

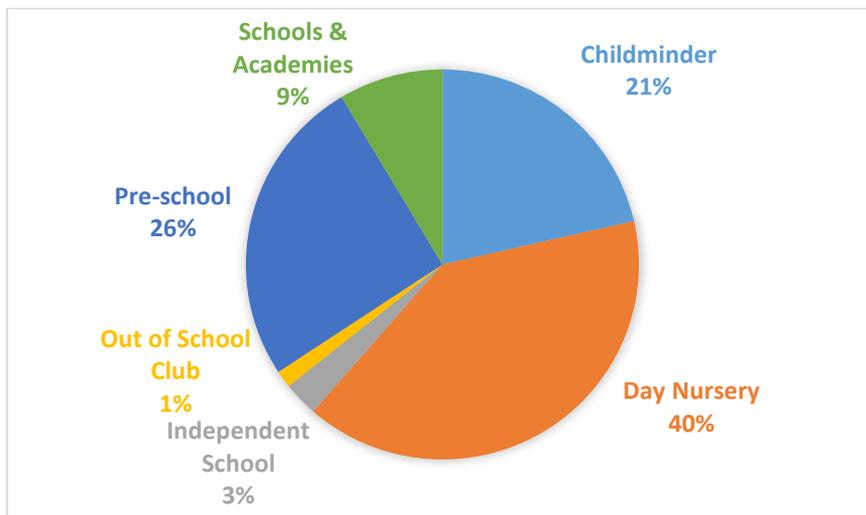
Kirklees Early Years Funding Formula Proposals 2020/21

Provider Survey Responses

An online survey regarding the funding formula proposals (refer to appendix A for details) opened on the 5th of December 2019 and closed on the 8th of January 2020 at 5pm.

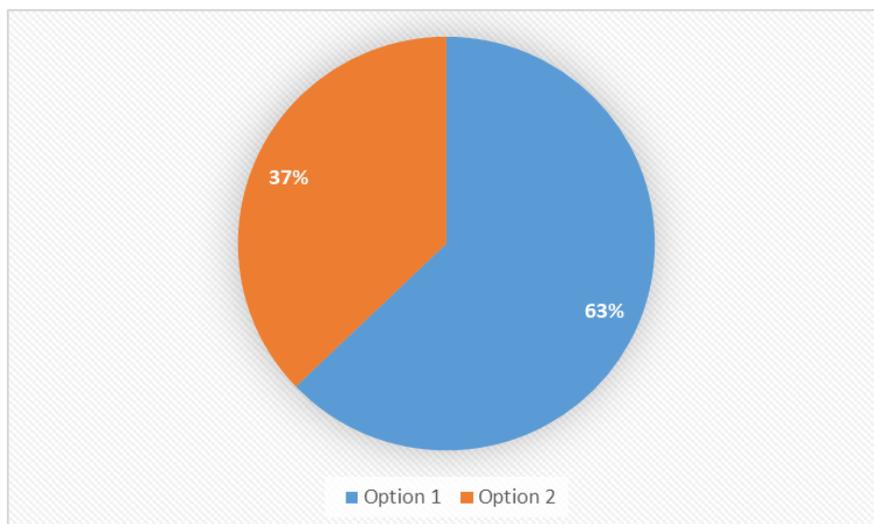
There are currently 481 providers registered to receive early years funding, 70 responded to the survey, which is 15%.

The majority of responses were from providers in the Private, Voluntary and Independent sector, see chart below.



44 providers (63%) preferred Option 1 (2 yr old rate £5.09, 3/4 yr old rate £4.21)

26 providers (37%) preferred Option 2 (2 yr old rate £5.15, 3/4 yr old rate £4.20)



Some providers commented that the sector is underfunded and the rates provided by Kirklees are not enough particularly with the recent announcement regarding the national minimum and living wage increases from April 2020. Providers also commented that they would like the additional funding to be used to maximise the base rates which resonates with feedback received during previous funding formula consultations.

Recommendation to Schools Forum on 7th February 2020

The Early Years Reference Group (includes provider representation for childminders, pre-schools, day nurseries, primary schools and academies) convened via a Skype meeting on 13th January 2020, the consensus was to recommend option 1 (**£5.09 for two year olds** and **£4.21 for three and four year olds**) as there was a clear majority from the providers who responded to the survey and this will ensure the additional funding is passed on to providers.

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Note this appendix is for information only, the survey closed on 8th January 2020.

Background

The National Early Years Funding Formula came into effect in April 2017. The government intended the new formula to create a strong and sustainable early years funding system that is fair, transparent and maximises funding to providers. The new formula also targets additional funding to children who require extra support. The government explained that the previous system was driven by historical precedents and did not take into account the costs of providing childcare that meets the needs of children in different areas.

The new formula consists of a universal base rate, plus proxy indicators; Free School Meals, English as an Additional Language, Disability Living Allowance and an area cost adjustment multiplier to reflect variations in local costs.

The result of the new funding formula meant that Kirklees alongside 42 other local authorities (LAs) lost out on the funding redistribution, and began receiving the minimum funding base rate for three and four year olds (£4.30) from April 2017. The funding formula for two year olds and Early Years Pupil Premium was not affected by the reforms.

Funding from 2020/21

The funding rates have remained the same for the last 3 years however the DfE has recently announced an extra £66m for early years from 2020/21. Kirklees is amongst 46 other LAs that will still receive the lowest funding base rate for three and four year olds (£4.38) from April 2020. The base rates for two year olds will also increase however Kirklees will still receive the minimum base rate of £5.28 alongside 51 other LAs.

Kirklees funding rates history

Year	2 year olds		3&4 year olds	
	Rate from DfE	Rate paid to providers	Rate from DfE	Rate paid to providers
2016/17	£4.85	£4.85	£4.47	£4.19
2017/18	£5.20	£5.00	£4.30	£4.14 £4.19 ¹
2018/19	£5.20	£5.00	£4.30	£4.14
2019/20	£5.20	£5.00 £5.06 ²	£4.30	£4.14 £4.20 ²
2020/21	£5.28	£5.09 ³	£4.38	£4.21 ³

¹ In the first year of the national funding formula transitional protection for the 3 and 4 year old funding rate was given.

² From Autumn 2019, using a small underspend from 2018/19, both rates paid to providers were increased by 6p on a temporary basis.

³ Proposed rate for 2020/21 – see below.

Kirklees funding proposals 2020/21

The additional funding from the DfE will increase the current Kirklees Early Years block budget of £28.1m by approximately £0.5m. During previous provider engagement sessions in 2017, 2018 and 2019 feedback from providers was to maximise the base rates therefore it is proposed that the extra funding is used to increase the base rates and not make any changes to the deprivation and inclusion fund elements of the formula.

Options were discussed at the Early Years Reference Group meeting (which includes provider representation for childminders, pre-schools, day nurseries and primary schools) on Wednesday 27th November 2019. The group agreed with the principle of maximising the base rates, two options are proposed, see table below. Option 1 is the closest model which utilises the additional funding to increase both base rates as equally as possible whilst balancing the overall budget.

Base Rates	Option 1	Option 2
Two year olds	£5.09	£5.15
Three and four year olds (universal and extended hours)	£4.21	£4.20

Deprivation

- Propose no change, allocate the same amount that is currently distributed (approximately £306,000) using the current metric IDACI (Income deprivation affecting children index) and retain the current IDACI rates:
 - Band 1: £0.05
 - Band 2: £0.11
 - Band 3: £0.14
 - Band 4, 5 and 6: £0.21

SEN Inclusion Fund for three and four year olds

- Propose no change, contribution of £50,000 for low level and emerging needs SEN to support providers from all sectors delivering the free entitlement (up to 30 hours).

Central retention

- Propose no change to the current level of £708,600. Local Authorities are permitted to retain 5% of the Early Years Block budget to fund quality improvement and administration costs associated with delivery of the free entitlements. The introduction of the extended entitlement in 2017 placed unprecedented volume pressures on the funding team however efficiency improvements have helped ensure that these pressures can continue to be met without increasing the amount retained centrally (Kirklees retains only 2.5%).

Additional funding for eligible three and four year olds

100% of additional funding is passed directly onto providers, the DfE are not changing the funding rates for 2020/21.

- Early Years Pupil Premium, applicable to universal entitlement hours only, the hourly rate is £0.53.
- Disability Access Funding (DAF), a lump sum payment of £615 is available each year to funded children in receipt of Disability Living Allowance (DLA).