

Funding formula consultation 25<sup>th</sup> January 2017 to 10<sup>th</sup> February 2017

### **Purpose**

This consultation is for all providers delivering Early Years Entitlement (EYE) funded places for children in their pre-school years.

It is to inform providers of the affordable funding formula that can be supported from the funding allocated to Bath and North East Somerset Council by the Department for Education (DfE) and based on the criteria outlined by the DfE for mandatory and discretionary supplements. The discretionary supplements have been discussed with the Early Years Reference Group who have helped to inform this process.

By providing this information now you can look at your financial planning for 2017 and beyond. The new formula will start in April this year.

You are invited to comment on the proposals although at the outset it needs to be noted that there is only a limited room for manoeuvre in implementing further changes based on the funding allocated and the terms within which it can be distributed.

### **Background**

The DfE undertook extensive consultations during 2016 with regard to the extension of the EYE to provide a further 15 hours of funding for working families starting in September 2017. This included a commitment to the sector to review funding allocated to the EYE, the first major review of funding since the introduction of single funding formulas in 2009.

At the beginning of December 2016 the DfE published the outcome of their funding consultation on the EYE. In addition they published indicative budgets for each Council and how they had been calculated. These budgets were then confirmed with the announcement of the 2017/18 Dedicated Schools Grant (DSG) on 20<sup>th</sup> December 2016. This is the route through which every Council in England receive their EYE funding.

Following this budget confirmation a meeting has been held with the Early Years Reference Group (EYRG), your sector representatives, who are consulted on funding matters. The group considered an early draft of the new EYE formula and also enabled comment to be passed to the Early Years representative who sits on the Schools Forum. The Schools Forum is where the budget allocated from the DSG is agreed. At the meeting held on 17<sup>th</sup> January 2017 the Schools Forum agreed to pass all of the funding allocated for Early Years within the DSG to the sector. This now enables a full consultation on the new formula for EYE providers to take place.

**Please note** – the DfE have not published the final Code of Practice for the EYE to date. This is expected to be a national agreement in 2017. This will be

## Appendix 1

shared when published and may also impact on your future planning as the terms and conditions may be different from those currently agreed.

### **The Proposed Formula**

Bath and North East Somerset Council will receive an indicative budget of £8,869,538 to fund EYE during 2017/18. The DfE review this budget in light of the data received in the annual January census so this is not the final amount the Council may receive. What does not change is the rate of the amount allocated per child. Therefore any future increase or indeed, decrease, is to reflect the actual attendance of children in each Council area.

For the first time the DfE have confirmed what they expect a Council to use, within the DSG funding allocation, to support the services needed to deliver both the entitlement to providers and also the support services to the sector, for example Early Years support teams, CPD, SEND support and so on. They have set this at 5% although for 2017/18 Councils can withdraw up to 7% should they require. This transitional arrangement is in place to support those Councils who have previously withdrawn more than the DfE are now allowing easing transition to the new arrangements.

In Bath and North East Somerset Council it is intended to use 5% of the budget allocated to 3 and 4 year funding only. This is due to lack clarity from the DfE within what they have published to date about which parts of the funding can be drawn down from. Overall this makes the Council's draw down closer to 4% when viewed in the context of the overall budget and significantly lower than the 7% the DfE would allow under their guidance for the next financial year.

The new formula will appear very similar to the existing formula used by Bath and North East Somerset Council but there are some differences within the elements and how you qualify. The following have been proposed, reviewed and amended based on feedback from the Early Years Reference Group:

- Base rate for all providers
- A flexibility supplement for delivery of the current entitlement
- A full offer supplement for the new extended entitlement
- A graduate lead supplement
- Deprivation supplement

In addition the Early Years Pupil Premium (EYPP) will continue as before for 3 and 4 year old children

Finally 2 year olds will continue to be paid at a flat rate as before.

## The Details

2 year old funding will increase from £5.07 to £5.43, a 7% increase and a full pass on of the funding allocated by the DfE.

3 and 4 year old funding could be allocated as follows. These proposals that could be implemented have been discussed in depth with the Early Years Reference Group. The table further on in the document provides the funding rates: -

- a) Base rate – paid per child to all Ofsted registered provision meeting the requirements of the DfE’s new national provider agreement (to be published) who sign the agreement and continue to meet its conditions. Providers will remain on the base rate unless they are delivering one or more of the following: -
- b) Providers offering between 570 hours (the core EYE offer for all) and 1140 hours over a minimum of 38 weeks for at least 6 hours a day will receive the partially enhanced hourly rate for each child.\*
- c) Providers offering 1140 hours over a minimum of 38 weeks for 10 hours a day (DfE daily maximum) will receive the fully enhanced hourly rate for each child;\*
- d) Providers employing an Early Years Qualified Teacher (QT) or graduate level equivalent working 1265 hours a year (or full time equivalent) spending at least 50% of their working time directly with the children will qualify for an additional hourly rate;
- e) The current deprivation supplement will be maintained and marginally increased per hour;
- f) New areas will be entitled to a deprivation supplement paid at half the rate of the existing deprivation supplement.

**Please note:** the DfE guidance does not permit more than 10.5% of the overall budget to be spent on supplements.

**Please note:** a deprivation supplement is mandatory within DfE guidance

\* For additional clarity this is for 5 days a week as aligned with the current flexibility supplement paid since the funding formula was introduced.

## Appendix 1

The following table outlines the hourly rates and how they compare to what you currently receive.

Rate	New	Current	Hourly increase	% increase
Base rate a)	£3.80	£3.58	£0.22	6%
Flexible offer b)	£3.90	£3.68	£0.22	6%
Flexible offer b) plus relevant graduate	£4.05	£3.83	£0.22	6%
Flexible offer c)	£4.05	£3.83	£0.22	6%
Flexible offer c) plus relevant graduate	£4.20	£3.83	£0.37	10%

The deprivation supplement will be paid per child based their home postcode being within a Lower Super Output Area (LSOA) within the rankings 1 to 4 of the Income Deprivation Affecting Children Index (IDACI) as follows:

- a) IDACI ranking 1 and 2 - 36p an hour
- b) IDACI ranking 3 and 4 - 18p an hour

Based upon Summer 2016 headcount data this is the number of children in each ranking. This is 19% of all children funded:

IDACI Ranking	No of children
1	41
2	191
3	51
4	326

Using the Council's Children Centre areas for identification purposes, each LSOA is located as follows:

- a) IDACI ranking 1 – Twerton 1 LSOA
- b) IDACI ranking 2 – Twerton 3 LSOAs, St Martins 1
- c) IDACI ranking 3 – Parkside 2 LSOAs, Twerton 1
- d) IDACI ranking 4 – Radstock 3 LSOAs, Keynsham 2, Peasedown 1, St Martins 1, Weston 1

Finally the EYPP will continue to be paid per child under exactly the same criteria already in place, for all children accessing their 3+ EYE (53p an hour.)

### Summary

The new funding rates for both 2 year old and 3+ children combined with the revised formula provide a financial uplift for all Early Years providers. Funding

## Appendix 1

increases could range between 6% and 10%. For a cohort of children aged 3+, Early Years providers could attract a maximum hourly rate of £5.09.

You are now asked to respond using the online response process. Please note that we may not be able to reply to each individual response received although we will provide a summary of responses.

The link to the online response system is as follows:

<http://www.bathnes.gov.uk/consultations/early-years-funding-formula-consultation>

Philip Frankland  
January 2017

### **Background information links**

Early Years Funding: Government Consultation Response

<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>

Dedicated schools grant (DSG): 2017 to 2018 including Early Years Funding

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2017-to-2018>