

## To – Schools Forum – 19<sup>th</sup> Jan 2017

### Early Years Funding Update Report

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#### **Context**

On the 1<sup>st</sup> December 2016 the DfE published its response to their consultation for the implementation of a new Early Years National Funding Formula (EYNFF) for 3 and 4 year olds. The transition to the new way of funding Early Years children will start in April 2017 for the universal 15 hours and will also apply to the extended entitlement to 30 hours from September 2017.

#### **Local Funding Rates**

The current funding for 3 & 4 Year olds is allocated to the Local Authority at £3.47. This rate is then subsidised by the Dedicated Schools Grant to increase the rate paid to PVI providers to £4.08 and to Schools to £3.76.

#### ***Funding rates from April 2017:***

The Local Authority has been allocated £4.30 per hour for 3 and 4 year old children. From this the Local Authority needs to be able to provide a budget for the SEND Inclusion fund, deprivation funding and 5% retained funds to cover services provided by the Local Authority (e.g. eligibility checking, payments etc).

From this the Local Authority has calculated that the funding rate for 3 & 4 Year old funded children from April 2017 onwards will be £3.82 per hour for all 3 and 4 year old children who are accessing either the universal 15 or extended 30 hour entitlement.

A consultation, currently out, will seek feedback on key elements of the local authority funding formula, including Deprivation Payments, Transitional Payments and the Inclusion Fund.

#### **Transitional Payment**

The introduction of the national Early Years Funding Formula will result in Private, Voluntary and Independent settings receiving a reduction in their hourly rate of 26p per hour per funded child. The risks locally and implications for children as a result of this are:

- Local sufficiency, providers may decide to reduce the number of funded places they offer for both 15 hours and the extended 30 hour entitlement impacting on the Local Authority sufficiency duty.
- Providers may limit the hours children can access their funded childcare, impacting on the Local Authorities duty to provide flexible childcare to meet the needs of working families.
- Sustainability, providers may not continue to be viable if there is a sudden reduction in the funding rate from April 2017. A transitional period until April 2018 would allow for more accurate business planning, by providers, to ensure they are equip to implement the new base rate of funding.
- Quality of provision, the sudden reduction in funding may result in cost saving decisions that impact on the quality of care provided to children. This could impact on current Ofsted ratings, settings ability to offer funded childcare and overall outcomes for children.

To mitigate against these risks it is recommended that the Schools Forum consider providing a transitional period of additional funding for the 2017/2018 financial year to support moving towards the national funding formula. It is anticipated that this funding would be in the region of £150,000, broken down as:

18p per hour x 570 hours x 1500 children = £153,900.00

1500 children is based on estimates of 1000 children attending 15 hours per week and 500 children attending an additional 15 hours per week at PVI's only.

### **Inclusion Fund – Alfey (Activity Led Funding for Early Years)**

Through the consultation the DfE have placed a duty on all Local Authorities to provide an inclusion fund to support children with identified additional needs access their free early education entitlement. This fund is to be allocated from within the Early Years funding rate provided by central government.

Currently, PVI providers are able to apply for additional funding (Alfey payments) via a moderated scale. This is linked to the identified needs of both the child and provider and covers the 15 hours free childcare. The introduction of the extended 30 hour entitlement has implications on the allocation required for the inclusion fund with associated risks and implications for children. These include:

- A further reduction in the base rate to allow for an increase in funding allocated from the inclusion fund, this would bring the base rate for PVI providers down to £3.74 per hour.
- A potential reduction in Alfey rates paid to providers, due to the current allocation of funding needing to be stretched, to meet the 30 hour extended entitlement. This could impact on designated support, appropriate resources and equipment and overall outcomes for children with identified needs.
- Access to provision, providers may not be able to meet the needs of identified children without appropriate levels of funding resulting in children not being able to access their free entitlement.

To mitigate against these risks it is recommended that the Schools Forum consider allocating additional money from the Higher Needs Block to ensure that there are no amendments to Alfey funding, which is paid to Private, Voluntary and Independent Settings. It is anticipated that this funding will be in the region of £100,000.

### **Recommendations**

1. Consider the recommendation to allocate a transitional top up payment, to all PVI providers, for 2017/2018 of approximately £153,900.00 in total. This would equate to 18p per child per hour resulting in a hourly rate of £4.00 per hour for PVI providers.
2. Consider the recommendation to allocate additional funds of £100,000 from the Higher Needs Block to minimise the impact on the current inclusion fund (Alfey).

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