

EARLY YEARS FUNDING FORMULA AND CENTRAL EXPENDITURE

Purpose of the Report

1. To brief members of the proposed new Early Years Funding Formula.
2. To seek approval by the Forum to retain additional central early years funding to ensure early years statutory duties are fulfilled.

Information and Advice

1. Early Years funding is allocated to all Local Authorities and is controlled through School and Early Years Finance Regulations 2015. Funding is allocated by the Education Funding Agency to Local Authorities on a per pupil basis.
2. Funding is used to pay the early year's sector for children eligible for free childcare, including disadvantaged 2 year olds, and all 3 and 4 year olds. The funding is allocated to all Ofsted registered settings including Schools and Private, Voluntary and Independent (PVI) providers who deliver free childcare for eligible children.
3. All 3 and 4 year olds and eligible 2 year olds are currently offered the equivalent of 15 hours of free early education and childcare per week for 38 weeks of the year; this is being extended for 3 and 4 year olds of working parents to 30 hours per week from September 2017.
4. Local Authorities are permitted to retain some central early years funding for expenditure to ensure childcare sufficiency and to implement the following eligibility assessments:
 - a. the eligibility for free school meals of a pupil who is being provided with early years provision;
 - b. the eligibility of a child for prescribed early years provision; or
 - c. the eligibility of a child for the early years pupil premium

National Early Years Funding Formula

5. The Early Years Funding Formula provides a funding system for schools and PVI settings to help support families with the cost of childcare and prepare children for school.
6. From 2009, each Local Authority determined its own Early Years Funding Formula (EYFF), to provide a fair and equitable system to distribute funding to the sector. The EYFF provides the hourly rate paid for children accessing their free entitlement; these rates vary across Local Authorities due to the different formulae used.

7. There is also differentiation in the hourly rates for disadvantaged 2 year olds, and 3 and 4 year olds. This enables a provider to offer more intensive support for disadvantaged children who may require additional support to be 'school ready'. This funding also supports Local Authorities to close the attainment gap at Foundation Stage as measured through the Early Years Foundation Stage profile.

National Early Years Funding Formula Consultation 2016

8. The Department for Education is currently reviewing the funding formula with a view to ensuring consistency across Local Authorities and the hourly rates offered to the early years sector. A new national funding formula will be in place for the existing free entitlements from April 2017, with the funding for the extended entitlement for working parents commencing from September 2017.
9. A fair national funding formula is required to enable the PVI sector to increase their capacity to fulfil the new free childcare entitlements for 3 and 4 year olds from September 2017. This could include employing additional staff, extending opening hours, offering holiday provision etc.
10. The new funding formula will replace the current system, which is based on how much a council has historically spent rather than how much it actually costs to meet the local need.
11. The new proposed formula is based on 3 factors:
- a. 'universal base rate' of funding for each child, so that every local area is funded fairly for the core costs of delivering childcare (the differing base rate for 2 year olds and 3-4 year olds will be retained).
 - b. an 'additional needs factor', so that funding takes into account the extra costs of supporting children with additional needs to achieve good learning and development outcomes
 - c. the cost of providing childcare in different parts of the country
12. Nottinghamshire already uses a universal base rate for all settings and providers and does not have the variation that some Local Authorities use e.g. quality rating, size or type of PVI provider.
13. The additional needs factor will be allocated to Local Authorities using the following criteria:
- a. Free School Meal eligibility (using the proportion of children receiving FSM at Key Stages 1 and 2)
 - b. EAL (using EAL prevalence at Key Stages 1 and 2 as a proxy measure)
 - c. Disability Living Allowance claims – a proxy measure for children with SEND (*this may exclude children with special educational needs, rather than a physical disability*)
14. In Nottinghamshire, children assessed as having severe, complex and enduring special educational needs or disabilities attending PVI settings (excluding schools) are eligible for local DCATCH enhanced funding. This funding has been made available through Nottinghamshire County Council's core Children's Services budget. There is currently no additional funding for children with EAL in Nottinghamshire early years settings, unless they meet other criteria e.g. FSM.

15. In Nottinghamshire, the hourly rates offered to the early years sector are currently fairer than many other Local Authorities. This follows the decision in June 2015 by the Schools Forum to increase the hourly rate on a temporary basis as local rates had not been reviewed since 2013/14. This is also due to Nottinghamshire having a universal base rate across the sector with no weighting given to location or size of the provider; cost effective practice e.g. appropriate staff: child ratios; DCATCH funding and a very small centrally retained allocation.
16. Early indication shows that Nottinghamshire alongside many other Local Authorities will receive an increase in the early years funding allocation.
17. In Nottinghamshire, currently 2.5% of the funding is retained for central expenditure costs. The national consultation exercise identified that in a minority of cases Local Authorities were retaining up to 30% of these costs. Government recommends that Local Authorities should not retain more than 7% of the funding, reducing to 5% by 2019/20.
18. Nottinghamshire County Council would like to propose that from the 1st April 2017, Early Childhood Services retains up to 5% of the funding to fund early year's data, assessment and sufficiency functions which are currently funded through the core NCC children's services budget. An increase in the centrally retained allocation will not affect the hourly rate previously agreed by the Schools Forum which will be retained until the National Funding Formula is launched next year.
19. Nottinghamshire County Council would use centrally retained funding to pay for existing Early Years Data Officers, Early Years Project Officers; and ICT systems which check eligibility, childcare sufficiency.

RECOMMENDATION/S

That the Schools Forum:

- 1) Notes the content on the report and the forthcoming Early Years National Funding Formula
- 2) Approves the proposal by Nottinghamshire County Council to retain up to 5% of early years funding rather than 2.5%, to be used for sufficiency and assessment functions within the Early Childhood Services team.

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