Report to:	**Schools Forum**
Date of Meeting(s):	**15th February 2017**
Subject:	**Early Years Funding Formula 2017/18**
Report of:	**James Winterbottom – Director Children and Families**
Contact Officer:	**John McDonald Strategic Finance Manager** **Jayne Challiner Service Manager Early Years**

Summary:	To update Schools Forum on the Early Years Funding Formula and proposed rates for 2017/18.
Recommendation(s):	For Schools Forum to note the contents of the report and agree the proposed rate and level of central spend.
Implications:	
*What are the **financial** implications?*	Contained within the report
*What are the **staffing** implications?*	n/a
Risks:	n/a

Please list any appendices:-

Appendix number or letter	Description
A	Consultation

1. Introduction

1.1 A new early years national funding formula for 3 and 4 year olds was announced on 1 December. Funding for the most disadvantaged 2-year olds is already allocated on a formulaic basis. The Government has however committed to uplift the average two-year old hourly funding rate from £5.09 to £5.39. There are no changes to funding for Early Years Pupil Premium. This remains at £0.53 per hour.

The key points of the new funding are:

- The new formula allocates funding to local authorities for the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year children of eligible working parents. The funding rates for both the existing 15-hour entitlement and the additional 15-hour entitlement are the same. Funding in 2017-18 for the additional 15-hour entitlement (the 30 hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.

- The formula consists of a universal base rate plus factors for additional needs, using measures of free school meals; disability living allowance and English as an additional language.

- The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.

- The formula includes a minimum funding rate of £4.30 per hour to local authorities, which will give local authorities the scope to pay providers an average funding rate of at least £4 per hour.

- A funding floor ensures that no local authority can face a reduction in its hourly funding rate of greater than 10% against its 2016-17 baseline. Transitional protections ensure that in any year, no local authority sees an annual reduction in their hourly funding rate of more than 5%.

2. Changes to the funding system

2.1 There are now a number of new requirements on how local authorities are able to allocate funding to providers from 2017-18. These requirements are intended to ensure that funding provided by the EFA is fairly distributed to providers. The main changes are:

- A minimum amount of funding to be passed through to providers. This is set at 93% in year 1 and 95% in year 2.

- A local universal base rate for all types of provider, to be set by local authorities by 2019-20 at the latest.

- Supplementary funding for maintained nursery schools, for the duration of this Parliament in recognition of the higher costs that they bear.

- Reforms to mandatory and discretionary supplements local authorities are able to use.

- The introduction of a disability access fund (£615 per child per year). 3- and 4-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.

- A requirement for authorities to establish a special educational needs inclusion fund. The purpose of the fund is to support local authorities to work with providers to address the needs of individual children with SEN. This can be funded from both early years and/or high needs block money. How this will operate is yet to be confirmed and the level of funding required. Local authorities should target the fund at children with lower level or emerging SEN children with more complex needs and those in receipt of an EHC continue to be eligible to receive funding via the higher needs block of the DSG

3. Consultation

3.1 Local authorities are required to consult providers on their local formula. While local authority consultations clearly need to be meaningful, this does not necessarily mean they need to be undertaken over an extended time period.

3.2 Schools forums must be consulted on changes to local early years funding formulae, including agreeing central spend by 28th February, although the final decision rests with the local authority.

3.3 A consultation questionnaire was sent to all of our nursey providers – PVI (Private, Voluntary and Independent), Settings within maintained schools and Nursey Schools. There are approximately 190 providers across the borough and 18 responded. The questions and responses are contained in appendix A. In addition to this questionnaire officers from the Early Years Team and Finance have met with all key stakeholders. No major concerns were raised in respect of our proposals.

4. Our Proposals

4.1 We propose to move to a universal rate from the 1st of April. We also propose to pass through 95% of the funding from this date. Some authorities are looking at only passing through 93% in year 1.

4.2 The current rates are contained in the table below. Under the new formula we calculate that we can set a universal base rate at £4.04 across the sector and retain the current FSM and Deprivation rate.

2016-17 EYSFF Block - Rates / Payments Three and Four Year Olds		
Payment	**Recipient**	**£ per Hour**
15 Hrs Free Entitlement 3 & 4 year old	Maintained Nursery Schools	4.95
15 Hrs Free Entitlement 3 & 4 year old	Maintained Nursery Classes	3.93
15 Hrs Free Entitlement 3 & 4 year old	PVI's	3.36
FSM Supplement	Maintained	2.15
Deprivation Supplement	All Sectors	0.33

4.3 Maintained Nursery Settings are protected until the end of this Parliament (2020). We propose to retain at £4.95 for the period of protection. This protection will help settings in terms of the transition to the lower base rate. The authority will work closely with both of the schools to help support them in the longer term. The government remains committed to consulting openly regarding the future role of maintained nursery schools and how best to secure their high quality provision.

4.4 The retained 5% funding will continue to support staff within the Early Years Teams. This will cover;

- quality
- training
- speech and language
- safeguarding
- deprivation
- SEN inclusion fund (3 / 4 year olds)

4.5 In addition to this centrally retained fund we currently top slice 5p from the hourly rate from 2 year old funding to help fund SEN support. We propose to increase this to 10p and use this to provide extra support as the requirement for specialist provision is increasing for 2 year olds.

4.6 The government intend for local authorities to release payments to all childminders on a monthly schedule from September 2018. All other provider types should indicate their preference for the future. We have consulted and spoken with all providers and they are happy to continue with our current payment model. This allocates 80% at the beginning of each term and the remaining 20% paid mid-term.

5. Conclusions

5.1 Forum members to note the contents of the report.

5.2 Forum members to agree to the proposals regarding the rate and 5% retention for central services

APPENDIX A – Summary of responses

In line with government guidance, we intend to introduce an hourly rate for all providers as soon as possible, to ensure greater equity between different types of schools/childcare providers without delay. Wigan are proposing this be brought in from April 2017. Do you agree with this timeframe?

Yes – 18 No – 0

Our current deprivation funding model pays an additional supplement of 33p per hour regardless of type of provision and we propose this universal rate will be maintained in future. Do you agree this level of funding should be maintained?

Yes – 18 No – 0

Extra comments:

Holyrood Nurseries - Deprivation funding is mandatory not selective, the rate of 33p should be maintained and increased.

The government has identified discretionary supplements within the new funding formula. We are not proposing to introduce discretionary 'supplements' for elements such as rurality/sparsity, flexibility or quality in order to ensure we can pay a higher, consistent base rate to all providers based on the funding available. Do you agree with this?

Yes – 16 No – 2

Extra comments:

Nursery Schools – In the future the role of the nursery schools as early years system leaders should be funded by a discretionary supplement for quality to recognise the increased role of the MNS in influencing the quality of provision in settings across Wigan.

Please only answer if you are a non-domestic private, voluntary or independent provider. The government intend for local authorities to release payments to all childminders on a monthly schedule from September 2018. All other provider types should indicate their preference for the future. Providers should be aware that an introduction of monthly payments is likely to increase their own administrative workload. Should the council:

A) Continue to pay providers under the current model (based on a payment of 80% up front and a remaining balance at the end of the term)? Or
B) Move to a monthly payment plan for all providers by September 2018?

A – 7 B – 6
No real preference - 5

Extra comments:
St. Bernadette's Pre-School Starter Group - The current model is better for cash flow, particularly for small, school-based providers that function during term-time only.

Settings responded

- Holyrood Nurseries
- St. Bernadette's Pre-School Starter Group
- Holy Family RC School
- Fairfield Nursery
- Lowton St. Mary's CE Primary School
- Brooklands Childcare
- Hindley Nursery School
- Douglas Valley Nursery School
- Highfield Grange Pre-School
- Starbrite Nursery
- Rainbow Corner
- 7 Childminders