Early Years Funding

1) Government Early Years National Funding Formula Consultation

The Government consultation regarding the Early Years National Funding Formula ended in September and the results were released on 1st December 2016.

https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds

The significant points from the consultation are summarised below:

- The funding to local authorities is calculated on the basis of a universal base rate for all providers plus factors for additional needs, based on measures of free school meals, disability living allowance and English as an additional language. These amounts are added together and multiplied by an area cost adjustment to reflect variations in local costs.
- All providers will be paid a local universal base rate of funding by 2019-20 at the latest (i.e. no differential rates for settings of different types).
- Supplementary funding will be provided to maintained nursery schools for the duration of this parliament. This will maintain their funding at a similar level to at present.
- The Deprivation supplement will be the only mandatory supplement within the formula.
- The only other additional supplements that will be allowed (but not required) are related to Rurality / Sparsity, Flexibility, Quality and English as an additional language.
- Funding supplements will be capped at a maximum value of 10% of overall funding.
- Local authorities will be required to pass on a minimum of 93% of funding to providers in 2017/18 and then 95% in each year thereafter.
- There are also two changes concerning Special Educational Needs which are explained in detail below:

Disability Access Funding

An additional Disability Access Fund has been created by the government. The documentation explains that the fund is to “aid 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”).

Eligibility: Three and four-year olds will be eligible for Disability Access Funding if they are in receipt of child disability living allowance and if they also receive free early education. Four-year olds in reception class will not be eligible for this funding.

Entitlement: The settings of eligible children will receive a one-off payment of £615 per year and children will not need to take up the full 570 hours of early education to receive the Disability Access Funding.
Identifying eligible children: Early Years providers will be responsible for identifying eligible children and will be able to use the parent declaration form template that is due to be published alongside the model agreement in early 2017 to identify these children.

Funding: Funding will be provided to Local Authorities to pass onto settings in a lump sums. Where the free entitlement is split across multiple providers, the parents will be asked to nominate the main setting who will receive the full funding.

SEN Inclusion Fund
Local authorities will be required to establish an inclusion fund for 3 and 4 year olds with Special Educational Needs taking the free entitlement.

Eligibility: The requirement for an inclusion fund is specifically for 3 and 4 year olds although a similar approach can also be taken for 2 year-olds and is intended to be targeted at those children with lower level or emerging SEN.

To create the SEN Inclusion Fund, local authorities will combine funding from either one or both of their early years block and high needs block of the Dedicated Schools Grant. Local authorities should pass the majority of their SEN Inclusion Fund to providers in the form of top-up grants on a case by case basis.

All early years providers with funded 3 and 4 year olds will be eligible to receive support from the SEN inclusion fund.

2) Proposed Cambridgeshire Early Years Funding Formula

When formulating the proposed formula we have considered the views of providers via meetings with the Early Years Provider Reference Group. The sections below detail our proposed local formula in which we have sought to keep funding within the base rate where possible to give providers maximum flexibility to determine operating models whilst providing sufficient funding for the SEN inclusion fund and deprivation supplement.

As referenced in section 1, the funding to local authorities is calculated on the basis of 3 factors; a universal base rate of funding, plus additional needs factors and then multiplied by an area cost adjustment. For Cambridgeshire this results in overall funding of £4.42 per hour:

\[
\text{LA hourly funding rate} = \text{Base rate} + \text{Additional needs} \times \text{Area cost adjustment}
\]

\[
£4.42 = ( £3.53 + £0.28 ) \times 1.16
\]

The government have indicated that the average rate to providers nationally once different factors have been included will equate to £4.88. Please note this includes factors such as EYPP, the recently allowed maintained nursery supplement and the disability access funding. The equivalent figure for Cambridgeshire would be £4.64 if calculated in the same way.
Supplements

To keep the formula as simple as possible and to keep funding within the base rate we are proposing to keep Deprivation as the only supplement within the formula. This would be allocated in the same way as at present at the following rates:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Residence of child</th>
<th>IDACI Rank</th>
<th>Value per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Highest 10% per IDACI</td>
<td>0 - 3284</td>
<td>£1.30</td>
</tr>
<tr>
<td>2</td>
<td>Next highest 10% per IDACI</td>
<td>3285 - 6568</td>
<td>£1.00</td>
</tr>
<tr>
<td>3</td>
<td>Third highest 10% per IDACI</td>
<td>6569 - 9852</td>
<td>£0.65</td>
</tr>
<tr>
<td>4</td>
<td>Fourth highest 10% per IDACI</td>
<td>9853 - 13136</td>
<td>£0.30</td>
</tr>
<tr>
<td>0</td>
<td>Remaining 60% least deprived</td>
<td>13137 - 32844</td>
<td>£0.00</td>
</tr>
</tbody>
</table>

This represents a 5p reduction for bands 3 and 4 with the funding level and band 1 and 2 remaining the unchanged.

SEN Inclusion Fund
Funding of £0.5m per year has been provided from within the High Needs Block of funding to support the creation of an SEN inclusion fund. We are intending to add a further £0.5m from within the Early Years Block to create an overall fund of £1m from which to finance the SEN inclusion fund and Education Health and Care Plans (EHCPs) within Early Years.

The SEN inclusion fund will be available from April 17 in the form of top-ups or lump sums for providers relating to the needs of individual pupils. Work is ongoing to look at how the inclusion fund will work in practice including the thresholds for support, the funding amounts and the process for accessing the funding. This will replace the existing Early Years Access funding although criteria for support will not necessarily be the same. Further information will be provided in due course about this.

Early Years Centrally Retained Funding
Funding retained centrally by the Local Authority to fund our statutory duties will account for approximately 3.9% of the funding provided (dependent on pupil numbers) which is below the final limit set by government of 5% from 2018/19 of 5%.

What Base Rate does this give?

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall funding paid to local authority</td>
<td>£4.42</td>
</tr>
<tr>
<td>Less: Est. Deprivation Funding</td>
<td>£0.14</td>
</tr>
<tr>
<td>Less: SEN Inclusion Fund contribution</td>
<td>£0.07</td>
</tr>
<tr>
<td>Less: LA centrally Retained Funding</td>
<td>£0.17</td>
</tr>
<tr>
<td>Base Rate to all providers</td>
<td>£4.04</td>
</tr>
</tbody>
</table>
**Funding in addition to the hourly rate**

**Deprivation Supplement:** Will continue at the rates outlined earlier in this document.
**Early Years Pupil Premium:** Will continue to be paid at a rate of £0.53 per hour for eligible children.
**Disability Access Funding:** £615 lump sum paid to settings for eligible children.
**Top-up funding due to EHCPs or from SEN Inclusion fund:** Funding rates from the SEN inclusion fund for eligible children will be confirmed in due course.

**2 Year-old funding**
2 Year-old funding will continue to be administered in the same way as currently. Cambridgeshire will receive a higher rate of £5.41 (from £5.05 at present) and this will be passed on in full to providers from April 17 onwards.

**Funding to Nursery Schools**
The move to a universal base rate of funding for all providers would have the biggest impact on maintained nursery schools. The government have therefore provided additional funding to enable funding levels to nursery schools to be maintained for the duration of this parliament.

It is our intention to pass on the additional funding to maintained nursery schools as an additional hourly supplement separate to the base rate of £4.04.

We will review the local formula annually and will recycle money back into the formula where possible, for example if the amount paid through the Deprivation went down then this money would go back into the base rate.

**3) Alternative Options**

**Delay Implementation until September 17**
One option that was discussed with the Early Years Provider Reference Group would be to delay implementation of the new funding formula until September 17 as opposed to from April 17. This would provide an additional sum of one-off funding that would be the difference between the old overall funding rate from government and the new one.

Depending on pupil numbers then this provides approximately £800k of one-off funding. This funding could be used to increase the base rate by 2p to £4.06 for the first few years, this would be sustainable in the long term as funding can be released from the local authority central funding when a number of fixed term posts finish at the end of 2018/19.

We are minded not to use this option and to instead implement the new formula as soon as possible although we would welcome your views on this. If this option is taken then the funding rate would be £4.04 initially but would increase by 2p later once the fixed term posts finish in late 2018/19.

**Question:** Do you agree with our proposal to implement the new funding rate from April 2017? The alternative, to implement from September 2017, would enable the base rate to be 2p higher.

**Deprivation Supplement**
As mentioned, the deprivation supplement is mandatory for all local authorities. In our proposed formula we have lowered the deprivation supplement payable by 5p for bands
3 and 4. Another option would be to keep deprivation rates as they are at present which would then lower the hourly base rate to £4.03.

**Question:** Should we reduce the Deprivation supplements at band 3 and 4 by 5p, or should we keep them the same? Keeping the Deprivation banding rates the same would reduce the base rate by 1p.