

Schools Forum			
REPORT TITLE	Early Years National Funding Consultation		
KEY DECISION	Yes	Item No.	12
CLASS	Part 1	Date	6 October 2016

1. Purpose of the Report

To update members on the consultation document issued by the Department for Education on the 11 August 2016 on the reforms to early years funding. The consultation closed on the 22 September 2016. This report looks at the consultation, possible impact and discusses the timelines which are planned to meet the implementation deadlines. The report also updates members on the sufficiency review

2. Recommendation

The Schools Forum agree to

- Note the report
- To ask the Early Years sub group to report back to the full Schools Forum meeting on the 8 December 2016 on the impact of the national funding formula and how this should be managed.

3. Overview

The consultation document has three main thrusts

3.1 National Funding Formula

The Department for Education (DFE) wish to see a funding formula that allocates funding fairly, efficiently and transparently in order to give local authorities the funding they need to ensure that sufficient numbers of providers are willing and able to deliver 30 hours of free childcare on a sustainable basis.

Their proposal features three funding factors that determine the funding per child that each local authority receives:

- a universal base rate of funding for each child;
- an additional needs factor, reflecting the extra costs of supporting children with additional needs to achieve good early learning and development outcomes; and
- an area cost adjustment, reflecting the different costs of providing childcare in different areas of the country.

The base rate will allocate the majority (89.5%) of all early years formula funding. The remainder will flow through the additional needs factor which the DFE believe will reflect each local authority's funding allocation reflects their proportion of children with additional needs and the extra costs of meeting these needs. It will be based on the three metrics

- Free School Meal eligibility, which we propose to weight to 8%;
- English as an Additional Language, which we propose to weight to 1.5%; and
- Disability Living Allowance, which we propose to weight to 1%.

3.2 Distribution of funding by local authorities

The DFE believe that local authority central spend on early years is excessive and wish to curb this by implementing a 'high minimum threshold' on early years funding that local authorities must pass on to providers. This will be set at 93% in 2017-18 and 95% thereafter.

Lewisham central spend is at xxx%

The DFE feel that local authority funding formulae will be fairer to different types of providers by requiring local authorities to use a 'universal base rate' of funding for all providers from 2019-20 at the latest.

This will mean that, all else being equal, a child in a private or voluntary setting will receive the same level of 'per child' funding as a child in a nursery class in a primary school. This is not the case in Lewisham as when the formula built it took into account the different staff levels and staff qualifications in the maintained sector and the private, voluntary and independent sector.

The DFE feel that reducing the variation in local formulae will make the system simpler and clearer for providers. The DFE propose to reduce the use of local authority funding supplements by limiting the types of supplements that can be used and will be limited to key drivers of local cost such as deprivation or rurality, and key policy objectives such as 30 hours delivery. The DFE propose to consult on a cap, of 10%, on the amount of funding that can flow through these supplements.

The DFE feel that the current funding system in the early years lacks the necessary structure and transparency to ensure that children with SEN receive the support that they need to develop while taking up the free entitlement. The school funding system has long had a 'notional SEN budget' to give schools some indication of the resource they have to support children with SEN, but this has not been replicated in the early years.

The DFE are proposing in this consultation that all local authorities should set up an inclusion fund in their local funding systems. We believe such a structure will support local authorities to work with individual providers to resource support for the needs of individual children with SEN. It will also enable local authorities to carry out an effective strategic role in their local area to increase the capacity of their childcare market so that it appropriately supports and develops children with SEN in the early years.

To establish an inclusion fund the DFE consider that local authorities should pool an amount of funding from either one or both of their early years and high needs allocations from the Dedicated Schools Grant.

3.3 Childcare or working parents of 30 hours

This Government is still committed to extending the free entitlement to childcare from 15 to 30 hours a week for working parents from September 2017. In order to do this extra funding will be added to the national pot and will be distributed in line with the revised funding formula discussed above

4 Impact on Lewisham

The DFE quote comparison figures between the funding under the current formula and the new proposed formula for each local authority. This needs careful interpretation due to the additional funding that has been added to the national totals for the new 30 hours of childcare.

However there are some clear messages

- Lewisham will see a loss in funding of £1.5m which equates 8%
- In the first year the loss will £0.9m. Protection of £0.6m will be built in for the nursery schools.
- The way the national formula is being constructed there is likely to be a transfer off resources from nursery schools and nursery classes in schools to private, voluntary and independent providers. This will impact on differently.
- Unknown in this is the take up of the 30 hours childcare and how different providers may be able to offset the transfer of funds and adapt in the appropriate way to provide appropriate flexibility in provision as well at a cost that is in line with the funding
- The impact on individual providers will be different depending on the supplementary funding they received currently. Under the current formula a provider with a good or outstanding Ofsted judgement receives extra funding this will not be allowed in the

future. Likewise the changes to deprivation may impact differently.

- In order to reduce the current level of funding to fit into the new funding a number of potential areas will need to be considered this will include additional hours 15 hours for deprived families and the level of funding rates.

While the exact financial picture remains uncertain and this will continue to be case until the outcome of the consultation is confirmed and the financial settlement known the Early years task group has been set up and they will meet during October and November and report back to the Forum in December with their recommendations of dealing with likely impact and the support for schools.

5 Consultation Documents

For information the link to the consultation documents is

<https://consult.education.gov.uk/early-years-funding/childcare-free-entitlement>

The consultation response form is via an online survey and has limited scope to respond to all the points raised in the consultation. Lewisham's response is attached in Appendix A

6. Sufficiency Review

6.1 With plans for an extended early education entitlement for eligible children aged 3 and 4 years from September 2017,

- Rushey Green,
- Lewisham Central,
- Forest Hill,
- Evelyn,
- New Cross and
- Perry Vale

wards will have greater total numbers of children eligible for these places. This points to greater requirements in these wards for more flexible early education to meet the needs of working families. Parents are very positive about the introduction of the extended entitlement, although few parents with young children have heard of this entitlement.

6.2 Primary objectives for parents in relation to the extended entitlement are:

- a. Limit the amount of settings that children attend.
 - b. To access the extended entitlement during school holiday periods and after 3pm.
 - c. Have any setting make available additional hours if required for purchase; and ideally existing settings their children attend will offer the extended entitlement.
 - d. For parents with children that are attending school, they want any of their younger children to have access to the extended entitlement at the school nursery.
- 6.3 This will impact the existing market. Most parents report that they will move children so that they benefit as much as possible from access to their early education entitlement in a single setting. This is likely to impact school nurseries and pre-schools/play groups the most; and will benefit those early years settings which make available more flexible provision.
- 6.4 There are likely enough places to meet the anticipated demand for the extended early education entitlement in Lewisham. This arises because there appear to be plans for expanded supply and current supply is characterised by many early years settings with low to medium levels of occupancy (57% occupancy for childminders and 73% occupancy for PVI settings) and where more places will be available for funded entitlements, if necessary, in settings that rate at least 'satisfactory'/'requires improvement' or better from September 2017. However, key to ensuring sufficiency of places are
(1) more flexibility in provision to better meet the needs of working families and
(2) where families can access the extended entitlement in a single setting.
- 6.5 A key gap relates to childcare and early education for children with additional needs/disabilities. Parents of children with additional needs/disabilities are less likely satisfied with their childcare and 9 in 10 early years settings rate additional support in meeting the needs of children with additional needs as useful/very useful. Priorities include building the skills and confidence of staff to work with children with additional needs/ disabilities and ensuring access to targeted early intervention support for children prior to any agreed Education, Health and Care Plan.
- 6.6 Families and early years settings identify that a key gap is having a single comprehensive directory of childcare provision which provides information about all childcare and early education options in

Lewisham. The existing FIS Directory needs to be updated and also needs to set out the new minimum standards.

6.7 Key priorities for childcare market development in Lewisham:

Encouraging more flexible provision and opportunities for children to access early education and childcare in a single setting.

- a. Especially longer opening hours and childcare availability during school holidays (this includes for parents stretching early education entitlements across more than 38 weeks). This includes targeting PVI settings and school nurseries and especially those in faster growing wards in Children's Centre Service Areas (CCSA) 1 and 2 i.e. Evelyn, New Cross, Lewisham Central, Blackheath and Brockley wards (as well as Sydenham ward in CCSA 4) where more than 9 in 10 early education places are available from PVI settings and school nurseries.
- b. Through supporting innovative collaborations between early years settings such as schools and childminders to offer longer opening hours and childcare availability during school holidays.
- c. Efforts to improve the low occupancy rates for many childminders as well as encouraging greater supply of childminders in the fast growing wards of Evelyn, New Cross, Lewisham Central, Blackheath and Brockley.

6.8 Contributing to delivery of the Childcare Act 2006 section 12 duty, Family Information Service (FIS) must build a more comprehensive, up to date directory of childcare and early education services for families across Lewisham. This includes setting out the minimum standards that parents can expect of childcare provision. This will also assist future sufficiency planning, better inform parents about their childcare options and help early years settings with their business planning and marketing.

6.9 Working with early years settings to agree a refreshed provider agreement. This offers scope to set out the roles and responsibilities of early years settings that offer funded early education and Lewisham Council (particularly the Early Years Quality and Sufficiency Team and the Family Information Service).

6.10 In clarifying partner roles and responsibilities, the newly formed Early Years Quality and Sufficiency Team has the opportunity to establish its own Service Plan. This includes setting out the Team's focus and scope of their support for early years settings quality improvement, sufficiency

and networking/ collaboration. This includes in supporting the roll out of the extended entitlement in September 2017.

- 6.11 Working with early years settings and families with children with additional needs/disabilities to improve the accessibility of childcare and early education. This includes clarifying the available targeted early interventions for children that do not have an EHC Plan and the available advice, guidance and resources for early years staff to confidently manage children's behaviour and other needs, as well as making early years information and advice for parents of children with additional needs/disabilities more integrated.
- 6.12 Multi-agency practitioners who work with families with children aged 0-4 must be encouraged to continue raising awareness of early education entitlements and the benefits of these entitlements for families they interact with; together with providing practical help to families to take up these entitlements.
- 6.13 This especially includes families eligible to the funded entitlement for children aged 2 years. A continuing focus on building the quality of funded early education for children aged 2 years is also a priority. This is especially so for settings in CCSA 1 (Evelyn and New Cross wards most particularly).
- 6.14 The Early Years Quality and Sufficiency Team and FIS in contributing to strategic objectives for increased social and economic wellbeing for families and reduced worklessness and child poverty will also value partnering with Employment, Skills and Adult Education leads to ensure families they are supporting return to work know about the early education entitlements and can help parents with taking these up.

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