

## **SCHOOLS FORUM 21 September 2016**

### **Appendix 1**

#### **Summary of the Early Years Funding Consultation September 2016**

##### **Government Proposals**

1. Introduce Disability Access Funding
2. Expectation that providers will be better off as LA's must passport 95% of the funds; therefore savings will be picked up by LA's. Its assuming that the LA topslices to provide such services as Training support and specialist services. Therefore by including these in the base rate they are expecting LA's to introduce buy back services.
3. Introduce the Early Years National Funding Formula for 3&4 year olds for the 15 hour entitlement from April 2017; then the additional 15 from September.
4. Committed to uplift the average Early Years funding rate to an average of £4.88
5. To change both how funds are allocated to LA's and how LA's can then distribute amongst providers.
6. Inclusion of an Area Cost Adjustment to reflect variations in local costs.
7. Limit the number of supplements and cap these at 10% of the hourly funding rate.
8. Optional Growth supplement – given to those who offer 30 hours
9. Introduce a universal per child base rate.

##### **Impact Assessment**

1. New rates in force from April 2017
2. Protection up to a maximum of 10% of a LA's baseline (maximum loss = £628k)
3. 1 in 4 chance of seeing a funding reduction
4. Reduce value of supplements to a maximum of 10% of total average rate
5. Expectation of a fresh approach as to how money is distributed.
6. Transitional protection to be removed from maintained nursery schools by 2019/20
7. Disability Access Funding is an annual amount paid to a setting – ie not part of the formula funding. – this is not expected to cover all the additional costs.
8. Minimum Funding Guarantee is removed for providers as it is believed that the 95% pass through rate will make MFG unnecessary.
9. The rates given in the Annexes are based on the assumption that a change to a universal rate will be implemented immediately, also the 10% supplement cap from day 1, Maintained Nursery Schools will not have the universal base rate, they will have additional funding and protected for 2 years.

## **Challenges for Wokingham Borough**

1. WBC passports 96.6% of funding therefore difficult not to pass on any rate reductions to providers. The remainder is retained as contingency.
2. Numbers of new eligible families in September 2017 are unknown.
3. Settings cannot be compelled to offer 30 hours
4. Settings must therefore be incentivised to offer 30 hours
5. Many settings deliver additional “non-funded hours” at market rates
6. Market rates exceed funding rates
7. Majority of the 30 hour entitlement will be delivered by Private and Voluntary sector.
8. Intention is that funding levels will be determined by local costs and local markets.
9. Supplements cannot exceed 10% of overall funding rate.
10. Whilst a LA can receive a 10% reduction pa, they can only pass on a 5% reduction pa when setting their rates.
11. Disability Living Allowance does not equal SEN; a child could have a low cost high incidence special educational need which requires support but does not attract DLA.
12. Local Authorities are being encouraged to set up SEN Inclusion funds
13. Transitional protection for maintained schools for 2 years – clearly indicates a reduction in school funding
14. Cost pressures – such as National Living Wage and Pension Auto enrolment.
15. WBC does not currently passport monies from its High Needs Block to 3 and 4 year olds unless the setting requests money via the moderation panel.  
Going forward as only disabled children will be able to access funding through the formula, those with Special Educational needs will become a pressure on the centrally retained HNB.
16. Removal of quality supplement does not free up a significant sum in WBC’s formula.
17. Inclusion Fund to be set up and money drawn from either Early Years Block or High Needs Block or a combination of the two blocks. Funding would then be passed to providers as top ups on a case by case basis. ( Note – Schools Block monies cannot be used)

## **Opportunities**

1. We have until 2019/20 to be “on formula” but are encouraged to do so earlier.
2. Review current sufficiency and develop strategic direction to ensure sufficient provision available in the continually growing Borough of Wokingham.
3. Following the Cost of Childcare Review; the response to the subsequent consultation on childcare delivery model will be published in the autumn – will also set out final proposals upon the delivery model.

4. New Disability Access Fund supporting disabled children ( but not those with SEN)
5. The document frequently refers to new entrants into the childcare market – clearly anticipating a sufficiency of provision issue.
6. The DfE dropping the Quality Supplement can pave the way for its removal in the WBC formula which was not working as an incentive to providers in reality.

### **Method of Allocation to Local Authorities**

1. (Base Rate + Additional Needs) \* Area Cost Adjustment  
BR = 89.5%  
AN = FSM 8%, EAL 1.5%, DLA 1%
2. This does not mean each LA will receive the same rate, but it does mean that differences can be explained – rather than being a historical rate.
3. Same rate to be allocated for 15 hour and 30 hour provision.
4. Funding based on participation not place numbers.

### **Suggested Tasks / Analysis**

1. Calculate what 10% Supplements would look like.
2. Do we wish to review the 3.6% that we currently retain for contingency (£229k)?
3. Contingency is classified as pass through but should be kept to a minimum.
4. Consider if 89.5% the correct level of base funding
5. Explore buy back models and how we currently charge / cost for setting improvement support, training etc.
6. Optional Growth Supplement – how could this work? What proportion of funds would we allocate using this?
7. Inclusion Fund – how much? Access criteria, how would monies be allocated?
8. Impact of removing high cost supplement will impact school settings.
9. Calculate a universal rate.

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