

Early Years Funding Formula Briefing to Early Years Providers

1.0 Introduction

It is important to note that the information below is yet to be formally approved within West Sussex County Council (WSCC) and should be used as indicative only. This briefing relates to the Free Entitlement (FE) funding from April 2017, and gives key points from the report presented to the WSCC Education and Skills Forum on 24 January 2017. The full report can be found at:

http://www2.westsussex.gov.uk/learning/schools_forum/2017/jan_2017/agenda_item_5_ey.pdf

If the above link does not work please go to <http://schools.westsussex.gov.uk/Page/1959> and click on January Agenda and then on the link in Item 5.

Current funding includes universal funding of 15 hours for all three and four year olds and 15 hours of funding for eligible two year olds in West Sussex. In West Sussex the Early Years Single Funding Formula (EYSFF) for 3 and 4 year olds funding in 2016/17 consists of the base rates, deprivation supplement bands 1-5 and London fringe weighting. West Sussex childcare settings receive an **average** rate of £4.10 per hour for the universal free entitlement for 3 and 4 year olds, including supplements.

A new early years national funding formula for 3 and 4 year olds was announced on 1 December 2016. As a local authority we will continue to be funded for early years provision through the early years block of the dedicated schools grants (DSG). We will make payments based on this formula with effect from April 2017.

The 30 hours entitlement commences in September 2017.

There are now a number of new requirements on how WSCC is able to allocate funding to providers from April 2017.

These requirements are intended to ensure that funding provided by the Education Funding Agency (EFA) is fairly distributed to providers.

The main changes are:

- a minimum amount of funding to be passed through to providers (referred to as 'high pass through' or 'passported')
- a common universal base rate for all types of provider
- supplementary funding for maintained nursery schools, for the duration of this parliament.
- reforms to mandatory and discretionary supplements WSCC is able to use.
- the introduction of a disability access fund (DAF)
- a requirement for authorities to establish a special educational needs inclusion fund, such as already in place in West Sussex.

2.0 Summary of WSCC free entitlement to be effective from April 2017.

Free Entitlement Funding per child per hour	
Current Year 2016/17	With effect from April 2017
<p>3 and 4 year olds</p> <ul style="list-style-type: none"> • <u>Base Rates:</u> <ul style="list-style-type: none"> ○ PVI , including Childminders - £3.77 ○ Nursery Classes - £3.94 ○ Maintained Nursery Schools - £4.09 • <u>Deprivation</u> (all providers with eligible children): £0.23 to £1.61 • <u>London Fringe Weighting</u> (Crawley area only): £0.14p <p><u>Early Years Pupil premium:</u> £0.53p per child per hour (to a maximum of 15 hours per week)</p> <p><u>Inclusion Grants:</u> based on case by case assessment</p>	<p>3 and 4 year olds</p> <ul style="list-style-type: none"> • <u>Base Rates:</u> <ul style="list-style-type: none"> ○ PVI, including Childminders - £4.42 ○ Nursery Classes - £4.42 ○ Maintained Nursery Schools - £4.42 (plus MNS supplement) • <u>Deprivation</u> (all providers with eligible children): £0.23 to £1.61 • <u>London Fringe Weighting</u> (Crawley area only): Nil <p><u>Early Years Pupil premium:</u> £0.53p per child per hour (to a maximum of 15 hours per week)</p> <p><u>Inclusion Grant:</u> based on case by case assessment</p> <p><u>Disability Access Fund:</u> £615 per child with DLA (One-off payment per year)</p>
<p>2 year olds accessing free entitlement:</p> <ul style="list-style-type: none"> • base rate of £4.94 per hour per child, with no supplements. 	<p>2 year olds accessing free entitlement:</p> <ul style="list-style-type: none"> • base rate of £5.10 per hour per child, with no supplements.
<p>Centrally Retained (Specialist Inclusion and child development support, Speech and Language therapy support and scheme administration)</p> <ul style="list-style-type: none"> • 3.45% of total allocation 	<p>Centrally Retained (Specialist Inclusion and child development support, Speech and Language therapy support and scheme administration)</p> <ul style="list-style-type: none"> • 3.45% of total allocation

2.1 Early Years Pupil Premium (EYPP)

Additional funding continues to be provided to WSCC in order to support disadvantaged pupils through the early years pupil premium (EYPP).

The EYPP remains distinct from the early years national funding formula and will continue as a separate funding stream.

2.2 High pass-through requirement

The minimum pass-through funding level (funding passed on to providers) is set at 95% from 2018-19. Centrally retained funding (for central services) **must** be less than 7% in 2017-18 and 5% from 2018-19. WSCC currently passports around

96.55% and therefore at 3.45% the retained funding is well within the required threshold. This percentage varies slightly each year subject to annual child numbers and uptake.

2.3 Maintained Nursery School (MNS) supplementary funding

As the universal base rate is introduced, local authorities will be allowed to continue to provide a higher level of funding to maintained nursery schools for at least the next two years to ensure stability. This funding is within the overall allocation and not available to use in any other way and is required to cover additional costs incurred by the maintained nursery schools.

2.4 Use of supplements (3 and 4 year olds only)

WSCC will continue to have the ability to use funding supplements. Supplements are amounts of funding which are given in addition to the base rate to reflect local needs or policy objectives. The supplements permitted under the new National Funding Formula are

- Deprivation (mandatory)
- Rurality/sparsity
- Flexibility
- Quality
- English as an additional language (EAL)

The total value of supplements used in any authority **must** not be more than 10% of the total value of planned funding to be passed through to providers.

2.4.1 Mandatory supplement - Deprivation

WSCC must use this supplement to recognize deprivation in our area.

We can choose the amount of funding to channel through this supplement as long as the total value of all supplements used does not exceed the 10% cap. We have included a deprivation supplement since the introduction of the single funding formula and this has represented around 3% of the total budget and allocation is based on the home location of the child. We **do not** propose to make changes to this supplement for 2017/18 but, in consultation with providers, may consider changes in scale and methodology for future years.

2.4.2 Discretionary supplements

London Fringe Weighting

WSCC has supplemented payments to providers in the Crawley area based on the principles of the London and regional allowance used in the county council and other employers. We **will not** be allowed to continue with this supplement in future.

Other Supplements

Following consultation with early years providers and the WSCC Education and Skills Forum (ESF) **no** additional supplements will be made. This means more funding will be distributed to all providers through the base rate. Further points are made about the supplements in paragraph 4 below.

3.0 Provision for disabled children and children with special educational needs (SEN)

The Equality Act 2010 ensures that local authorities and settings must not discriminate, harass or victimize disabled children, and must make reasonable adjustments. Local authorities must ensure that disabled children entitled to a place are found suitable provision.

3.1 Disability Access Fund (DAF)

The disability access fund is a new measure which aids access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or helping with building capacity (be that for the child in question or for the benefit of children as a whole attending the setting). The local authority will be funded separately within the DSG Early Years block for this allocation (further detail is shown in Appendix 1)

3.2 SEN Inclusion Fund

The Department for Education is introducing the requirement for local authorities to establish an SEN inclusion fund to help providers better address the needs of individual children. The current WSCC Inclusion funding meets this requirement but will require modification to allow for the introduction of the DAF as the current inclusion grants allow for the potential of supporting children with disabilities.

WSCC already has an established Inclusion fund providing grants on a case by case basis and in conjunction with challenge, support and monitoring of practice. We are currently assessing the impact of the introduction of 30 hours on the demands on this fund but we anticipate expanding the support offered for additional hours where needed. Further details will be issued in due course.

As a local authority we will pass the majority of the SEN inclusion fund to providers, as we do currently, in the form of inclusion grants on a case by case basis. These elements will count within the *pass through* allocation with effect from April 2017. We will also use part of our SEN inclusion fund centrally to support specialist SEN services in our area, for example, support from speech and language therapists (SALT).

All early years providers who are eligible to receive funding for the 2, 3- and 4-year-old early education entitlement are also eligible to receive support from the SEN inclusion fund.

4.0 Consultation

A summary and discussion about consultation responses is included at Appendix 2

5.0 Proposed funding with effect from April 2017

- In respect of **3 and 4 year olds free entitlement** , with effect from April 2017 WSCC will:
 - achieve a pass through percentage higher than the required 93%
 - move to a universal base rate for all types of provider
 - divide the MNS supplement between the 4 maintained nursery schools to cover additional mandatory costs
 - continue the current approach to the mandatory Deprivation supplement
 - remove the London Fringe weighting supplement
 - introduce no other supplement in order to maintain the highest possible base rate funding
 - introduce the Disability Access Fund as set out in the DfE Early years national funding formula - Operational guide (see Appendix 1)
 - maintain an Inclusion fund to support children with additional education needs accessing the Early Years Foundation stage learning within the Free Entitlement scheme.

- In respect of **2 year old free entitlement**, with effect from April 2017 WSCC will:
 - maintain the current basis of funding for eligible 2 year old places but with an increase in the rate of funding
 - establish an Inclusion fund specifically to support 2 YOs with significant additional needs

6.0 Impact

The overall effect when comparing 2016/17 activity using new proposed funding is estimated as :

PVI	average 17% increase – no provider with reduction
MNS	average 4.6% increase – no provider with reduction
Nursery Classes	average 1.1% increase – 3 providers with reduction

Of the nursery classes facing an annual reduction using the new rates but on 2016/17 activity estimated reductions are £223, £306 and £1,492. In terms of a child attending 15 hours over 38 weeks this will equate to 0.1 fte, 0.14fte and 0.66fte respectively and is deemed to be within the scope of pupil number fluctuation.

Government recognizes there is a substantial issue relating to the Nursery Schools across the country. WSCC has 4 such nursery schools (Bognor, Boundstone, Chichester and Horsham). They are currently funded at a higher level due to being stand-alone schools and being obliged to use qualified teacher rates of pay.

To mitigate this potentially adverse impact, Government is creating a supplement for Nursery Schools 'at least to the end of this parliament' in order to allow time to become sustainable at a lower level of funding including and 'exploiting scope for efficiencies'. It is intended that the schools will be encouraged and supported to explore options to develop more sustainable business models and this will be subject to a clearer indication of a course of action from Government following further consultation regarding the Nursery Schools.

The proposed increase in funding to support the extension of free entitlement is more likely to enable the provision and uptake of this entitlement across the county on a more equal basis and in line with other authority areas.

7.0 Next Steps

- 11 February - 30 Hours Extended Entitlement Conference, Brinsbury Campus
- Mid-March – final approval and issue of indicative budgets
- Summer term 2017 – new funding rates introduced
- 1 September 2017 - 30 hours free entitlement introduced

Please raise any queries you may have in relation to this briefing in the first instance with FIS (01243 777807; or email: family.info.service@westsussex.gov.uk)

Chris Ellis, Service Manager, Early Childhood Service

Appendix 1

Disability Access Fund (DAF) - Provision for disabled children and children with special educational needs (SEN)

DfE Early years national funding formula - Operational guide:

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/580716/EYNFF_Operational_Guidance.pdf)

1. *The Equality Act 2010 ensures that local authorities and settings must not discriminate, harass or victimize disabled children, and must make reasonable adjustments. Local authorities must ensure that disabled children entitled to a place are found suitable provision.*
2. *The disability access fund is a new measure which aids access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or helping with building capacity (be that for the child in question or for the benefit of children as a whole attending the setting).*
3. *The Department for Education is encouraging local authorities to establish an SEN inclusion fund to help providers better address the needs of individual children. The current WSCC Inclusion funding meets this requirement.*

Eligibility

4. *Three- and four-year olds will be eligible for the DAF if they meet the following criteria:*
 - *the child is in receipt of child disability living allowance and;*
 - *the child receives free early education.*
5. *Please note that four-year olds in primary school reception classes are not eligible for DAF funding. Children become eligible for free early education at different points in the year depending on when they turn 3.*
6. *Details of the dates when children become eligible for universal free entitlement are available at: www.westsussex.gov.uk/ecsfreetitlement*

Entitlement

7. *The settings of three- and four-year-olds eligible for the DAF will be entitled to receive a one-off payment of £615 per year. The DAF is not based on an hourly rate and is an additional entitlement.*
8. *Children do not have to take up the full 570 hours of early education they are entitled to in order to receive the DAF. Children in receipt of the DAF will be eligible where they take-up any period of free entitlement. The DAF is a one off payment. If the child changes childcare provider within the financial year, the new setting will not receive another payment of the DAF. The new provider will need to wait until the following financial year.*

Identifying eligible children

9. *Early years providers are ultimately responsible for identifying eligible children and providers are encouraged to speak to parents in order to find out who is eligible for the DAF.*
10. *Providers will be able to use the parent declaration form for parents to tick if their child is in receipt of disability living allowance.*

Eligibility checking

11. *WSCC must check that the DAF eligibility requirements are met. As a local authority we should be satisfied that the child in question is receiving disability living allowance. We may wish to see evidence of the child's disability living allowance award letter and should keep a copy of this evidence on file.*

Funding local authorities for DAF

12. *In the financial year 2017 to 2018, the DAF funding each local authority receives is based on the latest available data (February 2016) from the Department for Work and Pensions on the number of children entitled to DLA aged three and four in England.*
13. *The EFA has adjusted the number of four-year-olds in this dataset to account for the estimated percentage of four-year-olds in each local authority who are in reception year instead of taking up the free entitlement.*

Distributing DAF funding to early years providers

14. *WSCC must fund all early years settings providing a place for each child eligible for the DAF in their area at the fixed annual rate of £615 per eligible child.*
15. *The DAF is payable as a lump sum once a year per eligible child. If a child eligible for the DAF is splitting their free entitlement across two or more providers, WSCC will ask parents to nominate the main setting (usually setting where child accesses the majority of hours). This setting will be where WSCC will pay the DAF for the child.*
16. *If a child receiving DAF moves from one setting to another within a financial year, the new setting is not eligible to receive DAF funding for this child within the same financial year. DAF funding received by the original setting will not be recouped provided evidence is available of relevant spending of the DAF.*
17. *In cases where a child who lives in one authority area attends a provider in a different local authority, the provider's local authority is responsible for funding the DAF for the child and eligibility checking.*
18. *All early years providers who are eligible to receive funding for the 3- and 4-year- old early entitlement education are also eligible to receive the DAF.*

Appendix 2

Consultation with providers

Based on the Early Years National Funding Formula requirements and guidelines issued in December 2016, WSCC consulted (Appendix 2) with all early years providers who currently offer or are registered to offer the Free Entitlement.

The consultation was sent to and responses received from:

	No	Responses
PVI	440	63 responses
Childminders (Note: 223 registered to deliver Free Entitlement)	719	24 responses
MNS	4	2 responses
NC (WSCC and Academies)	12	0 responses
Total	1175	89 responses

Responses represent 7.5% of total providers who received the consultation; or 13% if considering only the current providers of the Free Entitlement.

The questions were accompanied by a detailed briefing. The briefing explained the changes proposed by the DfE and the questions focused on the aspects that could be adjusted to meet local priorities.

Summary of responses to all questions

Question 1:

In order to maximise funding to all providers we are proposing no supplements other than the mandatory Deprivation. This could mean a base rate increase for PVIs around 15%. As a childcare provider, please state what is your priority by ticking your preferred option below:

- **No supplements** (other than mandatory deprivation supplement) and higher base rate for all:
84 settings 94.38%
- **Lower base rate for all and targeted supplements** for settings with eligible children/circumstances:
5 settings 5.62%

Question 2: Regarding the specific supplements please indicate if you feel there should be a supplement and add any extra comments you may have in the free text boxes below.

Supplement type - Rurality/sparsity (discretionary)

Agree	15 settings	16.85%
Disagree	74 settings	83.15%
Not Answered	0 settings	0%

There were **18** written responses to this part of the question showing a mix of comments and reasoning though a large majority supportive. We currently do not have a rurality supplement and do not anticipate shortages.

- Rural settings have less children/sufficiency issues/competition problems

- It's harder to recruit
- Rurality not a disadvantage (from a rural setting)

Supplement type - Flexibility (discretionary)

Agree	19 settings	21.35%
Disagree	70 settings	78.65%
Not Answered	0 settings	0%

17 added comments which were largely balanced between supporting and not supporting. There is a significant diversity of provision in West Sussex which means parents tend to be able to locate childcare how and where that meets their needs.

Supplement type - Quality (discretionary)

Agree	40	44.94%
Disagree	49	55.06%
Not Answered	0	0%

There were **22** responses to this part of the question

Of those commenting, it is worth noting that only 5% refer to the DfE criteria namely workforce qualifications. None mention the other criteria ie supporting system leadership. The remainder are suggesting other criteria which are not allowed in DfE formula.

Supplement type - English as an additional language (discretionary)

Agree	32	35.96%
Disagree	57	64.04%
Not Answered	0	0%

There were **16** responses to this part of the question with a marginal leaning towards support for this supplement. We do not currently have a supplement for this and do not propose to introduce this supplement.

Question 3.

Would you prefer 70% of the funding up front, as currently, with the reconciliation payment around half term, or would you prefer to be paid monthly or a month in arrears?

70% up front - 30% to follow:	66 settings	74.16%
Monthly payments	23 settings	25.84%

We propose to continue with the current methodology as this is supported by the consultation but we will analyse further in case there are specific provider types that would benefit from monthly payments.

Question 4: Do you agree we should move to a common base rate for all providers with effect from April 2017?

Option Total Percent

Yes	88	98.88%
No	1	1.12%

We propose to move all providers to the single universal base rate as none or very few are anticipated to incur lower payments.

Question 5: Do you agree with establishing an Inclusion fund to support 2 years olds with additional needs?

Yes	76 settings	85.39%
No	13 settings	14.61%

We propose to establish this fund from the 2YO DSG allocation to support eligible children with SEN/Additional needs.

Consideration of responses:

The consultation responses gave a clear steer of provider opinion in almost all aspects but exposed a dilemma on two – EAL and Quality.

There is a strong preference shown for an overall simplicity with no supplements to

- maximize the core funding to secure sufficiency of provision
- provide greater continuity and stability of funding
- avoid the risk of funding fluctuations based on supplements determined particularly by child characteristics.
- avoid additional burden of eligibility verification processes

Relating to the specific aspects of EAL and Quality, however, there is support shown. Quality is undoubtedly important in the delivery of early years. The issue here is whether a supplement (either qualifications or system leadership) would be effective in increasing quality levels.

Rationale to include a quality supplement

- A targeted supplement may provide an incentive for providers to employ a higher qualified staff member.
- A free text response from consultation: “need more to pay for qualified staff”

Rationale not to include a quality supplement:

- The government has based the new funding level on a detailed assessment of what costs are required to deliver quality early years and childcare in different areas of the country.
- Cost is not necessarily higher for staff with the higher sector-approved qualifications due to allowable child staff ratios namely:
 - 1 : 13 3YOs and over in provision where person with Qualified Teacher Status, Early Years Professional Status or another suitable Level 6 qualification is working directly with the children
 - 1:8 if such a qualified person is not working directly with the children or for lower level qualified staff
- Providers will have a choice to employ higher numbers of highly experienced staff or key individuals with a higher qualification. Neil Leitch, chief executive of the Pre-school learning Alliance, said, “it’s important to remember that being a good early years practitioner is about more than just having certain academic qualifications” (March 2016)
- Free text response to consultation: “need more to pay for higher ratios to enable quality”
- Typically 95% of providers in West Sussex are assessed as Good or Outstanding by Ofsted in any year.
- The DfE is yet to publish the updated Early Years Workforce Development strategy including qualification requirements.
- Additional verification burden
- From the consultation – 55% against the supplement: 45 % for.

Rationale to support an EAL supplement

- To recognize additional time sometimes taken to settle and support children for which English is an additional language.

Rationale not to include an EAL supplement

- “Inclusive, quality settings do this already without supplements” – indicative free text response in consultation
- The government core cost allocation has allowed for a weighting in our core cost allocation
- From the consultation - 64% against the supplement : 36% for