worcestershire
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CABINET MEMBER DECISION
15 MARCH 2017

FAIR FUNDING CONSULTATION – PROPOSALS FOR A NEW EARLY YEARS SINGLE FUNDING FORMULA (EYSFF) FOR THE FUNDING OF THE FREE ENTITLEMENT FOR 2, 3 AND 4 YEAR OLDS

Relevant Cabinet Member
Mr M L Bayliss

Relevant Officer
Director of Children, Families and Communities

Recommendation

1. The Director of Children, Families and Communities recommends that the Cabinet Member with Responsibility for Children and Families:

(a) notes the changes made by the Department for Education (DfE) for the funding of Early Years (EY) for 2, 3 and 4 year olds from April 2017, including the national policy to increase the free entitlement to 30 hours from September 2017 for working parents;

(b) notes the DfE new national allocation formula for the EY Dedicated Schools Grant (DSG) and the positive impact for Worcestershire in providing significant additional EY DSG;

(c) has regard to the consultation undertaken in January and February 2017;

(d) notes the consultation feedback in Appendices 2 and 3;

(e) notes the involvement of the Worcestershire Schools Forum (WSF) members and EY providers during the consultation;

(f) notes the views of the WSF on the proposals for a new Early Years Single Funding Formula (EYSFF) for the funding of the free entitlement for 2, 3 and 4 year olds in Appendix 4;

(g) approves the new EYSFF for the funding of the free entitlement for 2, 3 and 4 year olds from April 2017 to apply for 2017-18 and other matters as detailed in paragraph 38 having regard to the consultation feedback from EY providers detailed in Appendices 2 and 3 together with the views of the WSF in Appendix 4;

(h) authorises the Director of Children, Families and Communities to make the necessary arrangements to implement the new EYSFF for the funding of the free entitlement for 2, 3 and 4 year olds from April 2017 as required.

Background

2. The Council receives funding for EY providers through the Dedicated School Grant (DSG). This is a ring-fenced grant and has historically been allocated by the Department for Education (DfE) on a standstill 'flat cash' basis in 3 blocks – Schools, High Needs and Early Years.

3. The majority of the EY Block DSG is allocated to various EY providers in Worcestershire – Maintained Schools and Academies, Private, Voluntary, Independent and Childminders.

4. For 2 year olds this is through a single hourly rate and for 3 and 4 year olds this is through the existing local Early Years Single Funding Formula (EYSFF).

5. On 3 April 2016 the DfE issued a formal consultation on its stated commitment to double to 30 hours the amount of free childcare for working parents of 3 and 4 year olds. Responses were requested by 6 June 2016. The outcomes and Government policy decisions were announced on 5 November 2016, which confirmed the increase in the universal free entitlement for 3 and 4 year olds from 15 to 30 hours for working parents from September 2017.

6. On 11 August 2016 the DfE launched a formal consultation regarding changes to funding for 2, 3 and 4 year olds. Consultation responses were required by 22 September 2016.

7. On 1 December 2016 the DfE published the Government's consultation response along with a number of other technical documents together with their policy decisions for 2017-18. The DfE decisions are detailed at **Appendix 1**.

DfE Decisions – New National EY DSG from 2017-18

8. A new Early Years National Funding Formula (EYNFF) will allocate funding to LAs through the Early Years Dedicated Schools Grant (EY DSG) providing for: -

- The existing 15 hour entitlement for all 2, 3 and 4 year olds together with the additional 15 hours for 3 and 4 year old children of eligible working parents;
- Additional lump sum funding for our one maintained nursery school – Evesham Nursery School – to at least the end of this Parliament 2019-20;
- Additional funding for a Disability Access Fund;
- Confirmation of the continuation of the Early Years Pupil Premium (EYPP).

9. The EYNFF will apply from April 2017 for the existing 15 hour entitlement and from September 2017, for the additional 15 hours of free childcare for working parents.

10. The EYNFF formula allocations to LAs will continue to be on a participation basis.

11. The EYSFF will include a minimum funding rate for LAs of £4.30 per hour.

12. The DfE notified EY DSG for 2017-18 is detailed in **Table 1**: -

Table 1:
Early Years 3&4 Year Olds DfE Indicative DSG Allocations for Worcestershire

Year	PTE 3&4 Year Olds Universal January 2016 (Full Year) Actual Numbers	PTE 3&4 Year Olds Working Parents September 2017 (7/12ths) DfE Estimate Take Up	Hourly Rate £	Number of Weeks	Number of Hours	Illustrative Allocation £'m
2016-17 Universal Entitlement 3&4 Year Olds	8747.676 [5249 FTE]		3.31	38	15	16.500 (See **Note 1**)
TOTAL 2016-17						**16.500**
2017-18 Universal Entitlement 3&4 Year Olds	8747.676 [5249 FTE]		4.30 (+30%)	38	15	21.441
Working Parents 3&4 Year Olds		1724.3 [1035 FTE]	4.30	38	15	4.226
TOTAL 2017-18						**25.667**

Note 1

2016-17 Original Early Years DSG
= 5105 FTE x £3,229.56 EY DSG Guaranteed Unit of Funding = £16.487m
[FTE= PTEx0.6]

Note 2

In addition to this there are further allocations for: -

- Nursery School Transitional Supplement Lump Sum £62,557;
- Early Years Pupil Premium (EYPP) £256,553;
- Disability Access Fund (DAF) £129,150;
- 2 Year Old Funding of £4.393m (1482.2PTE x 38 weeks x 15 hours x £5.20).

13. For Worcestershire this provides for significantly more EY DSG for 2 year olds from £5.00 currently to £5.20; and 3 and 4 year olds £3.31 average currently to £4.30 average.

DfE Decisions – New Requirements on Local Authorities (LAs)

14. For 3 and 4 year olds LAs will need to distribute the national allocation of the EYNFF to providers through a new local Early Years Single Funding Formula (EYSFF).

15. LAs will: -

- Need to use a universal Single Basic Hourly Rate (SBHR) to fund all providers for each hour of the 3 and 4 year old universal free entitlement and the additional free entitlement for working parents **by no later than 2019-20**;
- Given the new minimum base rate of £4.30 for all LAs, the DfE contend there is the scope for all LAs to pay providers an **average funding rate of at least £4.00 per hour**;
- Have to include a mandatory supplement for deprivation to be locally derived;
- Need to consider the other optional supplements available for rurality/sparsity, flexibility, quality (to support workforce qualifications and system leadership) and English as an Additional Language (EAL);
- Have to limit any supplements to 10% of the EY DSG allocated to providers;
- Require that all LAs pass 93% in 2017-18 then 95% from 2018-19 onwards of EY DSG funding to providers.

16. For 2 year olds a separate single rate for all providers will continue to apply.

Current EYSFF in Worcestershire

17. For qualifying 2 year olds the funding is allocated on a standard hourly rate for all EY providers on actual participation from the EY DSG allocated. This is currently £5.00 per hour which is higher than the amount allocated by the DfE of £4.85 per hour.

18. For 3 and 4 year olds the current EYSFF was approved by Cabinet on 2 November 2009 following extensive local consultation with the Worcestershire Schools Forum (WSF) and all EY providers. Funding was required to be allocated on a designated hourly rate based on actual participation. Subsequently review of the EYSFF hourly rates has been made annually with any changes approved by the LA as required.

19. The current EYSFF for 3 and 4 year olds is based upon an entitlement model developed to deliver the universal 15 hour free entitlement for each type of EY provider. It took account of provider required staffing ratios and provider costs basis constrained by the amount of EY DSG allocated by the DfE to Worcestershire.

20. The current hourly rates are detailed in **Table 2**: -

Table 2: EYSFF 3 and 4 Year Old Hourly Rates September 2016

Provider Type	**£**
Maintained Nursery Class	3.14
Maintained Nursery School	4.84
School Run Non Maintained	3.62
Voluntary	3.52
Childminder	3.84
Private	3.68
Independent Nursery Class	3.70
Independent Reception Class	3.14

New EYSFF in Worcestershire – Consultation Requirements

21. In developing a new EYSFF the DfE are recommending early consultation.

22. The Council is required to consult the Worcestershire Schools Forum (WSF) on any changes to the EYSFF in order to comply with the national requirements for school and LA funding.

23. However, the County Council expanded this requirement to consult with all EY providers to inform the Cabinet Member's ultimate decision in recognition that changes could potentially impact upon the quality of education provision for EY providers.

24. The DfE emphasise that whilst Schools Forums need to be consulted on changes to the local EYSFF, the **final decision rests with LAs**.

New EYSFF in Worcestershire – Consultation Process

25. In keeping with local funding consultations the process started with a discussion on the DfE requirements and consideration of a draft document at the WSF on 11 January 2017.

26. As well as this the LA had discussions with the Early Years Team in Babcock Prime, who are the commissioned service support for EY.

27. As a consequence a detailed consultation document was circulated on 19 January 2017 to all EY providers. Consultation responses were requested by 20 February 2017.

28. The number of formal responses received from the consultation is detailed in **Table 3**.

Table 3: Consultation Responses by Provider

Type of school	Total Number of Providers (January 2017)	Number of Responses	Percentage of Responses %
Nursery/First/Primary/ Academy with Maintained Nursery	53	5	9
School Run Non Maintained	36	1	3
Private	189	22	12
Voluntary	49	11	22
Independent	22	1	5
Childminders	144	7	5
Special	4	0	0
Total	**497**	**47**	**9**
Other	N/A	3	N/A

29. Consultees were requested to respond to **8 consultation questions** on specific issues for consideration relating to the new proposed EYSFF for 2017-18. The outcomes

of the consultation are detailed in **Appendix 2**. Overall for the **8 consultation questions across each provider type and overall** there was support for: -

- The proposed increase in the 2 year old funding rate from £5.00 to £5.20 from April 2017.
- The move from the existing local EYSFF to a new local EYSFF with a Single Basic Hourly Rate (SBHR) from April 2017.
- The majority of the funding being allocated through the required SBHR.
- The estimated SBHR to be set using the most up to date pupil numbers (currently estimated between £4.00 to £4.10).
- Centrally retaining a share of the EY DSG in line with DfE constraints to support the functions detailed in the consultation document Table 4.
- The only supplement being the mandatory one for deprivation based upon on the current model and funding level.
- The minor element of funding for SEND Graduated Rate (GR) 1 to be designated as low cost SEND to be part of the new SBHR.
- Apart from GR1, the continuation of the remaining existing arrangements for the funding of SEND through the Local Inclusion Fund in the new local EYSFF.

30. The comments received and issues raised by providers for each consultation question and other matters are detailed in **Appendix 3**. The main issues raised are summarised in **Table 4**.

Table 4: Summary of Issues Raised by Providers on Consultation Questions and Other Matters

Q1	2 Year Olds Funding Rate	Supported overall. Recognised it will help provider cost pressures. Concern that there is no universal provision in place for 2 year olds.
Q2	New EYSFF	Supported overall. Concern will not be able to account for the needs of different types of setting and there is little time for providers to prepare.
Q3	SBHR main funding source	Wholly supported.
Q4	SBHR between £4.00 and £4.10	Supported overall. Those disagreeing request consideration of higher rate up with £4.15 being suggested. Concern on the effect in longer term for the one Nursery School.
Q5	Central Retention EY DSG	Supported overall. Those disagreeing, given the current centrally retained level, feel the increase proposed is disproportionate. Questioning of the proposals of the need for an EY contingency and other central support. Request for more consultation and clarity on what is spent currently.
Q6	Supplements	Supported overall to restrict to current one for deprivation. LA needs to press nationally on other areas e.g. EAL and sparsity.
Q7	Low Cost SEND part of SBHR	Supported overall. Those disagreeing advising this will put pressure on inclusive settings.

Q8	Overall SEND	Supported overall. Request to retain funding currently resourced from the High Needs Block to remain.
Other		Concerns on the complexity of the consultation. Impact of delivering the 30 hours unclear with a significant lack of DfE guidance and clarity together with no national code of practice. Significant potential effects on income, current charges for top up and accommodation. Various comments on issues for commissioning, specialist provision and wider funding issues.

31. In summary, the main areas raised by providers for the LA to consider in making decisions on the new EYSFF were: -

- Given historic under funding and cost pressures the need to endeavour to maximise the Single Basic Hourly Rate (SBHR) as much as possible.
- Although recognising the need for some central retention within the constraints set by the DfE for this to be reasonable and acceptable.
- For SEND to continue to be adequately resourced including use of the current High Needs Block DSG allocated to EY for this aspect.

32. As required, the WSF continues to fulfil its statutory role as the principal consultation body for matters relating to provider funding. There is a statutory requirement to consult them on these funding proposals.

33. The WSF met on 11 January 2017 and 2 March 2017. The latter meeting discussed the consultation responses and considered the formal recommendations for a new EYSFF for 2017-18.

34. Details of these discussions and outcomes at both meetings are attached at **Appendix 4**. The WSF has taken account of these responses and the views of the providers they represent when making their recommendations to the Cabinet Member with Responsibility for Children and Families.

Recommendations for the new EYSFF for 2017-18

35. Given the significant increase in the EY DSG in 2017-18, it is proposed the introduction of a new EYSFF is made as soon as possible from April 2017 ensuring EY providers receive additional funding.

36. Having considered the views of WSF, the outcomes of the consultation received from providers and the Cabinet Member with Responsibility for Children and Families strategic view, the approvals for a new EYSFF and other matters are detailed in **paragraph 38**.

Cabinet Member with Responsibility for Children and Families Detailed Approvals

37. Cabinet at its meeting on 2 February 2017, as part of the 2017-18 budget report, resolved to give delegated authority to the Cabinet Member with Responsibility for Children and Families, in consultation with the Director of Children's, Families and Communities, to approve the decision on the new Early Years Single Funding Formula

(EYSFF) and Early Years provider rate from April 2017. This was subsequently approved by Full Council on 9 February 2017.

38. For the Cabinet Member with Responsibility for Children and Families to **approve**: -

- The increase in the provider hourly rate for 2 year olds from £5.00 to £5.20 from April 2017 (as per **Consultation Question 1**);
- Moving from the existing local EYSFF to a new local EYSFF with a Single Basic Hourly Rate (SBHR) from April 2017 (as per **Consultation Question 2**);
- The majority of the funding being allocated through the required SBHR (as per **Consultation Question 3**);
- The SBHR to be set using the most up to date pupil numbers at £4.14 from April 2017 (as per **Consultation Question 4**);
- Centrally retaining a share of the EY DSG of nearly 4% in line with DfE constraints to support some of the functions detailed in the consultation document **Table 4** (as per **Consultation Question 5**);
- The only supplement being the mandatory one for deprivation based upon on the current model and funding level (as per **Consultation Question 6**);
- The minor element of funding for SEND GR1 to be designated as low cost to be part of the new SBHR (as per **Consultation Question 7**);
- Apart from GR1, the continuation of the remaining existing arrangements for the funding of SEND through the Local Inclusion Fund resourced from the High Needs Block (HNB) DSG in the new local EYSFF (as per **Consultation Question 8**).

Legal, Financial and HR Implications

39. The County Council is required to adhere to the DfE prescribed arrangements for School and LA funding in 2017-18. These are contained in the School and Early Years Finance (England) Regulations 2017 that came into force on 16 February 2017, which includes the impact of the required changes to EY funding.

40. The recommendations for the new EYSFF based upon an enhanced funding position and that EY providers are responsible for staff recruitment, deployment and remuneration mitigate against some of the implications. However, the continuing cost and service delivery pressures for providers for both the universal and additional entitlements remain a concern. This could impact on the LAs sufficiency duties in the future.

Privacy and Public Health Impact Assessments

41. Not applicable in this case.

Equality and Diversity Implications

42. The move to a SBHR as required by the DfE will increase significantly the current hourly rates for all providers apart from the Nursery School rate. This will support and enhance the current provision issues including the delivery and access to EY provision for pupils from all backgrounds and abilities.

43. In terms of Nursery Schools the DfE have recognised this and included a lump sum supplement in the EY DSG funding settlement until 2019-20 at least to support the transition.

Supporting Information

- Appendix 1 – Early Years Funding: Changes to Funding for 3 and 4 year olds Government Consultation Response – Key Issues;
- Appendix 2 – Summary of the Consultation Responses February 2017;
- Appendix 3 – Summary of the main issues from the Consultation Responses on the consultation questions and other matters February 2017;
- Appendix 4 – EYSFF Consultation for 2017-18 WSF Issues, Decisions and Recommendations January and March 2017.

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Background Papers

In the opinion of the proper officer (in this case the Director of Children, Families and Communities) the following are the background papers relating to the subject matter of this report: -

Fair Funding Consultation Paper Spring Term 2017
Proposals for a new Early Years Single Funding Formula EYSFF for the funding of the Free Entitlement for 2, 3 and 4 year olds – January 2017

Agenda and background papers for the meetings of the Cabinet held on 7 November 2009 and 2 February 2017.

Agenda and background papers for the meetings of the Council held on 9 February 2017.