

**TO: SCHOOLS FORUM
21 NOVEMBER 2019**

**FREE CHILDCARE PLACES
Executive Director: People**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Schools Forum on the outcome of the consultation with early years providers on proposed changes to the payment arrangements of the free childcare entitlements.
- 1.2 Seek Schools Forum approval for the changes now proposed.

2 RECOMMENDATION(S)

To NOTE the majority of respondents to the consultation:

- 2.1 **Supported the proposed changes to the calculation of the IDACI element of the deprivation supplement (Annex A questions and paragraph 5.16)**
- 2.2 **Indicated that they wished to retain the percentage of funding paid in the forecast payment at the current level of 60% (Annex A and paragraph 5.17)**
- 2.3 **Indicated that any future increases in funding to providers should be applied to the base rate (Annex A and paragraph 5.18)**
- 2.4 **Felt the current payment arrangements were suitable. (Annex A and paragraph 5.18)**

To AGREE:

- 2.5 **That taking account of the response from providers:**
 - a) **The calculation of the IDACI measure of the deprivation supplement is changed to an average score per child**
 - b) **The threshold scores for the IDACI measure are changed to account for the new calculation method**
 - c) **Restrictions on childminders qualifying for the IDACI measure are removed**
 - d) **Retain the percentage of funding paid in the forecast payment at the current rate of 60%**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 The proposals have taken account of local priorities, feedback from the Early Years (EY) Funding Steering Group, provider responses to the consultation and estimated levels of available resources.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Alternative options are detailed in the supporting information.

5 SUPPORTING INFORMATION

Background

- 5.1 In 2016 the Department for Education introduced a national funding formula for Early Years which implemented clear and objective criteria consistently across the country, reflected regional cost differences, ensured all areas are funded on the same basis and that high levels of funds are passed to providers.
- 5.2 A local Early Years Funding Formula (EYFF), which sets out the funding arrangements for the free entitlements for 2, 3 and 4 year olds was developed in consultation with early years providers and other interested parties and introduced in April 2017. Changes to the EYFF to account for changes in funding levels and feedback from providers were consulted on in December 2017 and October 2018. The current formula is set out in table 1.

Table 1: The current BF Early Years Funding Formula

EYFF Element	Weighting	Proposed 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, funding increases 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	£4.31	
	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 (max 5%)	£0.14	3.0%
	DfE funding to BFC	£4.93	100.0%

Bracknell Forest Consultation 2019

- 5.3 To gather provider views on the proposed changes to the funding formula, a consultation with all providers registered to deliver the free entitlement was undertaken in October 2019. The full consultation document and supporting documentation is available to view at:

<http://consult.bracknell-forest.gov.uk/portal/>

Summary outcomes

- 5.4 Responses to the consultation were received from 27 out of a total of 163 registered providers, an 17% response rate. 14 out of 46 PVI providers, 8 out of 99 childminders and 5 out of 18 schools and academies responded to the consultation.
- 5.5 Annex A provides a numerical analysis of responses to the consultation, with confidential Annex B detailing the specific comments received.

The IDACI measure

- 5.6 The deprivation supplement is comprised of two measures:
- a) The Early Years Pupil Premium (EYPP) Measure, which pays an hourly top up supplement on the universal hours of qualifying children
 - b) The Income Deprivation Affecting Children Index (IDACI) Measure. IDACI measures the probability of a child coming from a low income household based on their post code. The IDACI measure pays an hourly top up supplement on all funded universal and extended funded hours for 3 and 4 year old's at a setting
- 5.7 In January of each year BFC calculates the IDACI score for each provider. All children attending a provider in the previous year are allocated an IDACI score based on their post code, which is then weighted to reflect the number of hours of attendance. An average score is then calculated which gives an average IDACI score per funded hour. An average score of 0.33 or above is allocated to band 3 (£0.39), a score of between 0.25 and 0.33 to band 2 (£0.26) and scores of between 0.2 and 0.25 are allocated to band 1 (£0.13). This equates to approximately 1 in 3, 1 in 4 and 1 in 5 children from deprived families respectively.
- 5.8 The use of IDACI scores as a threshold for funding ensures that a provider's rate will only change if the deprivation level of the children attending their setting changes. However, as the score used in the threshold is an average, the smaller the provider is the bigger the effect one child's deprivation factor has on the average. For this reason, under current arrangements childminders are only eligible for the IDACI measure where their average IDACI score is 0.33 or higher, but their funding is capped at the lowest level – Band 1 at £0.13.

Issues identified with the IDACI measure

- 5.9 The process to calculate the IDACI measure was designed in 2016 based on the information, guidance and experience available at the time. Analysis of the allocation of providers to the eligibility bands indicates that changes in how the free entitlements are accessed since 2016, such as attendance stretched across more than 38 weeks, attending multiple providers and flexible attendance patterns, are not accounted for correctly. This results in anomalies in the allocation of IDACI bands with several providers qualifying for the incorrect band of the deprivation supplement.

Unrestricted

- 5.10 Attempts were made to amend the current calculation of the IDACI measure; however, this increased the complexity of the calculation without removing all the anomalies. An alternate solution is to change the calculation to an average IDACI score per child, rather than the average score per funded hour. This removes the need to account for stretched offers and flexible attendance patterns while simplifying the calculation.
- 5.11 The proposed changes to the calculation of the IDACI measure dictated two further proposals. These are:
- a) Changing the thresholds required to qualify for the funding bands. Changing how the measure is calculated changes the range of the resulting scores
 - b) Removing childminder specific eligibility criteria. Changing to an average score per child removes the need for arrangements specific to childminders

5.12 OUTCOME: In response to Question 1, 89% or 24 out of 27 responses supported the proposal to change the calculation of the IDACI measure, with similar levels of support for the rest of the proposed changes to the IDACI measure.

Reviewing the Forecast payment

- 5.13 Under the current funding arrangements providers in Bracknell Forest can receive up to three funding payments per term. The first of these is a forecast payment of 60% of the estimated funding for the term, paid at the end of the previous term.
- 5.14 In 2018 providers were asked for feedback on whether to change the percentage of the terms funding paid in the forecast payment. The responses received were inconclusive with 11 respondents preferring 50%, 20 preferring 60% and 22 preferring 70%. Providers were therefore asked to indicate their preference between forecast payments of 60% and 70%, the options receiving the most support in 2018.
- 5.15 OUTCOME: Responses to question 5 indicated that 59% of respondents wanted to keep the forecast payment at 60% of the total forecast funding for the term. 37% supported a change to 70%.**

Allocation of future funding increases

- 5.16 On 4 September 2019 the government announced an additional £66 million in funding for early years. The government has confirmed that this additional funding will apply to the free entitlements for 2, 3 and 4 year old's, but no further details have been released at this time.
- 5.17 It is anticipated that changes to funding to Local Authorities will be announced in November, with any resulting changes to funding rates in the local EYFF presented to Schools Forum as part of the process for setting budgets for 2020-21. Provider feedback on which element of the EYFF an increase in funding should be applied to was sought in order to ensure that providers have an opportunity to inform future decisions.
- 5.18 OUTCOME: All respondents, 100%, indicated that any increase in funding rates should be applied to the base rate.**

Ease of claiming

- 5.19 1 respondent indicated they found the process for claiming funding 'Fairly difficult', with 23 (85%) indicating they had found the process very easy or fairly easy.

Detailed comments from providers

- 5.20 Several providers included comments in their responses; these are set out in full in confidential Annex B.

Changes now proposed

- 5.21 The proposals, based on the responses to the consultation from providers, are set out below.
- a) Over 80% of respondents supported the proposed changes to the calculation of the IDACI measure. Schools Forum is recommended to agree the proposed changes to the IDACI measure including:
- changing the calculation to an average score per child
 - changing the thresholds for eligibility to the bands of the IDACI measure
 - removing the restrictions on childminders qualifying for the IDACI measure
- b) Providers supported retention of the current arrangements for the forecast payment. Schools Forum is recommended to agree the forecast payments remaining unchanged at 60%

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal issues are addressed in the report

Borough Treasurer

- 6.2 The Director of Finance is satisfied that no significant financial implications arise from this report

Equalities Impact Assessment

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

Strategic Risk Management Issues

- 6.4 There is no perceived risk, all proposals are within budget limits and provider agreement is now sought for these proposals.

7 CONSULTATION

Principal Groups Consulted

- 7.1 All providers registered to receive the free entitlements and the Early Years Funding Steering Group.

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BACKGROUND PAPERS

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf

Early education and childcare statutory guidance for local authorities - June 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718181/Early_years_entitlements-operational_guidance.pdf

Early years entitlements: operational guidance for local authorities and providers

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