

**TO: SCHOOLS FORUM
18 JANUARY 2018**

**INITIAL PROPOSALS FOR CHANGES TO EARLY YEARS FUNDING ARRANGEMENTS
FOR 3 AND 4 YEAR OLDS FROM APRIL 2018**

Director of Children, Young People and Learning

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to seek agreement from the Schools Forum on initial proposals for 2018-19 Early Years funding for 3 and 4 year olds, including changes to the Bracknell Forest (BF) Early Years Funding Formula (EYFF).
- 1.2 Comments are being sought so they can be considered now in advance of final views that will be gathered from the Forum in March, in advance of the actual budget decisions to be taken by the Executive Member for Children, Young People and Learning.

2 RECOMMENDATIONS

To NOTE:

- 2.1 **That the vast majority of responses to the consultation proposals on changes to the Bracknell Forest Council Early Years Funding Formula supported the proposals made by the Council (Annex A, Restricted Annex C and paragraphs 5.11 to 5.13).**
- 2.2 **The changes to the BF EYFF and summary financial implications anticipated from the proposals on provider hourly funding rates (paragraphs 5.16 and 5.18).**

To AGREE:

- 2.3 **That taking account of the responses from providers, the following changes to the arrangements for funding Early Years services are implemented as set out in the consultation document:**
- a) **The Bracknell Forest Council Early Years Funding Formula for 3 and 4 year olds should allocate around 94.1% of available funds, as summarised at Table 2.**
 - b) **The budgets to be centrally managed by the council for:**
 - i. **SEN inclusion fund of around 1.4%**
 - ii. **Provider contingency at around 1.5%**
 - iii. **BFC services at around 3%**
 - c) **The changes to the eligibility criteria for the Early Years Special Education Needs Inclusion Fund as set out on Annex B**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The proposals made are considered to be the best available, taking account of the national and local priorities, feedback from the EY Funding Steering Group and provider responses from the consultation and estimated level of available resources.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Alternative options are detailed in the supporting information.

5 SUPPORTING INFORMATION

Background

- 5.1 This report presents initial proposals for change to the funding arrangements in place for providers of the free entitlement to early years education and childcare and other services that support 3 and 4 year olds. It presents the outcomes from the review of the impact of the significant changes that were introduced in April 2017 in response to developments in government policy. The purpose of the review is to confirm suitability of current arrangements and to identify areas for improvement in light of provider experience.

Review of the current EYFF

- 5.2 The Forum has been kept up to date on steps being taken to develop the 2018-19 budget for EY providers, in particular through a review of the current EYFF to build on provider experience from the changes introduced at April 2017 and to consider how the 5.8% increase in DfE funding announced as part of the 2017-18 funding settlement should be distributed to providers and support services. To meet this commitment, a provider workshop was arranged in September, but due to limited interest, was cancelled.
- 5.3 As an alternative to a general workshop, all childcare providers registered with BF to deliver free entitlements, were contacted and invited to participate in an EY Free Entitlements Steering Group (SG). The SG, comprising of the Private, Voluntary and Maintained Sectors, met in October and early November.
- 5.4 The feedback from the SG meetings indicated that a review of the EYFF was required and that any proposed changes should be mindful of the following points:
1. The formula should be as simple as possible
 2. Any changes in funding rates should be predictable and the reasons for changes transparent
 3. The base rate that is paid at the same rate to all providers should be as large a proportion of the total funding as possible
- 5.5 In preparing the formal consultation, in addition to the matters highlighted by the SG, to support effective business planning and the efficient collection and use of data, the following principles were also taken into account:
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. measures of deprivation, 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 available resources for EY

Current Bracknell Forest EYFF

- 5.6 Table 1 below is a summary of the current EYFF, showing its structure and the weighting applied to each factor which complies with DfE requirements.

Table 1: Summary of the current BF EYFF

EYFF Element	Weighting in EYFF	Hourly funding rate	% total EY funding
Deprivation Supplement	4% of EYFF via IDACI ¹ scores where more than 1 in 5 children are from low income families. Top up funding increase where 1 in 4 and again where 1 in 3 children are from low income families. 1% of EYFF via child eligibility to EY pupil premium.	£0.16, £0.32 or £0.48 £0.77.	
Flexibility Supplement	1% of EYFF via a range of flexible measures e.g. extended day, weekend or, school holiday provision	£0.05, £0.10, £0.15.	
Quality Supplement	3% of EYFF via setting leadership qualification above Level 5 with 30% funding addition where above Level 6.	£0.14 or £0.18.	
Uniform base rate	91% of EYFF and balancing amount after deduction of funds for supplements.	£4.00	
	Average EYFF provider rate	£4.39	94.3%
	Average SEN funding	£0.05	1.0%
	Average contingency funding	£0.09	1.9%
	Sub total to Providers	£4.53	97.2%
	Average BFC funding	£0.13	2.8%
	Funding from DfE to BFC	£4.66	100.0%

¹ Income Deprivation Affecting Children Index (IDACI), a geographical measure at post code level of deprivation calculated by the government from data on families on low income

- 5.7 As set out above, the EYFF distributes around 94.3% of total funding received for EY, with 1% initially held in the SEN Inclusion Fund for allocation to providers supporting relevant children, 1.9% in the provider contingency for unforeseen circumstances and emergencies, and 2.8% for BFC services, which includes EY Development Workers, Outreach support, translation service and management of the EYFF and associated arrangements.
- 5.8 The DfE also pays LAs Early Years Pupil Premium (EYPP) and Disabled Access Fund (DAF) grants for direct allocation to qualifying providers. These are in addition to the core funding distributed by the BF EYFF and are paid to providers in accordance with criteria set by the DfE.

Bracknell Forest Consultation

- 5.9 To gather views on current arrangements, a consultation with all providers registered to receive the free entitlement was undertaken in December 2017. In order to focus on the principles supporting the change, the anticipated financial impact from the changes were illustrated at anonymised provider level. The key matters included in the consultation are summarised below, with the full consultation document and supporting papers available to view at:

<https://www.bracknell-forest.gov.uk/children-and-family-services/childcare/early-years-funding-formula-consultation-2018-2019>

1. Remove the flexibility incentive and add the funding for this incentive to the base rate. Circa £0.054m transferred to the Base Rate.
 2. Reduce the number of bands in the quality supplement to one, covering both level 5 and 6 qualifications, with a uniform top up rate of £0.14. Eligibility to be checked annually in the spring term but allow amendments during the year. Circa £0.054m removed from the Quality Supplement.
 3. Change the deprivation supplement so that 3% of the EYFF is allocated via the IDACI element and 2% via the Early Years Pupil Premium (EYPP) element. Current arrangement is that 4% is paid via IDACI and 1% via EYPP. Change calculation of the deprivation supplement to annually using an average IDACI score for the previous financial year, rather than update each term. No change in amount of funds allocated, but different provider distribution.
 4. Reflecting current experience, increase the funding allocated to the Special Educational Needs (SEN) Inclusion Fund from 1% to 1.4% reducing the Provider Contingency from 1.9% to 1.5% with centrally managed services at 3% of total funding.
 5. Allocate any unallocated funding to the Base Rate that is paid at a uniform amount to all providers.
- 5.10 In addition to the proposed changes to the EYFF, other key questions on the consultation document relate to:
1. The percentage of the Free Entitlement Funding for a term paid in the estimate payment.
 - Non-maintained childcare providers receive their termly funding in 2 parts, the Estimate payment paid at the start of the term, which is currently 60% of the total estimated funding for the term, and the Actual payment for the balance of funding due for the term paid after the headcount day. The proportion of funding paid in the estimate payment

has not been reviewed since 2010 and BFC is taking this opportunity to consult with providers on whether this split remains appropriate for their business needs

2. Changes to the criteria for the SEN Inclusion Fund, the proposed changes are:

- The level of funding is no longer dependent on the number of hours of support a child receives per week
- The requirement for evidence of delay in developmental areas for levels of support
- A child will only qualify for high need funding after being in receipt of moderate funding for a minimum of one term

Annex B sets out the full text proposed for the SEN Inclusion Fund.

3. Increasing the funding available for the SEN Inclusion Fund from 1 % to 1.4% to reflect increasing costs.

Summary outcomes

- 5.11 At 15%, there was a low response rate from providers to the consultation - 21 out of 138 registered providers, although respondents do account for a higher 22% of children taking the free entitlement. Two briefing sessions were arranged to support the consultation, a morning session and an evening session. However due to lack of interest, the morning session was cancelled and only 7 people attended the evening session
- 5.12 Annex A provides a numerical analysis of the level of provider support for the proposals, with confidential Annex C detailing the specific comments received. Annex A shows that for all 11 questions, the majority of respondents supported the proposals made in the consultation with Question 7, which asked if the IDACI element of the EYPP supplement should be calculated annually (currently termly), receiving the lowest support with 67% of respondents in agreement.
- 5.13 Question 10, which related to proportion of payments between estimates and actual hours participation, did not ask providers to support a proposal but rather requested providers to indicate a preference with regards to the percentage of funding paid in the estimate payment. 52% of respondents indicated support for an estimate payment of 60%.

Detailed comments from providers

- 5.14 A number of providers made comments on the proposals and these are set out in full in the confidential Annex C.
- 5.15 5 providers commented on the proposed change to the SEND policy. 1 supported the proposal, 1 supported the proposal but voiced concerns about the time it would take for a child to qualify for the high needs funding. 1 did not answer the question but voiced concern about the delay in children qualifying for the high needs funding. 2 did not support the proposal and voiced concern about the cost of providing for children with SEN and how the proposal would increase costs for providers.
- 5.16 The revised structure of the EYFF and weightings applied to each factor are summarised below in Table 2. Note hourly funding rates are indicative and subject to change once the January 2018 census and other relevant data becomes available.

Table 2: Summary of the proposed BF Early Years Funding Formula

EYFF Element	Weighting	Indicative hourly funding rate	% total EY funding
Deprivation Supplement	3% of EYFF via IDACI scores where more than 1 in 5 children are from low income families. Top up funding increase where 1 in 4 and again where 1 in 3 children are from low income families. 2% of EYFF via child eligibility to EYPP	£0.13, £0.26 or £0.39 £1.54	
Quality Supplement	2% of EYFF via setting leadership qualification Level 5 and above	£0.14	
Uniform base rate	93% of EYFF	£4.30	
	Indicative EYFF average provider rate	£4.64	94.1%
	Average SEN funding	£0.07	1.4%
	Average contingency funding	0.08	1.5%
	Sub total to Providers	£4.79	97.0%
	Average BFC funding	£0.14	3.0%
	Indicative funding from DfE to BFC (+5.8%)	£4.93	100.0%

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

- 7 providers will not see a change in their hourly rate – These providers lose £0.30 in flexibility supplement and are not in receipt of any other supplements.
- 31 providers will receive an increase of up to 2%
- 36 providers will receive an increase of between 2% and 4%
- 14 providers will receive an increase of between 4% and 6%
- 7 providers will receive an increase of between 6% and 7.5% - These providers do not currently receive flexibility or deprivation supplement

This analysis still looks wrong with a 5.2% increase in core provider funding rates and not many getting over 4% increases.

(Based on 95 providers funded in the autumn term 2017, excludes allocations to individual providers for the EYPP element of the deprivation supplement in the EYFF)

- 5.18 The most significant factor influencing the outcome on provider funding rates is the level of flexibility supplement funding providers currently receive and the difference between the funding lost with the removal of this supplement and the indicative £0.30 per funded hour increase in the base rate.

Changes now proposed

- 5.19 Based on the responses to the consultation from providers, where the majority of respondents supported the proposals, the Forum is recommended to agree implementation of the original proposals.

Next Steps

- 5.20 Final proposals for 2018-19 EY budgets will be presented for agreement in March.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal issues are addressed within the report.

Borough Finance Officer

- 6.2 The Borough Treasurer is satisfied that the anticipated cost of the proposals set out in this report can be met from within expected resources. Final budget proposals will be presented in March. This will confirm funding allocations and revised costings.

Impact Assessment

- 6.3 No Equalities Impact Assessment is required as these changes implement statutory guidance which includes eligibility criteria.

Strategic Risk Management Issues

- 6.4 That the formula reflects provider needs and does not result in loss of provision resulting in the LA not meeting it's statutory duty – Low Risk
- 6.5 That the capacity, within the LA, to manage the funds meets increasing demands – Medium Risk

7 CONSULTATION

Principal Groups Consulted

- 7.1 All providers in Bracknell Forest.

Method of Consultation

- 7.2 Responses to a written consultation document. Feedback from a steering group.

Representations Received

7.3 The representations received are summarised in the body of this report and detailed in the annexes.

Background Papers

[Early years national funding formula \(EYNFF\): funding rates and step-by-step calculation for 2018 to 2019](#)

[Early years entitlements: local authority funding of providers: Operational guide for 2018 to 2019](#)

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