



**Nottinghamshire  
County Council**

## ***EARLY YEARS FUNDING 2019-20***

# **CONSULTATION ON THE LOCAL FUNDING FORMULA FOR EARLY YEARS PROVIDERS**

**NOVEMBER 2018**

**Consultation period:  
5 November to 25 November 2018**

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## **1 Introduction**

- 1.1 The purpose of this consultation exercise is to seek the views of all early years providers (schools, private, voluntary and independent providers) on the funding formula changes the County Council and Schools Forum should consider for 2019-20.
- 1.2 The consultation on the proposals will be launched on 5 November 2018 and be open until 25 November 2018 and provides an opportunity for providers to express their views on the proposals. It is available through Citizen Space via the link: - <https://consult.nottinghamshire.gov.uk/schools/9be5e432>. The responses will be considered by the Schools Forum on 6 December 2018.
- 1.3 The final formula will be recommended to the County Council's Policy Committee for approval on 23 January 2019 and submitted to the Education & Skills Funding Agency (ESFA) by 31st March 2019.
- 1.4 Early Years Pupil Premium and the Disability Access Fund (DAF) are not part of this consultation and will continue to be distributed by the methods prescribed or agreed outside of this formula.

## **2 Approach to the Early Years Funding Formula Consultation for 2019-20**

- 2.1 A report was taken to the Schools Forum on 18<sup>th</sup> October to discuss the approach to be taken to the formula construction for 2019-20 and factors which need taking into consideration to inform the consultation proposals.
- 2.2 The early years national funding formula was introduced in 2017-18 and funding was distributed to local authorities in accordance with this. It is anticipated that the per pupil unit of funding through the national funding formula will remain at the same rate as 2018-19, however, final allocations will be issued in mid December 2018.
- 2.3 In 2018-19, the basic early years hourly rate was reduced in order to create the new statutory SEN Inclusion Fund for private, voluntary and independent (PVI) providers. The new proposal for 2019-20 is to increase the basic hourly rate, which will reduce the level of the Early Years SEN Inclusion Fund.

## **3 Early Years Consultation Proposals**

- 3.1 The Nottinghamshire EYSFF currently has two factors (hourly rate and deprivation) which are listed in the table below together with the criteria for each. The proposed hourly rates for 2019-20 are indicated in the third column and the rationale explained below.

<b>Factor</b>	<b>2018-19 Factor Values</b>	<b>2019-20 Proposed Factor Values</b>
PVI 2 year olds	£5.22 per hour (38 weeks per annum)	1p increase to £5.23 per hour subject to confirmation of funding allocation.
Schools 2 year olds	£5.09 per hour (39 weeks per annum)	1p increase to £5.10 per hour subject to confirmation of funding allocation
PVI 3 - 4 year olds Universal and working parents	£4.16 per hour (38 weeks per annum)	1p increase to £4.17 subject to confirmation of funding allocation.
Schools 3 - 4 year olds Universal and working parents	£4.06 per hour (39 weeks per annum)	1p increase to £4.07 subject to confirmation of funding allocation.
Deprivation Factor	£406 per annum	No change

### Rationale for Increasing the Hourly Rate

- 3.2 Last year, early years providers were subjected to a number of new initiatives introduced by central government which have had significant impact on provision. The first year of the introduction of 30 hours free childcare has seen a reduction of 6,536 children in previously fee paying places, for whom PVI providers now only receive the funded hourly rate. This has had a significant financial impact on PVI providers as there is a marked difference between what the LA pay for funded places and what a PVI provider would ordinarily charge to cover costs.
- 3.3 This situation is not unique to Nottinghamshire. Nationally, in a recent survey by Nursery World, 87% of PVI providers reported that the funding received for the free entitlements does not cover their costs, with an average yearly shortfall of £2,166 per child. Many report needing to increase the fees for non-funded childcare to subsidise that shortfall. Others report opting out from offering funded places to the most vulnerable 2 year olds and not offering 30 hours funded places to eligible parents as they simply cannot afford to run their provision in a deficit funding situation.
- 3.4 Locally, we have several preschools and nurseries at risk of closure, which would impact on both our early years places and childcare sufficiency duties. The number of childminders registered in Nottinghamshire continues to decline with 653 in 2018 compared to 737 in 2016. A similar picture can be seen amongst preschools with 92 in operation in 2018 compared to 99 in 2016.
- 3.5 We have evidence to suggest that of a growing number of providers are limiting the number of funded places for 2 year olds, to focus more on 3 and 4 year olds places, to help with business sustainability.

- 3.6 Local policy changes, including the removal of Disabled Children's Access to Childcare (DCATCH) for 0-25 year olds and the requirement for private, voluntary and independent providers to self-fund children's medical needs, unlike maintained schools, have also increased the costs associated with children with special educational needs accessing provision in the PVI sector.
- 3.7 Other factors have given rise to increased costs to all providers, namely National Living Wage and National Minimum Wage, Pensions Auto Enrolment, Apprenticeship contributions, increased business rates and utilities charges.
- 3.8 Providers also report that additional charges such as workforce development and Continuous Professional Development for staff, necessary to maintain quality of provision and narrow the attainment gap and which until recently was offered free by LA's now has to be paid for. Also the Government requirements for early years staff to have GCSE qualifications in Maths and English have also impacted on individual setting's training and development.
- 3.9 The proposal outlined have been developed in consultation with representatives from the Early Years consultation and reflect the challenges all early years providers currently face in maintaining and developing high quality, inclusive places.

#### Early Years SEN Inclusion Fund

- 3.10 The consultation for 2018-19 proposed a reduction to the hourly rate by 1p for 2, 3 and 4 year olds to create the new Early Years SEN Inclusion Fund. This fund is a statutory requirement for local authorities to establish.
- 3.11 This fund is used to support PVI providers (private, voluntary and independent) as schools have access to alternative funding through the high needs block.
- 3.12 From April 2017 there has been a statutory requirement for local authorities to establish a SEN inclusion fund for eligible three and four year olds to support PVI providers to address the needs of individual children. Local authorities may determine the size of the fund, pooled from either or both the early years and high needs blocks of the Dedicated Schools Grant (DSG). In Nottinghamshire, the Inclusion Fund uses a combination of the early years block of the DSG and local authority core funding.
- 3.13 The proposal for 2019-20 is to reduce the early years block contribution to the Inclusion Fund in order to increase the basic hourly rate by 1p for 2, 3 and 4 year olds. This would reduce the fund allocation from £200,000 to approximately £92,000.
- 3.14 The Disability Access Fund is available for 3 and 4 year olds who claim Disability Living Allowance (DLA), as there has been an underspend in this budget, early years providers will be encouraged to support families to access their DLA entitlements before applying to the Inclusion Fund panel.
- 3.15 The Inclusion Fund will continue to be part funded by the local authority in 2019-20 which should help minimise the impact of a reduced early years block allocation. However as the local authority funding is used to also fund eligible 2 year olds with SEN, the Inclusion Fund will cease to be available for children once it has been spent.

**Question 1**

***Do you agree with the proposal to increase the hourly rate by 1p for 2, 3 and 4 year olds and reduce the contribution to the Early Years SEN Inclusion Fund? Yes/No***

**Thank you for taking the time to complete this consultation.**