



**Nottinghamshire  
County Council**

## ***EARLY YEARS FUNDING 2020-21***

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

**NOVEMBER 2019**

**Consultation period:  
14 November to 28 November 2019**

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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 2020-21.
- 1.2 The consultation on the proposals will be launched on 14 November 2019 and be open until 28 November 2019 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 12 December 2019.
- 1.3 The final formula will be recommended to the County Council's Policy Committee for approval on 15 January 2020 and submitted to the Education & Skills Funding Agency (ESFA) by 31st March 2020.
- 1.4 Early Years Pupil Premium (EYPP) 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 2020-21

- 2.1 A report was taken to the Schools Forum on 7<sup>th</sup> November to discuss the approach to be taken to the formula construction for 2020-21 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. The per pupil unit of funding through the national funding formula was announced on 31 October 2019 and will increase by 8p for 2, 3 and 4 year olds and the new rates for Nottinghamshire are as below:

Early Years Block	2019-20	2020-21
	£	£
2 Year Olds	5.23	5.31
3 and 4 Year Olds	4.30	4.38

## 3 Early Years Consultation Proposals

- 3.1 The Nottinghamshire Early Years Funding Formula (EYFF) currently has two factors (basic hourly rate and deprivation) which are listed in the table below together with the criteria for each. The current funding rates for 2019/20 and proposed hourly rates for 2020/21 are illustrated in the tables below.

### Current and Proposed Hourly Rates

Factor	2019-20 Factor Values	2020-21 Proposed Factor Values		
		Basic Increase	Temporary Top-Up	Total
2 year olds PVI & Schools	£5.23 per hour (38 weeks per annum)	8p per hour	5p per hour	£5.36 per hour (38 weeks per annum)

3 - 4 year olds PVI & Schools Universal and working parents	£4.17 per hour (38 weeks per annum)	8p per hour	10p per hour	£4.35 per hour (38 weeks per annum)
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### Current and Proposed Funding Supplements

Supplement	2019-20 Factor Value	2020-21 Proposed Factor Values
3 & 4 year olds deprivation – Looked After Children (LAC), Child In Need (CIN) & Children on Child Protection Plans (CPP)	£406 per year*	£406 per year
3 & 4 year olds deprivation - Based on EYPP criteria	£0.00	£0.10 per hour
2 year olds deprivation - LAC, CIN & CPP	£0.00	£406 per year

\* CIN and CPP only

### Rationale for Increasing the Hourly Rate

3.2 In recent years, early years providers were subjected to a number of new initiatives introduced by central government which have had a significant long-term 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 the availability of early years places and childcare sufficiency duties. Since 2018, the number of Day Nurseries registered has remained static, but there has been a 6% decrease in the number of Preschool settings, and a 7% increase in the number of registered childminders.

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. This has been demonstrated in the 2019 Childcare Sufficiency Assessment which identified that Nottinghamshire requires additional places for 2 year olds in some localities; however, there are sufficient places for 3 and 4 year olds in the main.

3.6 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.

3.7 Despite best efforts, the attainment gap at Foundation Stage for children eligible for Free School Meals, continues to be significantly wider than England and statistical neighbours. In 2018, only 49.9% of children eligible for free school meals in Nottinghamshire achieved a good level of development. Progress in Nottinghamshire is slow and despite improvements in many

other outcome measures; addressing school readiness remains a challenge and therefore ensuring that children (from low income households in particular) access high quality early education and childcare is a priority. The proposals within the consultation aim to prioritise children from low income households.

3.8 The proposals outlined have been developed in consultation with representatives from the Early Years Consultation Group and reflect the challenges all early years providers currently face in maintaining and developing high quality, inclusive places; as well as the need to accelerate the development of our poorest children.

### **Early Years SEN Inclusion Fund**

3.9 Since 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.

3.10 The proposal for 2020-21 will see the DSG element of the SEN Inclusion Fund remain at approximately £100k.

### **Early Years Deprivation Fund**

3.11 Local authorities must have a deprivation supplement for 3 and 4 year olds and they have the freedom to choose the appropriate metric for allocating funding. In Nottinghamshire, previous consultation confirmed that the Early Years sector wanted to use the supplement to enable them to better support children identified as a Child in Need (CIN), and for children on Child Protection Plans (CPP).

3.12 The purpose of the funding is to ensure attendance at multi-agency meetings to enable the key person to contribute to and be informed by plans developed to improve the child's outcomes. Cover arrangements will enable the child's designated safeguarding lead or 'key person' to share vital information about the child's needs and progress at these meetings and allow time to prepare required reports and plans. A setting can claim £406 per year from the Deprivation Fund.

3.13 The proposal for 2020-21 will see the funding criteria extended to include 3 and 4 year olds who are identified as Looked After Children (LAC); with funding levels remaining at £406 per annum per child.

3.14 The proposal for 2020-21 will also see the funding criteria widen to increase the hourly rate for 3 and 4 year olds who are eligible for the Early Years Pupil Premium by an extra £0.10 per hour in order to improve outcomes for our poorest children.

3.15 The proposal for 2020-21 may see the funding criteria extended to include 2 year olds who are identified as CIN, CPP or LAC; with funding levels remaining at £406 per annum per child. This however will be dependent on consultation findings, as the Early Years sector have an option to extend the criteria fund to include 2 year olds known to social care, or to increase the hourly rate for 2 year olds who are eligible for Free School Meals.

## **Early Years Funding Formula Consultation Proposals**

### **3 and 4 year olds (universal entitlement and additional entitlement for children of eligible working parents)**

#### **Question 1**

Do you agree with an increase in the hourly rate for funded 3 & 4 year old children from £4.17 to £4.35 (£0.08 + £0.10 per hour) given that this may be reduced in coming years?

#### **Question 2**

Do you agree with the proposal to extend the existing criteria for the Deprivation Fund to include all 3 and 4 year old Looked After Children (LAC) as well as those identified as a Child in Need (CiN) and those on a Child Protection Plan (CPP)?

#### **Question 3**

Do you agree with the proposal to extend the criteria of the Deprivation Fund to 3 & 4 year olds eligible for Early Years Pupil Premium at an hourly rate of £0.10 per hour?

### **Disadvantaged 2 year olds**

#### **Question 4**

Do you agree to increase the hourly rate for all eligible 2 year olds from £5.23 to £5.31 to reflect the increased funding to be received by NCC?

Please answer yes to either question 5) or question 6) if you think that supplementary funding should be added to the 2 year old formula

#### **Question 5**

Do you agree with the proposal to extend the existing criteria for the Deprivation Fund to include 2 year olds who are LAC/CIN/ CPP? This would be funded from the forecast 3 & 4 year olds underspend.

Or

#### **Question 6**

Do you agree to increase the hourly rate for 2 year olds who are eligible for Free School Meals by a further £0.05? This would be funded from the forecast 3 & 4 year olds underspend.

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