

Agenda Item 5

SCHOOLS FORUM 21 September 2016

EARLY YEARS FREE ENTITLEMENT

Government Consultation of Changes to the Single Funding Formula for Early Years Free Entitlement

Purpose of Report

To outline and agree proposals for Wokingham Borough Council's responses to the Government consultation "*An early years national funding formula; and changes to the way the three- and four-year-old entitlements to childcare are funded*"

Attached documents:

Appendix 1 Summary of government proposals, challenges and opportunities for WBC

Appendix 2 Proposed WBC consultation response

Background

In August 2016 the Government released a long-awaited consultation on changes to the single funding formula for early years free entitlement. The single funding formula governs the amount of money given to local authorities to fund the free entitlement for two, three and four year olds in their area. The Government is seeking responses by 22 September 2016.

This follows a consultation which was released by the Government in April 2016 entitled '*Childcare free entitlement: delivery model*' which looked at the delivery model for the free entitlement and the changing role of the Local Authority within that model. The Government has yet to respond to this consultation.

Both of these consultations provide further clarity on the future of the free entitlement and give more information about how the new 30 hour entitlement for working families should be administered. It also changes the rules which govern the free entitlement and the local funding formulae each local authority has to distribute the funding to their providers.

The full consultation document can be found at the link below:

<https://consult.education.gov.uk/early-years-funding/eynff>

The consultation lays out proposals to deliver major changes to the early years funding system:

- A. at the national level, the early years funding that is distributed from central government to local authorities; and
- B. the local level arrangements that local authorities use to distribute that funding to childcare providers on the front line.

Impact on Wokingham

The consultation is split into a number of sections which seek to change the way funding is firstly distributed to local authorities and then subsequently distributed to providers for delivering the free entitlement.

Attached to this document is the proposed response to the consultation (Appendix 2). It must be noted that responses are limited to the format prescribed by the consultation which limits the amount of explanation that can be given with an answer.

It appears that the proposed new formula will see an increase in the overall early years allocation in both 2017-2018 and 2018-2019. This is in addition to the proposed increase in number of funded hours delivered from September 2017 due to the introduction of the 30 hours free entitlement for working families. The illustrative figures given by the consultation for 2017 – 2018 would see a significant uplift in the average hourly rate in Wokingham from the current £3.75 per hour. This adjustment to the hourly rate is mainly due to recognition that current government allocations at a local authority level should be determined by costs of delivery such as staff wages and cost of premises (area cost adjustment). The formula also takes into account the number of children claiming FSM in the borough as well as children with English as an additional language (EAL) and children claiming disability living allowance (DLA).

Part of the consultation restricts the number, type and size of supplements that can be used when distributing funding to early years providers. Currently providers receive:

Base rate + High/low cost + Flexibility + Quality + Deprivation.

At present the supplements make up 18% of the total amount providers receive. This local formula was agreed in consultation with providers and school's forum and has changed little over the past 5 years. These supplements have been used to incentivise providers to further meet the needs of families in Wokingham by providing high quality provision led by highly qualified staff and offered in a flexible way that meets the needs of working families.

The proposal in the government consultation would limit the size of supplements to 10% as well as limiting the type of supplement that can be used.

Wokingham's current formula would therefore need to change to meet the new requirements if the proposals were adopted by Government. WBC should consider if the new formula will need to be weighted towards incentivising providers to meet the needs of working families; a statutory duty for the Local Authority from September 2017. A higher financial incentive here could result in the removal of other supplements. The only supplement that must be retained is deprivation.

The local authority will consult on the new formula with all providers and school's forum in time for providers to set budgets for the next financial year.

The consultation also proposes limits to the amount of centrally retained funding for local authorities to provide administration and support services. Currently in Wokingham no funds are centrally retained for this purpose; however the government is proposing a maximum limit of 5% in the future.

There is also a proposal to provide a single base rate across all types of providers. Our current formula does this already however it must be noted that maintained nursery classes and our maintained nursery school automatically receive the high cost supplement due to the Early Years Foundation Stage requirement to be led by a qualified teacher. It also must be noted that we currently pay a lump sum supplement to our maintained nursery school (Ambleside) which the consultation suggests should be withdrawn over the next two years – additional funding will be given to cover part of this supplement for the next two years in addition to the formula mentioned above.

Finally the consultation proposes 2 mechanisms for providing support for children with additional needs.

Firstly it proposes to introduce a requirement on Local Authorities to have an Inclusion Fund to support children accessing the free entitlement. In Wokingham we already have this in form of the Early Years Inclusion Fund which is funded from the Early Years Block. It must be noted that with the introduction of 30 hours there will be significant pressure put on this fund when the new entitlement is introduced in September 2017.

Secondly it proposes the formation of a Disability Access Fund which will be given to providers directly for every 3 and 4 year old child in their setting who attracts Disability Living Allowance. This would be paid as an annual lump sum per child in addition to the hourly rate.

Conclusion

The proposals in the Governments consultation will have a large impact on all early years settings. It is likely that there will be an uplift in the rates that will be paid to

providers however as our current formula is not compatible with the proposals it will need to be changed. Until this new formula is agreed it will not be possible to state the exact rate providers will receive. The impact of the introduction of the statutory duty for the local authority to secure 30 hour places is likely to be a factor in the makeup of this new formula however the details of this will need to be consulted on with key stakeholders as soon as the government has replied to this consultation.

Direction of travel for Wokingham

Early Years Funding levels in Wokingham have always been historically low due to the funding allocated from central government and the proposed increase will go some way to ensuring providers are able to continue to deliver high quality childcare in Wokingham Borough.

It is agreed that an increase in funding for 2 year olds will continue to incentivise providers to provide places and acknowledges the costs associated with supporting children and families from disadvantaged backgrounds.

We know from government indication of eligible families for the additional 15 hours free early years entitlement and from our own survey of parents that more early years places will need to be created to meet an increase in demand. We are also aware that even with an increase to the hourly funding rate that may be received should the government proposals be accepted, that funding rates will be less than the market rate per childcare place. It is therefore suggested that early years providers are incentivised to meet the needs of their working families through the introduction of a supplement which will enable providers to gain the highest hourly rates of funding.

The amount of money available to incentivise providers to either offer flexibility and / or 30 hours free entitlement for working parents is limited if the percentage of funding available to distribute through supplements is set at a maximum of 10% (currently 18% in Wokingham). If the government proposal is agreed at 10%, Wokingham would suggest a high proportion of this is allocated to providers who offer 30 hours free entitlement.

It is welcomed that the Government are giving consideration to the funding for disabled children through a Disability Access Fund; however we know that the number of children in Wokingham aged 0-5 years in receipt of Disability Living Allowance is very low. Children may not have been diagnosed at this early age but may still have a significant need.

Parents of children with SEND are often discouraged from working longer hours due to the financial implications for an early years provider to fund the additional support required to fully meet the needs of the child. The Early Years Inclusion Fund only partially meets the cost associated with providing 1:1 support for a child with SEND and is allocated proportionately to the number of hours the child attends. With the

introduction of 30 hours free entitlement for working parents, this level of funding would not be sufficient to meet the needs of children with SEND to attend for more than 15 hours with the same high levels of support. Consideration will therefore need to be given to how early years providers are financially supported to meet the needs of children with SEND in the future and if funding levels should be increased.

Our future plans will include further consultation with early years providers and school's forum on the content of the revised single funding funding formula once the Government response to this consultation has been published; however, the Government recognises that late confirmation of final funding rates may create challenges for both providers and LAs. To mitigate this, indicative hourly rates for each local authority have been published and LAs and providers are being encouraged by the Government to start discussions as soon as possible, although these figures cannot show what every early years provider will actually receive.

This page is intentionally left blank