

# An early years national funding formula – Government consultation

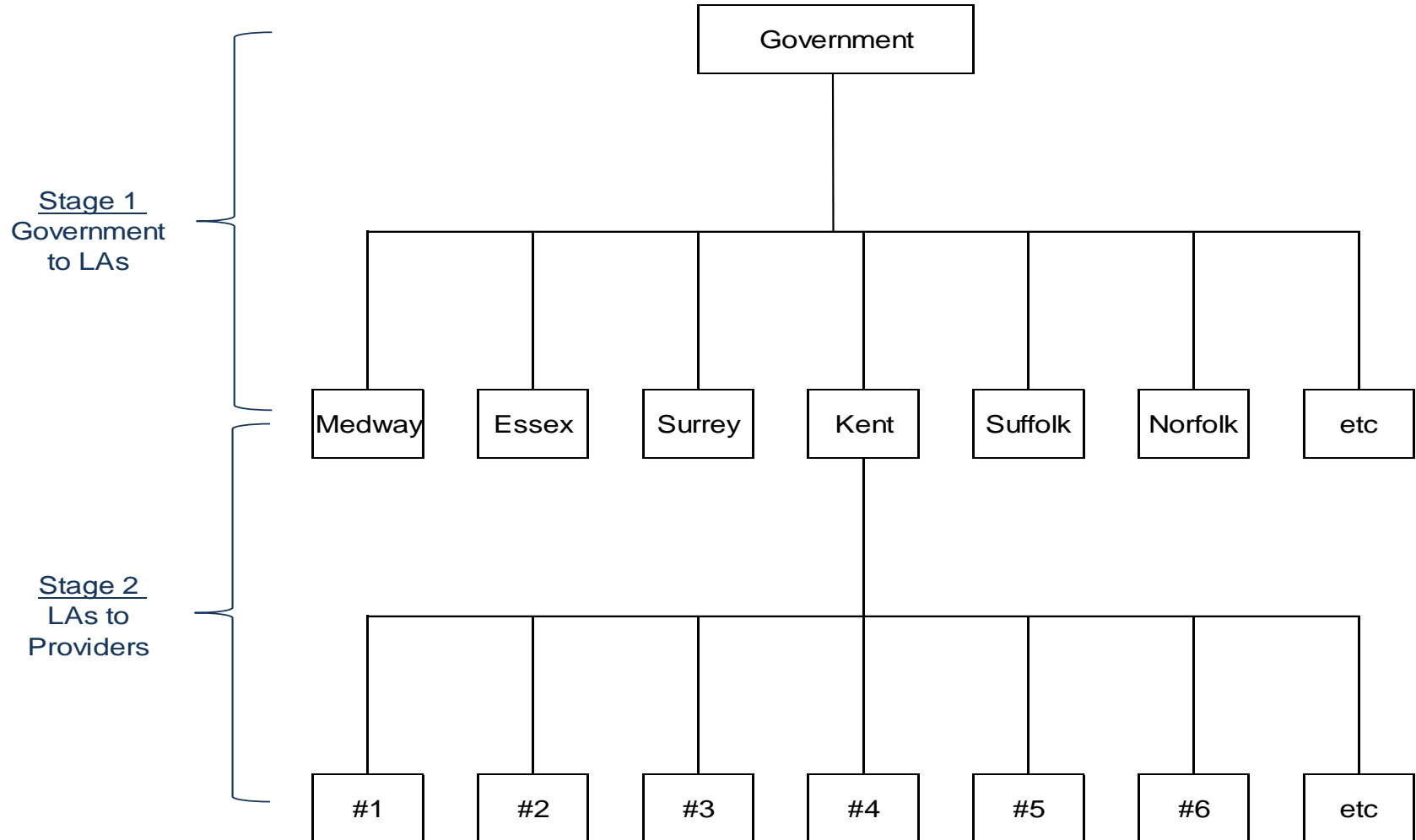
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12 September 2016

# Headlines

- Launched on 11 August
- Deadline for responses is 22 September
- Aligned with Governments commitment to extend free entitlement to 30 hours per week
- Incentivisation rather than compulsion is the theme
- Is supported by an investment of £1bn by 2019-20
- Funding to be distributed fairly and transparently across the country
- The system must maximise funding to providers
- Target additional funding to children who require additional support

# The Current System



# The Current System – Stage 1

## Government Funding to LA's for Early Years

	Funding rate per FTE	Hourly funding rate	Ranking
<b>Kent</b>	<b>£4,307</b>	<b>£4.53</b>	<b>45</b>
Essex	£3,487	£3.67	133
Medway	£4,496	£4.73	36
Norfolk	£3,705	£3.90	114
Suffolk	£4,934	£5.19	22
Surrey	£4,025	£4.24	75
Average for all LAs	£4,279	£4.51	
Max	£8,713	£9.17	
Min	£3,080	£3.24	

# The Current System – Stage 2

## Kent's Early Years Formula

### Hourly Rates

Factor	Brief description of eligibility criteria	Rate per hour
Base Rate	Universal	£3.91
Flexibility	flexible opening hours	£0.05
Qualification	Qualified Teacher Status (QTS)	£0.90
	Early Years Professional Status (EYPS)	£0.30
Deprivation	Targeted to 25% most deprived settings on reducing scale	£0.01 to £1.01
Quality	Ofsted Good or Outstanding judgement	£0.05 + £300 lump sum

# The Current System – Stage 2

## LA funding to Providers

Type of provider	Base Rate	Qualification	Flexibility	Deprivation	Quality lump sum	Nursery lump sum	Overall average rates
Maintained nursery School	£3.91	£0.90	£0.00	£0.15	£0.00	£1.66	£6.62
Maintained nursery Class	£3.91	£0.90	£0.00	£0.19	£0.00	£0.00	£5.00
PVI nursery	£3.91	£0.16	£0.01	£0.05	£0.03	£0.00	£4.16
Ind. nursery school	£3.91	£0.72	£0.00	£0.00	£0.01	£0.00	£4.64
Childminder	£3.91	£0.01	£0.04	£0.04	£0.23	£0.00	£4.19
<b>Overall Averages</b>	<b>£3.91</b>	<b>£0.27</b>	<b>£0.01</b>	<b>£0.06</b>	<b>£0.03</b>	<b>n/a</b>	<b>£4.28</b>

Balance between £4.53 and £4.28 pays for lump sum to Northfleet Nursery and is retained by the LA (currently £4.8m) to fund statutory services

# Consultation Proposals

## The Case for Change

- Manifesto commitment to implement 30 hours of free childcare for 400,000 families from September 2017.
- Providers cannot be compelled to do this – funding will be the principal means of incentivising them
- The current funding system allocates funding to LAs on historic spending patterns which is impossible to justify or explain
- Some LA's retain too much of their allocation to fund central services
- Some LA's unfairly differentiate their funding rates between types of providers
- Majority of 30 hour delivery to be provided by private & voluntary sector

# Consultation Proposals

## Stage 1 – Government to LAs

- Based on a formula containing three factors
  1. A universal base rate
  2. An additional needs factor
    - To reflect the extra cost of supporting children with additional needs to achieve good early learning & development outcomes
  3. An area cost adjustment
    - To reflect the different costs of providing childcare in different areas of the country



# Consultation Proposals

## Stage 1 – Government to LAs

Factor	Description	DfE %	National Early Years £ million	Revised %
Base Rate	Universal	89.5	1,761.9	75.4
Additional Needs	Free School Meal eligibility	8.0	162.0	6.9
	English as an Additional Language	1.5	29.4	1.3
	Disability Living Allowance	1.0	20.0	0.9
Sub Total		100.0	1,973.3	84.5
Area Cost Adj.	General labour market (80%)		91.8	3.9
	Rateable value of nursery premises (10%)		270.1	11.6
TOTAL			2,335.2	100.0

# Consultation Proposals

## Stage 1 – Government to LAs

### ACA adjustment

LA	Base rate funding £m	Additional needs £m	ACA £m	Rebased ACA if same size as Kent £m
Kent	47.4	4.5	8.3	8.3
Essex	44.9	4.0	8.0	8.5
Surrey	36.5	2.4	14.7	19.7

# Consultation Proposals

## Stage 1 – Government to KCC

Factor	National hourly rates per pupil	% of eligible Kent children	Area cost adjustment (ACA)	Full rate per pupil (after ACA)
Base Rate	£3.53	100.0	1.16	£4.09
<u>Additional Needs</u>				
Free School Meal eligibility	£2.13	12.4	1.16	£0.31
English as an Additional Language	£0.29	11.2	1.16	£0.04
Disability Living Allowance	£0.74	5.7	1.16	£0.05
Total				<b>£4.48</b>

# Consultation Proposals

## Stage 1 – Government to LAs

### Comparison with Other LAs

	Proposed hourly funding rate	Ranking	Previous ranking
<b>Kent</b>	<b>£4.48</b>	<b>76</b>	<b>45</b>
Essex	£4.47	77	133
Medway	£4.49	75	36
Norfolk	£4.18	124	114
Suffolk	£4.41	87	22
Surrey	£5.00	36	75
Average for all LAs	£4.71		
Max	£8.98		
Min	£3.78		

# Consultation Proposals

## Stage 2 –LA to Providers

- The new look LA EY formula will have two components
  1. A single base rate
  2. A number of supplements, some mandatory and some optional
- LAs will be required to distribute a minimum of 90% of their funding through the single base rate and a maximum of 10% through supplements

# Consultation Proposals

## Stage 2 –LA to Providers

### Allowed Supplements

Supplement	Mandatory/Optional	In our current formula?
Deprivation	Mandatory	Yes
Rurality/Sparsity	Optional	No
Flexibility	Optional	Yes
Efficiency	Optional	No
Delivery of the additional 15 hours	Optional	No

Note: out current Qualification and Quality supplements would no longer be permitted under these proposals

# Consultation Proposals

## Stage 2 –LA to Providers

- **Deprivation** - LA has discretion over what data to use, e.g. Mosaic, Index of Multiple deprivation or IDACI
- **Rurality/sparsity** - To target funding to rural areas where childcare providers bear higher costs than urban areas. Judged by distance.
- **Flexibility** - Targeted to providers who offer flexible childcare which fits around the parents working patterns.
- **Efficiency** – To reward settings for having efficient children to staffing ratios
- **Delivery of the additional 15 hours** – To incentivise providers to offer the additional 15 hours entitlement for working parents

# Consultation Proposals

## Stage 2 –LA to Providers

Type of provider	Average funding rate 2016-17	Average funding rate 2017-18	Difference in funding rates	Estimated difference in annual funding for an average provider
Maintained nursery school	£6.64	£4.21	£2.43	£127,715
Maintained nursery class	£5.00	£4.21	£0.79	£18,013
PVI nursery	£4.15	£4.21	£0.05	£795
Independent nursery School	£4.64	£4.21	£0.44	£7,755
Child minder	£4.23	£4.21	£0.02	£12

Maintained nursery schools set to receive transitional protection for two years



# Consultation Proposals

## Stage 2 –LA to Providers

- New restrictions on the amount of DSG that can be centrally retained
  - 2017-18 = 7%
  - 2018-19 = 5%

£4.8m  
currently  
retained

Amounts over or under  
the new thresholds

	Funding £m	Current %	17-18 (7%) £m	18-19 (5%) £m
A = Current 3 & 4 year old funding	60.2	7.99	0.598	1.802
B = A + additional funding for 30 hours PYE	70.6	6.81	-0.132	1.280
C = B + additional funding for 30 hours FYE	78.1	6.16	-0.653	0.980
D = C + 2 year old funding	88.9	5.41	-1.412	0.366

# Consultation Proposals

## Support for Children with Special Educational Needs

- DfE believe that the current system does not serve children with SEND consistently well
- Proposals to introduce **Disability Access Funding** – automatic entitlement for children in receipt of Disability Living Allowance
- In addition the DfE want to encourage LAs to build on existing best practice by creating SEN inclusion funds.
- We already have one, called SCARF, and we distribute approx. £1.4m per annum directly to EY providers

# Consultation Proposals

## 2 year olds

- There are no proposed changes to the methodology of funding 2 year olds – so no national funding formula
- However, it is proposed that each LA will receive a 7.1% uplift to their rates
- We currently receive £4.93 per hour, which would rise to £5.28, an increase of £0.35 per hour
- This would equate to approx. £200 per 2 year old per annum

# Summary

- The funding Kent receives for 3 and 4 year olds would reduce from £4.53 to £4.48 per hour, a decrease of 5p or 1.1%.
  - The DfE's proposals on Area Cost Adjustment appear to adversely affect Kent.
- The removal of some of our current supplements will have a detrimental impact on maintained provision.
- The majority of PVI settings are likely to receive a small increase.
- The restrictions to the amount of funding KCC is allowed to retain centrally could have a detrimental impact on the Councils capacity to support the governments manifesto commitment to extend free childcare for working families.

# Summary continued

- The extent of the impact of the centrally retained threshold could be as much as £1.8m by 2018-19
- We welcome the increased funding for 2 year olds
- Disappointing that there are no proposals to move to a NFF for 2 year olds
- Concerned about the lack of time between DfE decision and requirement to implement changes
- Some misleading information provided by DfE which shows KCC EY funding as increasing – fundamental error & very unhelpful

# What next?

- Draft consultation response going to Cabinet Members on 19 September
- DfE Consultation closes on 22 September
- 4 Briefing & Networking sessions with EY providers in October to raise awareness of the proposals
- LA is planning on re-establishing a EY working group to start considering these proposals/plan for decisions
- Expecting a DfE decision document to be published in November
- 2017-18 EY Funding Formula to be consider by Forum on 9 December