

**EARLY YEARS FUNDING CHANGES 2017-18
PROPOSALS FOR IMPLEMENTATION**

Report of the Director of Children's Services

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1. Purpose

- 1.1 An Early Years Funding Consultation took place between 24 January and 14 February 2017. Early Years providers were asked to comment on seven funding proposals affecting the Early Years sector from April 2017. This report outlines the interim results of the consultation and makes proposals for implementation from April 2017.

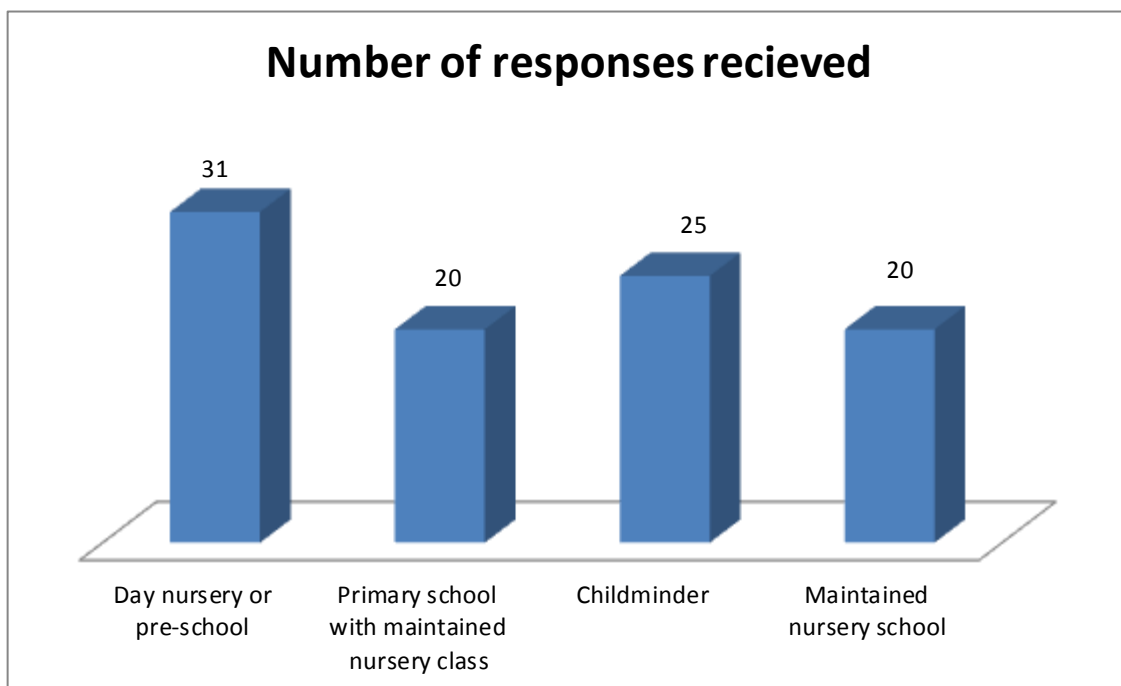
2. Summary

- 2.1 The Forum is asked to endorse the following proposals:

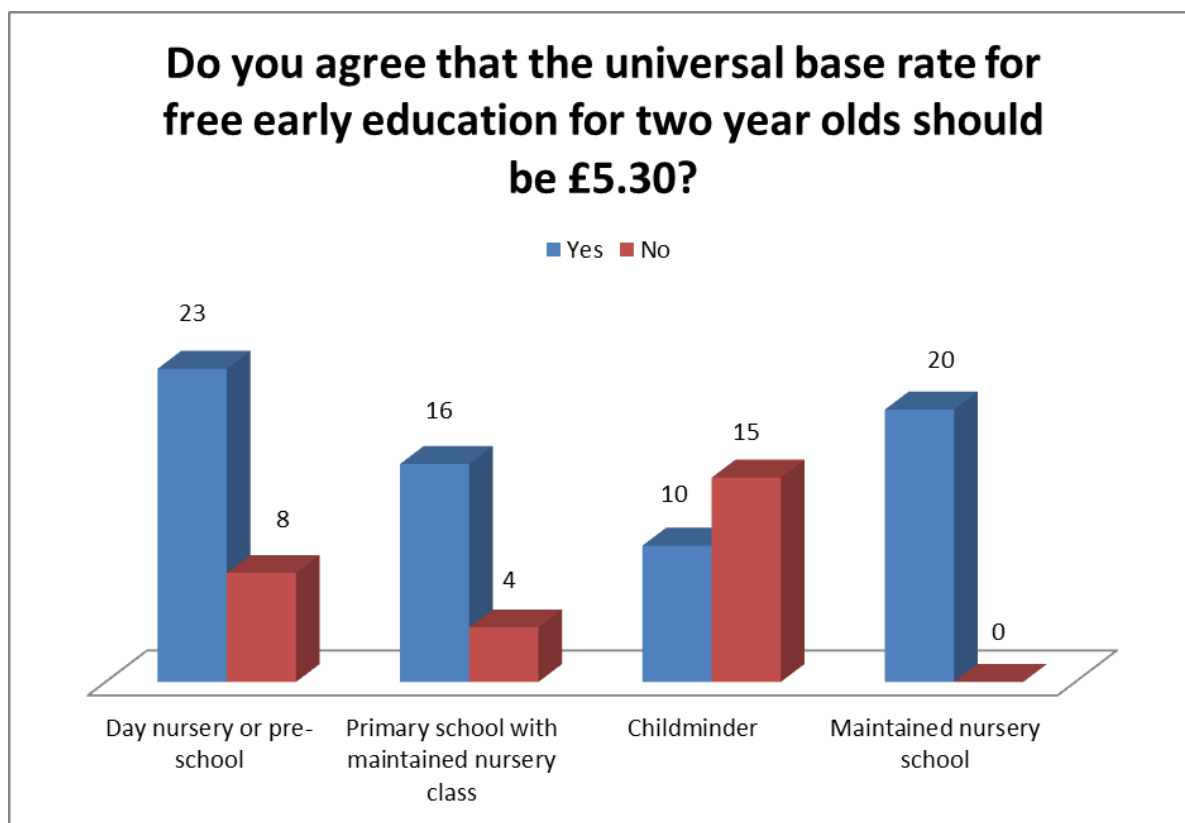
- The universal hourly base rate for free early education for two year olds is set at £5.30;
- The universal base rate for free early education for three and four year olds is set at approx. £5.05;
- The universal hourly base rate for the new free childcare entitlement is set at approx. £5.05;
- To only use a deprivation supplement;
- To continue to fund maintained nursery schools at the 2016/17 rate;
- To centrally retain a maximum of 5% free early education for three and four year olds DSG;
- To continue to offer providers the 2016/17 level of SEND support with the addition to SENCO support funding, Emerging Need Funding and the SEND Development Fund.

3. Results of Consultation.

3.1 A total of 96 Early Years providers participated in the consultation.



4. Universal base rate for free early education for two year olds.

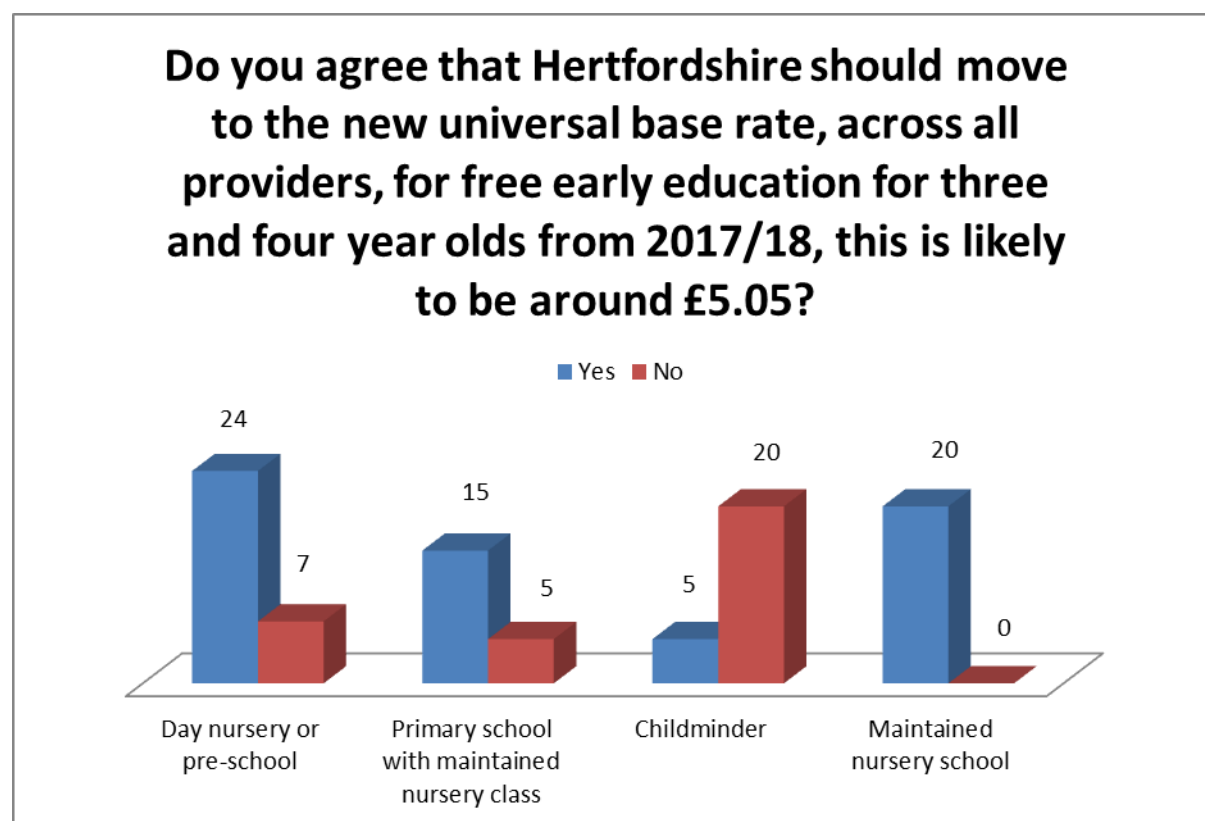


Agree - 69

Disagree - 27

- 4.1 In a bid to improve transparency and equality between Early Years providers DfE require all LA's to move to a universal base rate for the free early education for two year olds scheme.
- 4.2 Moving to a universal base rate will mean that a child in a nursery class, maintained nursery school, PVI or childminder will be funded at the same rate.
- 4.3 In 2016/17 three different rates were paid which has caused confusion and is not equitable. Childminders receive a historic rate of £5.50 and group providers receive either £5.14 or £5.64 dependant on the category the child's eligibility falls within.
- 4.4 Although the need for universal base rates does not become mandatory until 2019/20 Hertfordshire is proposing to move to the new funding rates from 2017/18 to maximise provider payments.
- 4.5 In the finance consultation the majority of providers agreed with the new proposed hourly rate, therefore Schools Forum is requested to agree the proposal.

5. Universal base rate for free early education for three and four year old

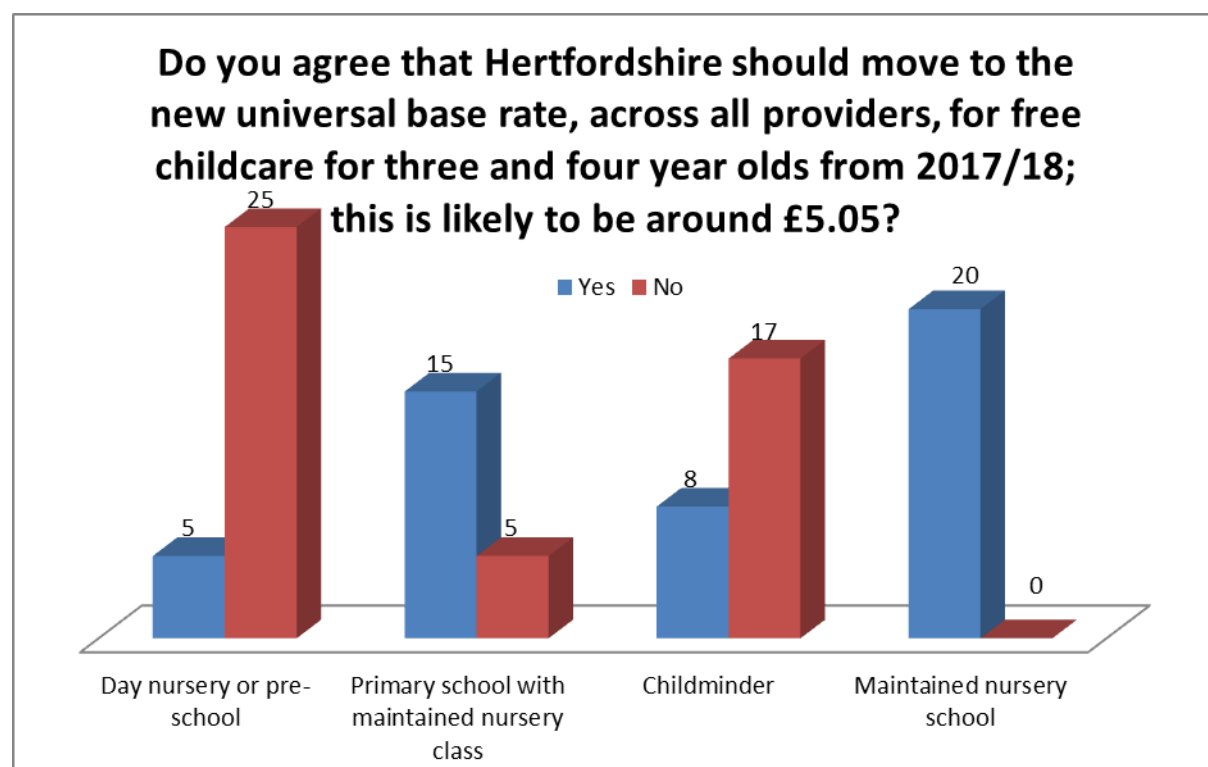


Agree - 64

Disagree - 32

- 5.1 In a bid to improve transparency and equality between Early Years providers DfE require all LA's to move to a universal base rate for the free early education for three and four year olds scheme.
- 5.2 Although we have consulted on a figure of £5.05 for the universal base rate for this scheme, the confirmed funding rate will be dependent on the outcome of the funding formula data collection undertaken in January 2017 and the final budget available as agreed by Schools Forum.
- 5.3 In the finance consultation the majority of providers agreed with the new proposed hourly rate, therefore Schools Forum are requested to agree the proposal.

6. Universal base rate for free childcare for three and four year olds



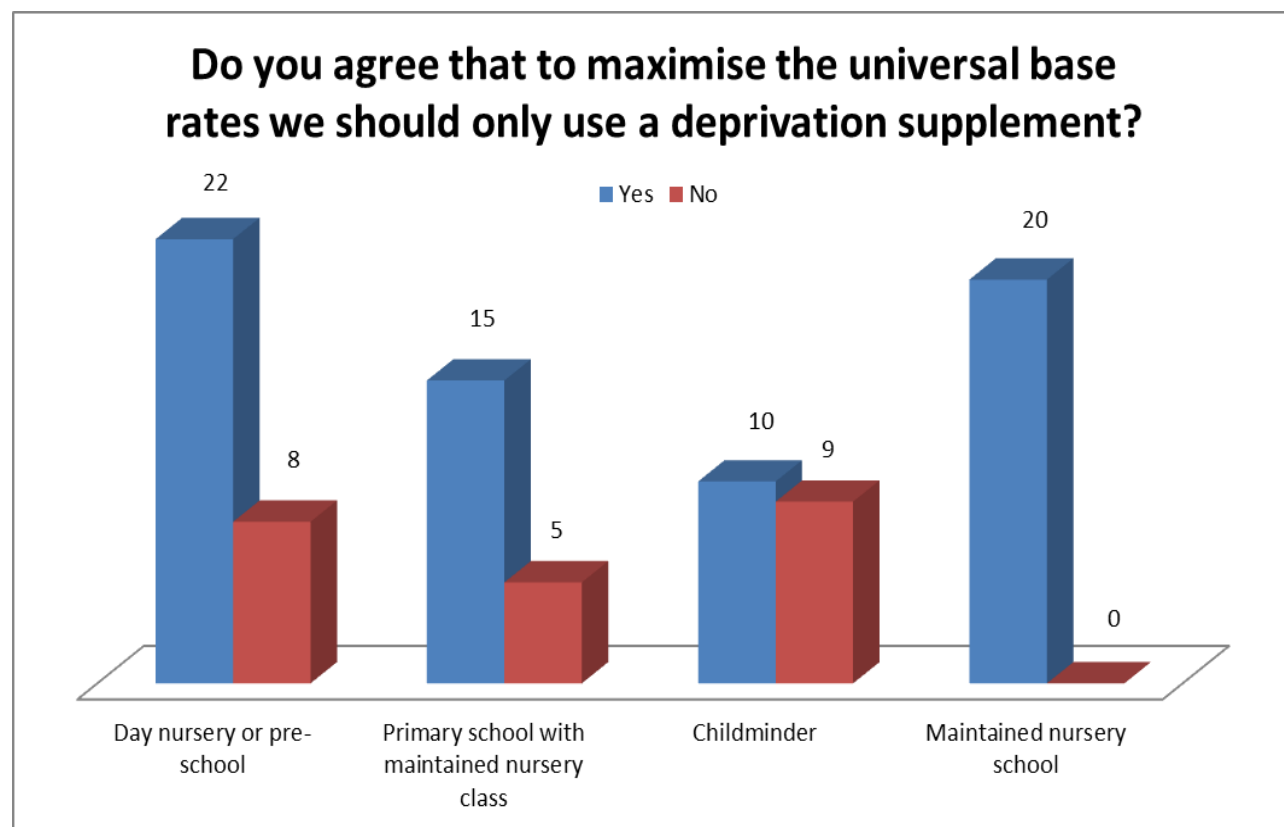
Agree - 48

Disagree - 47

- 6.1 From September 2017 some working families will be entitled to an additional fifteen hours of childcare for their three or four year old.
- 6.2 To ensure there is no differential between children receiving free early education and those receiving their additional free childcare the hourly rate for both schemes need to be identical. The free childcare hours will be inspected in the same way as the free early education hours and the same regulatory requirements will need to be in place.

- 6.3 In the finance consultation providers were split between those in favour and those against the proposed hourly rate ,however as we need to implement a universal base rate for all free early education/childcare for three and four year olds Schools Forum are requested to agree the proposal.

7. EYNFF supplements



Agree - 67

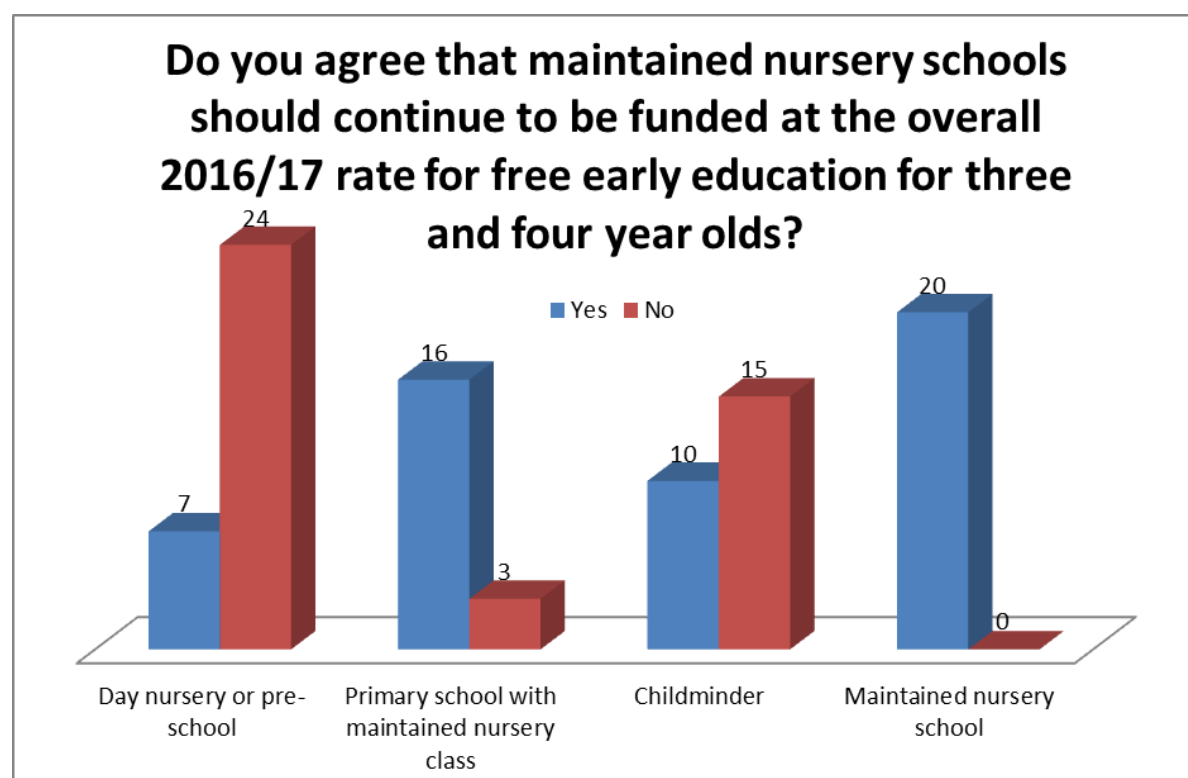
Disagree - 22

- 7.1 In the DfE early years consultation response they stipulated that a maximum of 10% of the total funding allocated to early years providers can be made up of the following supplements.

Category	Mandatory/discretionary
Deprivation	Mandatory
Rurality/sparsity	Discretionary
Flexibility	Discretionary
Quality	Discretionary
English as an additional language	Discretionary

- 7.2 Hertfordshire responded to DfE's consultation that deprivation supplement was the only supplement suggested which could be administered fairly and equitably across all sectors. Previous experience of using a flexibility supplement indicates that other supplements could be interpreted subjectively.
- 7.3 Therefore to maximise the universal base rate it is proposed to have one supplement, deprivation, which will be paid to all providers using the currently used formula which comprises an element of Income Deprivation Affecting Children Index (IDACI) and an allocation for children looked after (CLA).
- 7.4 In the finance consultation the majority of providers agreed with the supplement proposal, therefore Schools Forum are requested to agree the proposal.

8. Maintained Nursery Schools



Agree - 53

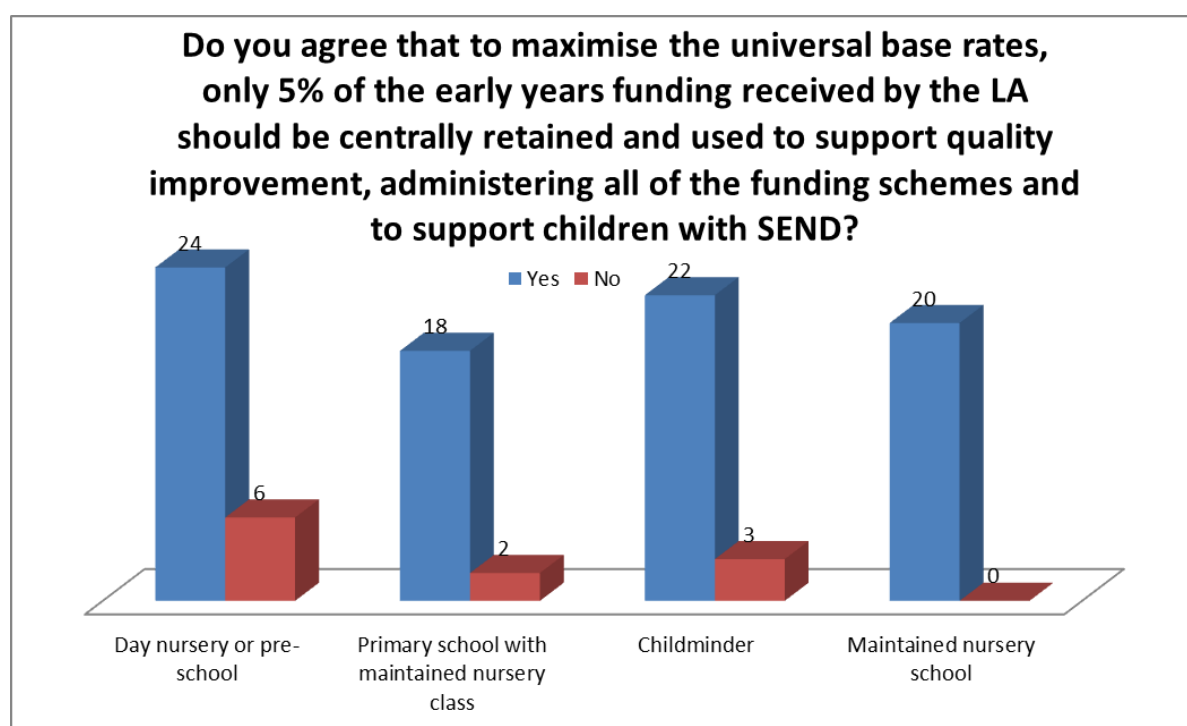
Disagree - 42

- 8.1 Maintained Nursery Schools (MNS) in Hertfordshire are currently funded at a higher rate than any other early year's provider. MNS in Hertfordshire during 2016/17 received a higher hourly rate than other providers and in addition received formula factors unique to them, including lump sum allocations for head teachers and business rates.
- 8.2 The government therefore decided to provide LA's with additional funding until the end of parliament (2019/20). Hertfordshire is expected to receive £1.8m in

2017/18 to enable MNS to continue to be funded at 2016/17 rates for free early education for three and four year olds.

- 8.3 MNS will be funded for free early education for two year olds and free childcare in line with the universal base rates for all other providers and in addition will receive formula factors unique to them, including lump sum allocations for head teachers and business rates.
- 8.4 The government will consult further regarding the future role of MNS before the end of the current parliament.
- 8.5 In the finance consultation the majority of providers agreed with the MNS proposal, therefore Schools Forum are requested to agree the proposal.

9. Centrally retained funding



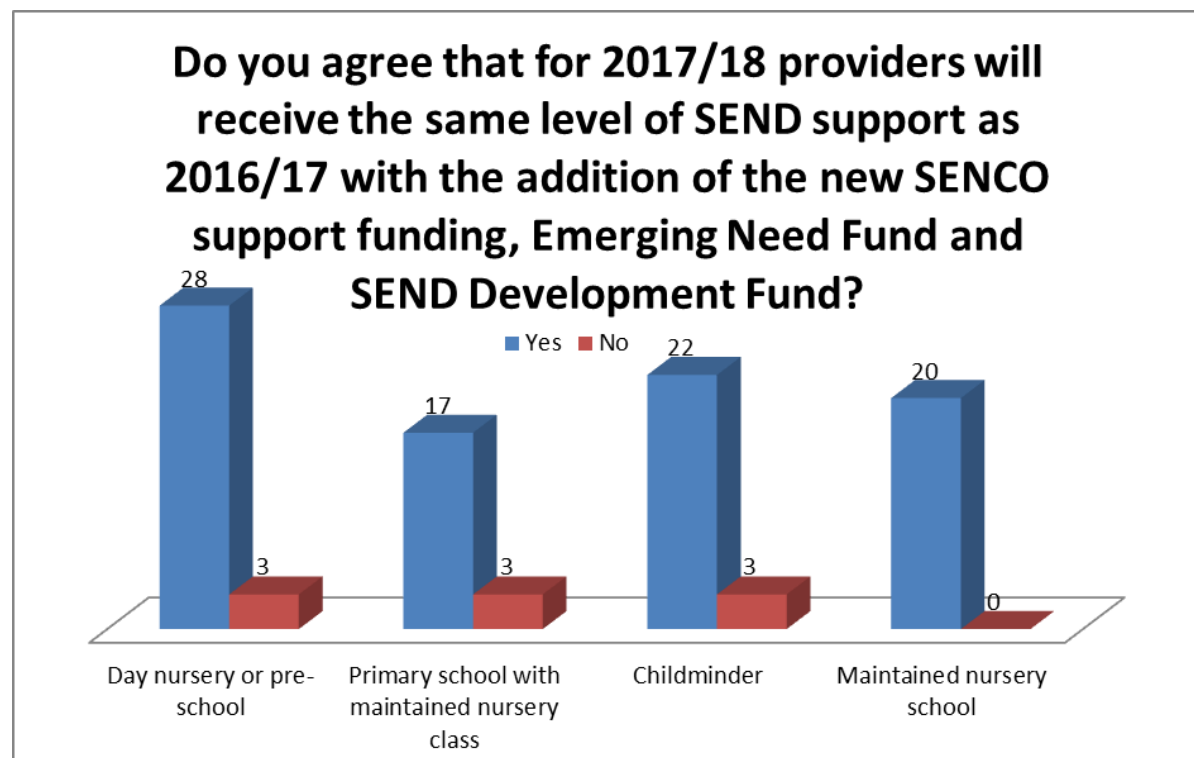
Agree - 84

Disagree - 11

- 9.1 Government has decided that for the financial year 2017/18 the maximum amount a LA can centrally retain from EY DSG is 7% decreasing to 5% from 2018/19.
- 9.2 Government recognises that LA's need to retain some early years funding to fund quality improvement and administer and support sufficiency and sustainability of the funding schemes.
- 9.3 Details of the breakdown of the proposed amount of EY centrally retained DSG is included in the accompanying paper.

- 9.4 As Hertfordshire wishes to maximise the universal base rate it is proposed to only retain a maximum of 5% rather than the permitted 7% for the financial year 2017/18.
- 9.5 In the finance consultation the vast majority of providers agreed with the centrally retained proposal, therefore Schools Forum are requested to agree the proposal.

10. Establishing an interim SEND inclusion fund



Agree - 87

Disagree - 9

- 10.1 In the response to the early years funding consultation DfE requires all LA's to establish a SEND inclusion fund from April 2017.
- 10.2 Due to the short timescales involved it is proposed to initially set up an interim package of support for all early years providers.
- 10.3 During the summer of 2017 a full review of SEND support offered to early years providers will be undertaken to identify the SEND inclusion support requirement for providers for 2018/19.
- 10.4 It is proposed that for 2017/18 PVI providers and maintained providers will continue to be supported as for 2016/17. Inclusion Development Officers (IDOs) – provide training across DSPL areas and systemic support to SENCOs and staff within all PVI settings. Maintained providers currently receive a SEN allocation based on their deprivation supplement amount.

- 10.5 In addition to the current level of support £250 pa is proposed to be available to all providers who are required by statute to employ a SENCO.
- 10.6 A new fund, the Emerging Need Fund, is proposed for all providers, to support the needs of individual children (details to follow). Providers will have access to approximately £200k in total.
- 10.7 A SEND development fund of £600k is proposed to deliver outcomes as identified as a result of the SEND early years review.
- 10.8 In the finance consultation the vast majority of providers agreed with the interim package of SEND support, therefore Schools Forum are requested to agree the proposal.

6. Recommendations:

The Forum is asked to endorse implementing the following changes to early years funding:

- The universal hourly base rate for free early education for two year olds is set at £5.30;
- The universal base rate for free early education for three and four year olds is set at approx. £5.05;
- The universal hourly base rate for the new free childcare entitlement is set at approx. £5.05;
- To only use a deprivation supplement;
- To continue to fund maintained nursery schools at the 2016/17 rate;
- To centrally retain a maximum of 5% of early years DSG;
- To continue to offer providers the 2016/17 level of SEND support with the addition to SENCO support funding, Emerging Need Funding and the SEND Development Fund.