?

Assuming an SEN inclusion fund is supported:

Question 17 – Do you agree that there should be 3 levels of additional support; low at up to 6 hours a week, moderate at above 6 and up to 9 hours a week, with high at above 9 and up to 15 hours a week?

Question 18 – Do you agree that in exceptional circumstances, alternative funding arrangements can be put in place?

Question 19 – Do you agree that it is reasonable to base the funding allocation on £9.30 per hour staff costs?

Question 20 – Do you have any comments on the proposed funding policy to support children with Special Educational Needs as set out in Annex 6 of the list of Annexes document?

Contingency

68. The DfE recognise “that it is reasonable for LAs to hold back contingency funds for in-year demographic growth and this should be counted in the high pass-through rate, because the money is eventually shared with providers.” BFC has previously held back funds for this purpose, as well as being able to support providers facing financial hardship where this relates to ensuring sufficiency of places for parents. It may also be required to help finance support to children with SEN and where providers become eligible to higher top up payments.
69. In the current year, a budget of £0.115m has been agreed for a contingency. In reviewing recent demand, less funds have been required than set aside in the budget. Therefore, it is proposed to reduce future provision to around 1.5% of funding, which equates to around £0.087m.

In respect of a contingency:

Question 21 – Do you agree that a contingency should be retained to meet the cost of in-year demographic growth and to support providers facing financial hardship where this relates to ensuring sufficiency of places for parents and other in-year cost pressures?

Question 22 – If a contingency is supported, do you prefer it to represent around 1% of funds (around £0.057m), 1.5% (recommended level, and around £0.087m) or 2.0% (current amount, around £0.115m)?

Centrally managed funding **INSIDE** the 5% cap

70. The DfE recognises that “some retention of central spend is justifiable and appropriate. We recognise, for example, that LAs need to administer entitlements”. LAs also have a range of statutory duties to meet in respect of early years that can be financed from EY DSG income. In 2015-16, the average LA retention rate was 6% with over 30% of LAs retaining more than 10%.
71. The main duties that LAs need to meet include:
1. The duty to secure sufficient early years provision free of charge, including children with SEND
 2. Duty to secure sufficient childcare for working parents or parents in education/training, including children with SEND.
 3. Duty to assess childcare provision.
 4. Duty to provide information, advice and training to childcare providers and prospective providers.
 5. Duty to maintain and develop a local EY Funding Formula
72. As well as statutory duties, there can also be a case for central council management of funds where area-wide organisation of services is beneficial or there are economies of scale, and therefore value for money benefits.
73. Taking these factors into account, and in order to provide some flexibility around what actual services are provided, to allow changes to be made as new issues or changes to current requirements emerge, it is proposed that funding to be centrally managed by the council should be set at a proportion of total funds. Taking account of current plans and requirements, the recommendation is that up to 3% of funds, around £0.15m, can be centrally managed by the council, with detailed proposals to be presented to the Schools Forum each year for agreement. The proposed limit is well within the 5% maximum set by the DfE, which equates to £0.27m.
74. The areas of expenditure envisaged to be centrally managed by the council would be:
1. The provision of information and advice to providers and parents, including the local offer (SEND).
 2. Planning and developing the support structure for providers, including the employment of Quality and Development Workers who assist providers with the quality of their provision and the sustainability of their business.

3. Planning, developing and administering the EY funding formula, including gathering data, checking eligibilities, processing payments, maintenance of payment software and managing provider and parent queries.

In respect of funds within the 5% cap to be centrally managed by the Council:

Question 23 – Taking account of the council’s statutory duties, what level of funds within the 5% cap do you consider it appropriate for the council to centrally manage on behalf of providers? Do you prefer it to represent around 3% of funds (recommended level, around £0.16m), 4% (around £0.215m) or up to the maximum amount of 5% (around £0.27m)?

Early Years Funding: Proposals for 2 Year Olds

75. 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 their 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 recommendation is to also increase provider hourly funding rates by 7.1%.

In respect of funding for 2 year olds

Question 24 – Do you agree that provider funding rates should be increased by 7.1%, the same amount as the funding rate paid to BFC?

Review

76. 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.

Next Steps

Results of Consultation

77. The results of this consultation will be summarised and presented to the Schools Forum on 9 March 2017, as part of the budget setting process. The report will be published on 2nd March 2017 on the council’s public access website at:

<http://democraticintranet.bracknell-forest.gov.uk/ieListDocuments.aspx?CId=187&MId=6554&Ver=4>

Any specific comments on the proposals made by individual providers will also be reported to the Schools Forum, but these will not be published on the public access website and will only be made available to members of the Schools Forum.

78. 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 will make the budget decisions on 14 March 2017.

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Early Years Summary Budget Information

2016-17 Budget Information

3 and 4 year olds					
Hourly / fixed funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total EXCLUDING additional 15 hours	Total INCLUDING additional 15 hours

BFC estimate for EY funding

Existing 15 hours free entitlement funding

Total BFC estimate of EY funding**Total BFC estimate of EY Funding Formula allocation****Total BFC estimate of centrally managed expenditure**

£4.08	15	38	1,010,110	£4,126,000	
£4.08			1,010,110	£4,126,000	
			1,010,110	£3,900,490	
				£225,510	

2017-18 Budget Information

3 and 4 year olds					
Hourly / fixed funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total EXCLUDING additional 15 hours	Total INCLUDING additional 15 hours

DfE EY funding model:

Existing 15 hours free entitlement funding	£4.66	15	38	1,089,422	£5,076,710	£5,076,710
Delivery of up to 15 additional hours (from Sept 2017)	£4.66	15	38	219,184	0	£1,021,400
Total DfE estimate of EY funding	£4.66			1,308,606	£5,076,710	£6,098,110

BFC adjustment to DfE funding model:

Existing 15 hours free entitlement funding - REVISED HOURS	£4.66	15	38	1,010,110	£4,707,110	£4,707,110
Delivery of up to 15 additional hours (from September 2017)	£4.66	15	38	219,184	0	£1,021,400
Total BFC estimate of EY funding	£4.66			1,229,294	£4,707,110	£5,728,510
Current average rate	£4.08					
Change	£0.58	14.1%				

For allocation through the EY Funding Formula:

Basic rate	£4.08	92.75%	of total available funds	£4,116,270	£5,008,780
Deprivation supplement	£0.22	5.00%	of total available funds	£222,220	£270,010
Flexibility supplement	£0.04	1.00%	of total available funds	£40,400	£54,000
Delivery of additional 15 hours	£0.05	1.25%	of total available funds	£0	£67,500
Total BFC estimate of EY Funding Formula allocation	£4.39	(average)		£4,378,890	£5,400,290
Current average rate	£3.85				
Change	£0.54	14.1%			
Change - excluding delivery of additional 15 hours	£0.49				

2017-18 Budget Information

3 and 4 year olds					
Hourly / fixed funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total EXCLUDING additional 15 hours	Total INCLUDING additional 15 hours

Funding to be managed by the Council

Outside the 5% cap of EY Funding Formula:

Ring fenced Disability Access Fund	£500	per child with DLA	70	£35,000	£35,000
SEN Inclusion Fund	1.0%	of total available funds		£57,290	£57,290
Provider Contingency	1.5%	of total available funds		£85,930	£85,930

Within the 5% cap of EY Funding Formula: circa £270,000

BFC Services	2.8%	Propose up to 3% maximum		£150,000	£150,000
Total BFC estimate of funding to be managed by the Council				£328,220	£328,220
Total BFC estimate of EY funding				£4,707,110	£5,728,510

Current and potential provider hourly funding rates if all the proposals in this consultation are agreed and estimates accurate

Ref	Provider	Current Funding Formula				Proposed Funding Formula			Change in hourly rate					Ref
		Base rate	Depr-ivation	Quality	Total hourly rate	Base rate	Depr-ivation	Total hourly rate	Base rate	Depr-ivation	Quality	Total hourly rate	% Change in hourly rate	
1	Ascot & Cranbourne Pre-School	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	1
2	Binfield Jocks Lane Pre-School	£3.71	£0.32	£0.00	£4.03	£4.08	£0.40	£4.48	£0.37	£0.08	£0.00	£0.45	11.14%	2
3	Binfield Pre-School (Memorial Hall)	£3.71	£0.00	£0.00	£3.71	£4.08	£0.00	£4.08	£0.37	£0.00	£0.00	£0.37	9.84%	3
4	Birch Hill Pre-School	£3.71	£0.11	£0.00	£3.82	£4.08	£0.20	£4.28	£0.37	£0.09	£0.00	£0.46	11.97%	4
5	Birch Hill Primary School	£3.17	£0.11	£0.27	£3.55	£4.08	£0.00	£4.08	£0.91	-£0.11	-£0.27	£0.53	14.79%	5
6	Bramley Wood Day Nursery	£3.71	£0.21	£0.21	£4.13	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.21	£0.35	8.45%	6
7	Busy Bees Montessori School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	7
8	Chavey Down Pre-School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	8
9	Cherry Town Nursery	£3.71	£0.11	£0.00	£3.82	£4.08	£0.00	£4.08	£0.37	-£0.11	£0.00	£0.26	6.68%	9
10	Children's House Day Nursery	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	10
11	College Town Infant and Nursery School	£3.17	£0.00	£0.27	£3.44	£4.08	£0.00	£4.08	£0.91	£0.00	-£0.27	£0.64	18.46%	11
12	College Town Montessori Nursery School	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	12
13	Crown Wood Primary School	£3.17	£0.11	£0.27	£3.55	£4.08	£0.20	£4.28	£0.91	£0.09	-£0.27	£0.73	20.48%	13
14	Crowthorne Village Pre-School	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	14
15	Dolphin Nursery and Preschool, Bracknell	£3.71	£0.11	£0.00	£3.82	£4.08	£0.20	£4.28	£0.37	£0.09	£0.00	£0.46	11.97%	15
16	Eagle House School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	16
17	Footsteps at St Josephs	£3.71	£0.21	£0.00	£3.92	£4.08	£0.40	£4.48	£0.37	£0.19	£0.00	£0.56	14.26%	17
18	Fox Hill Primary School	£3.17	£0.21	£0.27	£3.65	£4.08	£0.40	£4.48	£0.91	£0.19	-£0.27	£0.83	22.71%	18
19	Garth Under Fives Nursery	£3.71	£0.21	£0.21	£4.13	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.21	£0.35	8.45%	19
20	Great Hollands Primary School	£3.17	£0.32	£0.27	£3.76	£4.08	£0.61	£4.68	£0.91	£0.29	-£0.27	£0.92	24.50%	20

Ref	Provider	Current Funding Formula				Proposed Funding Formula			Change in hourly rate					Ref
		Base rate	Depr-ivation	Quality	Total hourly rate	Base rate	Depr-ivation	Total hourly rate	Base rate	Depr-ivation	Quality	Total hourly rate	% Change in hourly rate	
21	Greengables Day Nursery	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	21
22	Harmans Water Primary School	£3.17	£0.21	£0.27	£3.65	£4.08	£0.40	£4.48	£0.91	£0.19	-£0.27	£0.83	22.71%	22
23	Holly Spring Infant and Nursery School	£3.17	£0.11	£0.27	£3.55	£4.08	£0.20	£4.28	£0.91	£0.09	-£0.27	£0.73	20.48%	23
24	Jennetts Park Primary School	£3.17	£0.32	£0.48	£3.97	£4.08	£0.61	£4.68	£0.91	£0.29	-£0.48	£0.71	17.91%	24
25	Kids Inc Day Nursery	£3.71	£0.00	£0.00	£3.71	£4.08	£0.00	£4.08	£0.37	£0.00	£0.00	£0.37	9.84%	25
26	Little Acorns Montessori Ltd (Priestwood)	£3.71	£0.32	£0.27	£4.30	£4.08	£0.40	£4.48	£0.37	£0.08	-£0.27	£0.18	4.16%	26
27	Little Acorns Montessori Ltd (Winkfield)	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	27
28	Little Blossoms Childcare Harmanswater	£3.71	£0.21	£0.00	£3.92	£4.08	£0.40	£4.48	£0.37	£0.19	£0.00	£0.56	14.26%	28
29	Little Blossoms Childcare Holly Spring	£3.71	£0.21	£0.21	£4.13	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.21	£0.35	8.45%	29
30	Little Blossoms Childcare Jennett's Park	£3.71	£0.32	£0.00	£4.03	£4.08	£0.61	£4.68	£0.37	£0.29	£0.00	£0.65	16.16%	30
31	Little Sandhurst Nursery Group	£3.71	£0.00	£0.00	£3.71	£4.08	£0.00	£4.08	£0.37	£0.00	£0.00	£0.37	9.84%	31
32	Meadow Vale Primary School	£3.17	£0.32	£0.27	£3.76	£4.08	£0.40	£4.48	£0.91	£0.08	-£0.27	£0.72	19.12%	32
33	Meadowbrook Montessori School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	33
34	New Scotland Hill Primary School	£3.17	£0.00	£0.27	£3.44	£4.08	£0.00	£4.08	£0.91	£0.00	-£0.27	£0.64	18.46%	34
35	Newbold School	£3.71	£0.21	£0.27	£4.19	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.27	£0.29	6.90%	35
36	Owlsmoor Pre-School	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	36
37	Owlsmoor Primary School	£3.17	£0.11	£0.27	£3.55	£4.08	£0.20	£4.28	£0.91	£0.09	-£0.27	£0.73	20.48%	37
38	Paws Nursery School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	38
39	Plus Three Nurseries at Farley Wood	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	39
40	Plus Three Nurseries at Martin's Heron	£3.71	£0.21	£0.00	£3.92	£4.08	£0.40	£4.48	£0.37	£0.19	£0.00	£0.56	14.26%	40
41	Plus Three Nurseries at Newell Green	£3.71	£0.00	£0.00	£3.71	£4.08	£0.00	£4.08	£0.37	£0.00	£0.00	£0.37	9.84%	41
42	Rectory Lane Nursery	£3.71	£0.21	£0.27	£4.19	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.27	£0.29	6.90%	42
43	Sandhurst Nursery School	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	43
44	Sandhurst Station Nursery RMA	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	44

Ref	Provider	Current Funding Formula				Proposed Funding Formula			Change in hourly rate					Ref
		Base rate	Depr-ivation	Quality	Total hourly rate	Base rate	Depr-ivation	Total hourly rate	Base rate	Depr-ivation	Quality	Total hourly rate	% Change in hourly rate	
45	Sandy Lane Primary School	£3.17	£0.11	£0.27	£3.55	£4.08	£0.20	£4.28	£0.91	£0.09	-£0.27	£0.73	20.48%	45
46	South Hill Park Pre-School	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	46
47	Sports Centre Pre-School	£3.71	£0.21	£0.00	£3.92	£4.08	£0.40	£4.48	£0.37	£0.19	£0.00	£0.56	14.26%	47
48	St.Michael's School House Nursery	£3.71	£0.21	£0.00	£3.92	£4.08	£0.40	£4.48	£0.37	£0.19	£0.00	£0.56	14.26%	48
49	Teddies Nurseries	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	49
50	The Teepee Day Nursery	£3.71	£0.11	£0.21	£4.03	£4.08	£0.40	£4.48	£0.37	£0.29	-£0.21	£0.45	11.14%	50
51	The Ark Pre-School	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	51
52	The College Nursery	£3.71	£0.21	£0.27	£4.19	£4.08	£0.40	£4.48	£0.37	£0.19	-£0.27	£0.29	6.90%	52
53	The Oaks Creche and Pre-School MMC Ltd	£3.71	£0.32	£0.21	£4.24	£4.08	£0.61	£4.68	£0.37	£0.29	-£0.21	£0.44	10.40%	53
54	The Old School Day Nursery	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	54
55	The Pines Community Pre-School	£3.71	£0.11	£0.00	£3.82	£4.08	£0.40	£4.48	£0.37	£0.29	£0.00	£0.66	17.25%	55
56	The Pines Primary and Nursery School	£3.17	£0.21	£0.27	£3.65	£4.08	£0.40	£4.48	£0.91	£0.19	-£0.27	£0.83	22.71%	56
57	The Rowans Pre-School	£3.71	£0.11	£0.27	£4.09	£4.08	£0.20	£4.28	£0.37	£0.09	-£0.27	£0.19	4.57%	57
58	Uplands Primary School	£3.17	£0.00	£0.27	£3.44	£4.08	£0.00	£4.08	£0.91	£0.00	-£0.27	£0.64	18.46%	58
59	Warfield CE Primary School	£3.17	£0.00	£0.27	£3.44	£4.08	£0.00	£4.08	£0.91	£0.00	-£0.27	£0.64	18.46%	59
60	Whitegrove Pre-School	£3.71	£0.00	£0.21	£3.92	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.21	£0.16	3.96%	60
61	Wildridings Primary School	£3.17	£0.21	£0.27	£3.65	£4.08	£0.40	£4.48	£0.91	£0.19	-£0.27	£0.83	22.71%	61
62	Winkfield Montessori	£3.71	£0.00	£0.27	£3.98	£4.08	£0.00	£4.08	£0.37	£0.00	-£0.27	£0.10	2.39%	62
63	Wooden Hill Primary and Nursery School	£3.17	£0.21	£0.27	£3.65	£4.08	£0.40	£4.48	£0.91	£0.19	-£0.27	£0.83	22.71%	63
64	Child Minders 3 & 4 year olds	£3.85	£0.00	£0.00	£3.85	£4.08	£0.00	£4.08	£0.23	£0.00	£0.00	£0.23	5.85%	64

Note: excludes impact of any flexibility or additional hours supplement what individual providers will be delivering is not known.