



# OXFORDSHIRE COUNTY COUNCIL

## Oxfordshire's Early Years Funding Formula 2017-18 Consultation

### Background and overview

On 11th August 2016, the Department for Education (DfE) commenced a consultation on proposals for significant changes to early years funding arrangements for three- and four-year-olds. The consultation closed on 22nd September 2016 and the relevant documentation can be accessed online by following [this link](#).

The DfE [published its government response](#) to the consultation on early years funding reform, including the introduction of an Early Years National Funding Formula (EYNFF) on 1 December 2016.

The DfE also published the [EYNFF operational guidance](#) on 1 December 2016, which provides details for local authorities to plan the local implementation of changes to the early years funding system in the **2017-18 financial year**. The guidance sets the overall framework and expectations on local authorities in implementing the new EYNFF. (The government has said that they will be introducing the necessary legislation to formalise the rules and principles contained within this operational guidance).

The operational guidance includes new limits on central expenditure and changes in how provision for children with special educational needs and disabilities is funded. The new formula relates to both the existing 15-hour entitlement for all three- and four-year-olds and the additional 15 hours for three- and four-year children of eligible working parents (the 30 hour childcare policy) when this begins in September 2017.

Local authorities are required to consult providers on their local formula. The DfE have said that they recognise the challenging timetable for local authorities to determine their funding approach, consult with providers and schools forums and engage local democratic processes. The DfE expect local authorities to issue consultations before Christmas 2016 and to present outcomes and proposals to schools forums by 28 February 2017.

This local consultation is being launched to help establish some principles about Oxfordshire's EYSFF. The timetable is challenging for all involved, so we regret that this is being issued close to Christmas. **The consultation will close on 22 January 2017**. We encourage providers to engage in this consultation and thank you in advance for your contributions.

The consultation document takes the form of a description of key principles, Oxfordshire's proposals in relation to these principles and seeks provider responses to these. Text boxes are also available for additional comments / suggestions.

**The principles outlined in this consultation will affect the way your school/establishment is funded from April 2017.**

## New requirements on how local authorities are able to allocate funding to providers from 2017-18

There are now a number of new requirements on how local authorities are able to allocate funding to providers from 2017-18.

The DfE state that these requirements are intended to ensure that funding provided by the Education Funding Agency (EFA) is fairly distributed to providers. The main changes are:

- A minimum amount of **funding to be passed through to providers** - There are new requirements on the amount of funding for three- and four-year olds that local authorities must pass to providers. This high pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the EFA reaches providers. The pass-through funding level is set at **93% in 2017-18**. It will increase to 95% from 2018-19. This means that centrally retained funding will be constrained to a maximum of 7% in 2017-18 and 5% from 2018-19. A consequence of this is the reduction in the central services to providers, for example from the Early Years Team.
- A local **universal base rate** for all types of provider, to be set by local authorities by 2019-20 at the latest - Local authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider, by no later than 2019-20.
- **Supplementary funding for maintained nursery schools**, for the duration of this Parliament. As the universal base rate is introduced, the DfE will allow local authorities to continue to provide a higher level of funding to maintained nursery schools via supplementary funding.
- Reforms to mandatory and discretionary **supplements** local authorities are able to use - Supplements are amounts of funding which are given in addition to the base rate to reflect local needs or policy objectives. The total value of supplements used in any authority must not be more than 10% of the total value of planned funding to be passed through to providers. Deprivation is the only mandatory supplement. Local authorities can choose the amount of funding to channel through this supplement as long as the total value of all supplements used does not exceed the 10% cap. There are four discretionary supplements that are allowable: Rurality/Sparsity, Flexibility, Quality, and English as an additional language (EAL). It should be noted that **channelling funding into supplements reduces the level of the universal base rate to all providers**.
- The introduction of a disability access fund (DAF). Three- and four-year olds will be eligible for the DAF if they are in receipt of child disability living allowance and receive free early education.
- A requirement for authorities to establish a **special educational needs inclusion fund**.

## Impact of changes in Oxfordshire

The DfE published figures on 2017-18 early years allocations for local authorities on 1 December 2016. These will be updated in spring 2017, using data from the January 2017 censuses. Final funding allocations to the LA for the 2017-18 core 15 hours will continue to be based on 5/12th of January 2017 child numbers and 7/12th of the January 2018 child numbers. For the additional hours (from September 2017), final funding allocations will be based on the January 2018 censuses.

The total allocation (universal and additional working parents entitlement) published on 1 December for Oxfordshire is £34.37m for 7.83 million hours, which equates to an indicative hourly rate for 3-4 year olds of £4.39 per hour. This is before deducting the amount allowable for central services. This hourly rate is also before adjusting for the Deprivation supplement (which is mandatory) and a special educational needs (SEN) inclusion fund. In 2016-17 the hourly rate for PVI providers, excluding Deprivation and SEN allocations, is £3.98. Taking account of assumptions within this consultation, a universal provider base rate (excluding additional funding for supplements and the SEN Inclusion fund) of £3.99 per hour has been used for modelling purposes. The provision for both the Deprivation Supplement and SEN inclusion fund top up grants will be allocated back to providers, increasing this rate, according to the criteria agreed after taking account of the result of consultation with providers and Schools Forum.

The equivalent hourly rate for Nursery classes and the attached Nursery is £3.86 in 2016-17. The six Maintained Nursery Schools (MNS) are funded at an hourly rate of £5.90 in 2016-17 and MNS will receive supplementary funding aimed at maintaining current hourly rates for a transitional period ("for the duration of this parliament"). The outcomes of this consultation and the views of Schools Forum will contribute to determining the provider hourly rate.

The figures published on 1 December also included an initial allocation of £226,927 (as 2016-17) for Early Years Pupil Premium and an illustrative figure of £116,850 for the Disability Access Fund. The indicative funding for 2-year olds was also published on 1 December - £3.4m, for 615,657 hours, giving an hourly rate of £5.52.



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### Consultation Questions

\* 1. **Respondent** - Please indicate which type of provider you are responding on behalf of:

- Maintained nursery school
- Maintained primary school with a nursery class
- Academy with a nursery class
- Private day-care provider
- Pre-school
- Childminder
- Other (please specify)

\* 2. **Location** – Please indicate your location. You do not have to enter any part of your address in this box, but indicating your postcode, or area, will help us to identify where consultation feedback comes from.

3. **Implementation Timeline** - The new national funding formula allocation from central government to local authorities (LAs) will come into effect from April 2017. Local authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider, by no later than 2019-20. There is, however, expectation that this is implemented sooner. The DfE is providing supplementary funding for Maintained Nursery Schools during a transition period.

**The proposal** is to implement a universal base rate for all providers from April 2017 (Note: Maintained Nursery Schools would receive the specific government supplementary funding).

**Timeline** – Do you agree with the LA proposal that a new funding formula for providers, including a universal provider base rate (Note: Maintained Nursery Schools receiving the specific government supplementary funding), should be implemented from **April 2017**?

Yes

No

4. **High pass-through requirement** - The pass-through funding level is set at **93% in 2017-18**. (It will increase to 95% from 2018-19). This is intended to ensure that the maximum amount of funding will be passed onto providers. This means that centrally retained funding will be constrained to a maximum of 7% in 2017-18 and 5% from 2018-19. A consequence of this is the reduction in the central services to providers, for example from the Early Years Team. Schools Forum agreed the retention of 7% of funding at the Schools Forum meeting on 5 October 2016 (Paper 4), as indicated in the Schools Forum minutes which can be accessed on the public website by following this [link](#).

This represents a significant reduction in the level of centrally held funding (from 12%), with major implications for the LA, as outlined in the Schools Forum report referred to above.

**High pass-through - Comments** – Please use the text box below if you wish to make any comments regarding the high pass-through requirement and implications for the LA.

**5. Deprivation Supplement** - Supplements are amounts of funding which are given in addition to the base rate to reflect local needs or policy objectives. A Deprivation supplement is the only mandatory supplement and LAs can choose the amount of funding to channel through this as long as the total value of all supplements used does not exceed 10% of the total value of planned funding to be passed through to providers. LAs also have discretion on how this is allocated.

For the current year, 2016-17 (as prior years), this was paid as a single amount to each setting based on the number of children in specified bands of the Income Deprivation Affecting Children Index (IDACI). The index is based on child home post codes taken from the latest census data available. The deprivation factor is not varied in year. The total amount budgeted for 2016-17 was £165k. The IDACI data was updated by central government for the first time since 2010, resulting in a significant fall in the numbers of eligible children. The government created an alternative banding for 2017-18 to reduce the impact.

An alternative approach could be to pay providers an additional amount per child for each parent claiming the early years pupil premium (EYPP) which would direct funding directly to children of families meeting the criteria for EYPP.

**The proposal** is to fund the deprivation factor at a similar level to the current year, noting that channelling funding into supplements reduces the level of the universal base rate to all providers.

The LA is also seeking views on the method of allocation, either using IDACI data or EYPP claim data.

**Deprivation Supplement – Amount** - Do you agree with the LA proposal that the mandatory Deprivation Supplement is funded at a similar level to the current year (currently £165k, to be uplifted for 2017-18 for the part-year effect of the additional 15 hours for eligible working parents from September 2016)?

Yes

No

**6. Deprivation Supplement – Method** - Which method of allocation do you propose?

Option 1 – Using IDACI data (current method)

Option 2 - Using EYPP data

Other Option (please specify)

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7. **Quality Supplement** – The DfE permit a quality supplement to either support workforce qualifications or support system leadership.

**The proposal** is not to include a quality supplement so as not to reduce the universal base rate that can be allocated. Providers can then choose whether to buy services and training offered by the LA or other providers.

**Quality Supplement** - Do you agree with the LA proposal that there is no quality supplement?

Yes

No

8. **Flexibility Supplement** – A flexibility supplement is permitted to support providers in offering flexible provision for parents.

**The proposal** is not to include a flexibility supplement. Not all providers have the opportunity to offer flexible provision. Not including the supplement maintains a higher level for the universal base rate.

**Flexibility Supplement** - Do you agree with the LA proposal that there is **no** flexibility supplement?

Yes

No

9. **English as an Additional Language (EAL) Supplement** – This supplement is permitted.

**The proposal** is not to include an EAL supplement. Not including the supplement maintains a higher level for the universal base rate.

**EAL Supplement** - Do you agree with the LA proposal that there is **no** EAL supplement?

Yes

No

10. **Rurality/sparsity Supplement** – A rurality/sparsity supplement is permitted to allow LAs to support providers serving rural areas less likely to benefit from economies of scale.

**The LA proposal** is not to include a Rurality/sparsity supplement. Not including the supplement maintains a higher level for the universal base rate.

**Rurality/sparsity supplement** - Do you agree with the LA proposal that there is no rurality/sparsity supplement?

Yes

No

11. **SEN Inclusion Fund** – All LAs are required to establish an inclusion fund in local funding systems for 3- and 4- year olds with SEN taking up any number of hours free entitlement. The purpose of the fund is to support work with providers to address the needs of individual children with SEN. This structure also supports LAs to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014. LAs are expected to target the fund at children with **lower level or emerging SEN**. (Children with more complex needs and those in receipt of an Education and Health Care Plan continue to be eligible to receive funding via the high needs block of the DSG). LAs can combine the amount from either one or both of their early years block and high needs block of DSG. LAs must consult with early years providers to set the value of the SEN inclusion fund.

Currently lower level or emerging SEN funding is delegated to nursery schools and nursery classes in primary schools and academies as a fixed lump sum of £2,000, plus a pupil amount based on Income Deprivation Affecting Children Index (IDACI) bands, as a proxy indicator. It is recognised that using IDACI as the proxy indicator will not capture all incidences of SEN, although there is correlation between deprivation and many types of lower level SEN. For other providers, funding is allocated on a case by case basis for children with lower level and emerging SEN.

**The proposal** is to set the **value** of the SEN Inclusion Fund at the level of existing provision for lower level and emerging SEN, at £600,000. (Maintaining at the current level will also help to maintain universal base rates).

Do you agree that the LA should implement this proposal?

Yes

No

If you do not agree with this proposal, please suggest alternatives.

12. **The proposal** is to **allocate** the majority of the SEN Inclusion Fund to providers in the form of top up grants on a case by case basis (potentially through local area structures in the future). The LA will consult further on this as part of the preparation and review of Oxfordshire's "Local Offer". LAs can also use part of the inclusion fund to support specialist SEN services in the local area.

Do you agree with the principle that the LA should allocate the majority of the SEN inclusion fund on a case by case basis?

- Yes
- No
- If you do not agree with this proposal, please suggest alternatives.

13. The SEN inclusion fund outlined above is for 3- and 4-year-olds and 2-year-olds are not eligible to receive this funding. However, LAs can use a similar approach for two-year-olds, but this is not a requirement.

**The proposal** is to set up a similar inclusion fund for 2-year-olds (currently some two-year-olds receive SEN funding on a case by case basis).

Do you agree with the LA proposal to have an inclusion fund for 2- year-olds with **lower level or emerging SEN**, to be allocated on a case by case basis?

- Yes
- No

14. Are there any further comments you would wish to be considered by the local authority in the development of the Early Years Funding Formula (EYFF) for 2017/18?

15. This question is not part of the formal consultation on Oxfordshire's EYFF, but it would be helpful for the LA to receive information on whether providers are planning to offer the additional 15 hour entitlement for working parents (the 30 hour childcare policy), when this commences from September 2017?

Yes

No

Unsure

Are there any comments that you would like to make regarding this?