

Early Years Funding Local Consultation

Torbay Council Response – February 2017

On Monday 16th January 2017 the Local Authority published its 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.

The Local Authority is committed to ensuring that the maximum amount of funding is allocated to the Early Years Sector for the children with the highest of needs, to ensure that they are able to access their Early Years education entitlement.

There were 26 recorded responses to the consultation out of a possible 114 settings including private providers, schools and childminders. This is a 23% response rate. 77% of providers did not provide a response to the consultation.

Early Years Funding Rates

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 retain 5% of funds to cover services provided by the Local Authority (e.g. eligibility checking, payments etc).

Taking all of this into account the Local Authority has calculated that the funding rate 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.

2 year old funding is not included as part of this consultation, but for information purposes the rate of funding for eligible 2 year olds will be £4.95 per hour.

Deprivation Funding

We asked....

Deprivation payments are currently allocated to providers, on an annual basis, for all children whose postcodes fall into the top 30% most deprived areas within Torbay.

Do you agree with the current model of allocation for an annual deprivation payment of approximately £200 per child?

We heard....

19 of the 26 respondents agreed with the current model – 73%

2 suggestions to change the mode of allocation to something more identifiable with parental income or family circumstances.

4 suggestions to lower the amount of deprivation funding per eligible child to increase the overall base rate of funding.

3 providers requested that this funding be paid more frequently; potentially on a termly basis.

Local Authority Response....

In response the Local Authority will continue the current method of allocating deprivation funding; the frequency of payment and amount per child will also remain unchanged.

Any reduction in deprivation funding rates would not result in a significant enough increase in the base rate. Therefore the Local Authority has taken the decision to maintain the current level of deprivation funding at £203.72 per eligible child for 2017/18. If the budget allocated for deprivation is underspent, the remaining budget will be evenly split between the number of eligible children and used to provide an increased payment per eligible child.

The Local Authority are encouraged to use IDACI postcodes as an indicator of deprivation, this allows for the deprivation funding to follow children deemed by a national policy to be in a group who require additional resources to assist in narrowing the gap. The process of using IDACI is the most fair and transparent mode of allocation and allows symmetry between the allocations for all education providers in Torbay.

Frequency of payments has been carefully considered and the Local Authority has taken an interim decision to continue with the annual allocation of funding in the Spring term, based on the annual census. Currently this is deemed to be the fairest way of allocating the funding according to numbers of children without incurring further administrative costs. This will be reconsidered when the monthly payments scheme is implemented.

Transitional Payments

We asked....

To support the Private, Voluntary and Independent Sector with the movement to a new provider base rate of funding, the Local Authority will submit a paper to the Schools Forum to ask them to consider providing a transitional top up payment for the financial year 2017/2018 to allow for the base rate to be paid at £4.00 per hour. (Please note this is will be

subject to approval by the Schools Forum)

Do you agree with a proposed transitional period of top up funding for 2017/2018 to enable providers to prepare their business model, ready for full implementation of the new base rate of £3.82 from April 2018?

We heard....

24 of the 26 respondents agreed with the transition funding proposals – 92%

6 requests that the current hourly rate remain in place until the end of the academic year (August 2017) and a reduced transitional rate be implemented in September 2017.

1 query as to whether the 2 year old funding base rate could be reduced to increase the 3 & 4 year old funding base rate.

1 questioned whether the Local Authority would be moving to monthly payments.

Local Authority Response....

In partnership with the Schools Forum the Local Authority will implement the transitional period of top up funding for private providers (including childminders) at a rate of £4.00 per hour from April 2017 to April 2018.

The Local Authority has carefully considered the request to retain the current funding rate until August 2017 and the decision has been taken that there were insufficient requests for this change to be made. Therefore the new rate of £4.00 per hour will be implemented from April 2017 through to April 2018 for 15 hour and 30 hour entitlements, at which point the base rate will be implemented without transitional funding at a rate of £3.82 per hour.

The Local Area does not receive funds to provide transitional funding. For this reason Schools Forum have taken the decision to use a reserve fund until April 2018 and are not in a position to extend this further. The transitional top up will not be paid to schools.

The Local Authority receives funding to deliver both the statutory duties for targeted 2 year old funded places and 3 and 4 year old placements. The eligibility criteria for each statutory duty is clear and for this reason the Local Authority will not top up the 3 and 4 year old base rate using funding from the 2 year old funding rate.

The Local Authority will be implementing monthly payments in line with the DfE guidance as soon as is reasonably practicable, with a deadline of implementation by September 2018.

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

We asked....

The Local Authority is committed to ensuring all children with identified additional needs are able to access their free early education entitlement and are aware of the implications that the introduction of the extended 30 hours may have on providers. Therefore to ensure that the maximum funding available is passed on to providers, additional money has been allocated from the Higher Needs Block to ensure that there are no proposals to amend Alfey funding, which is paid to Private, Voluntary and Independent Settings.

Do you agree that the current moderated scale for Alfey payments (see attached) is the best way to fund support for children with identified additional needs?

We heard....

22 of the 26 respondents agreed with the Alfey Funding proposal – 92%

3 suggested a reduced Alfey Funding rate to increase the base rate.

1 stated that Alfey Funding should come from the High Needs Block.

3 queried what would happen to any underspend.

1 question on the level of Alfey Funding and its correlation to minimum wage, NI and tax contributions.

Local Authority Response....

To ensure that all funded children, whether 15 or 30 hours funded, are able to access an inclusive place, the Local Authority has retained funds to support identified children with SEND. This fund has been substantially topped up with additional funds secured from the Higher Needs Block, this reduces the impact on the provider base rate for 2017/18. The demand on the Higher Needs Block will need to be considered on an annual basis by the Schools Forum.

The Early Years National Funding Formula stipulates that local areas must provide an inclusion fund, allocated from within the funding provided in the Early Years block. Current intelligence demonstrates that this would substantially reduce the provider base rate and for this reason Schools Forum has agreed to the allocation of Higher Needs Block funding for 2017/18.

The Local Authority has taken the decision to retain the current level of funding paid to providers and retain the moderated scale used to allocate this funding.

After consideration, the Local Authority decided that reducing the rates paid for Alfey Funding would have detrimental effects on the majority of providers currently in receipt of this funding. Coupled with the fact that reducing the rates would have a minimal impact on the overall base rate, the decision has been taken to retain the current level of funding at £9.00 per hour, allocated on the current moderated scale.

Historic data shows that an underspend within the allocated Alfey Funding budget is highly unlikely. If this were to occur, any underspend would be returned to the Higher Needs Block to be reallocated.

A decision was taken in January 2016 to increase the Alfey funding rate from £7.50 per hour to £9.00 per hour to accommodate the increase in minimum wage and the impact this would have on providers. There is currently no plan to increase this rate any further.

Other comments we heard....

Some respondents expressed a view that the funding rate is too low and questioned the drop in funding. The funding rate for 3 and 4 year olds has previously been supplemented by using the Local Area Dedicated Schools Grant (DSG). Torbay is proactively taking steps to prepare for the new Schools Funding Formula which will see Local Authorities no longer having control of the DSG fund, meaning that the top ups which have historically been available have now ceased.

Questions were also raised regarding the Local Authority's position in challenging the level of funding provided. Torbay has taken steps at every opportunity to input into the new funding formula including representation in consultation responses, encouraging providers to respond, directly raising concerns with Ofsted and the DfE as well as through other relevant groups. Torbay is preparing for the final allocation from the DfE and has developed a local formula which delivers the best possible rates in line with the funding received.

Some respondents indicated that they would like more clarity on what the 5% centrally retained funds are used for (also known as top slicing). 5% is the amount that Local Authorities are permitted to retain and is used for core functions including (this list is not exhaustive); finance planning, payments processing, eligibility checking services, IT infrastructure, marketing, sufficiency and safeguarding assurance.