

Kirklees Early Years Funding Formula 2018/19

The DfE published revised [early years entitlements operational guidance](#) for local authorities in November 2017, which included information around the Early Years national funding formula parameters for 2018-19.

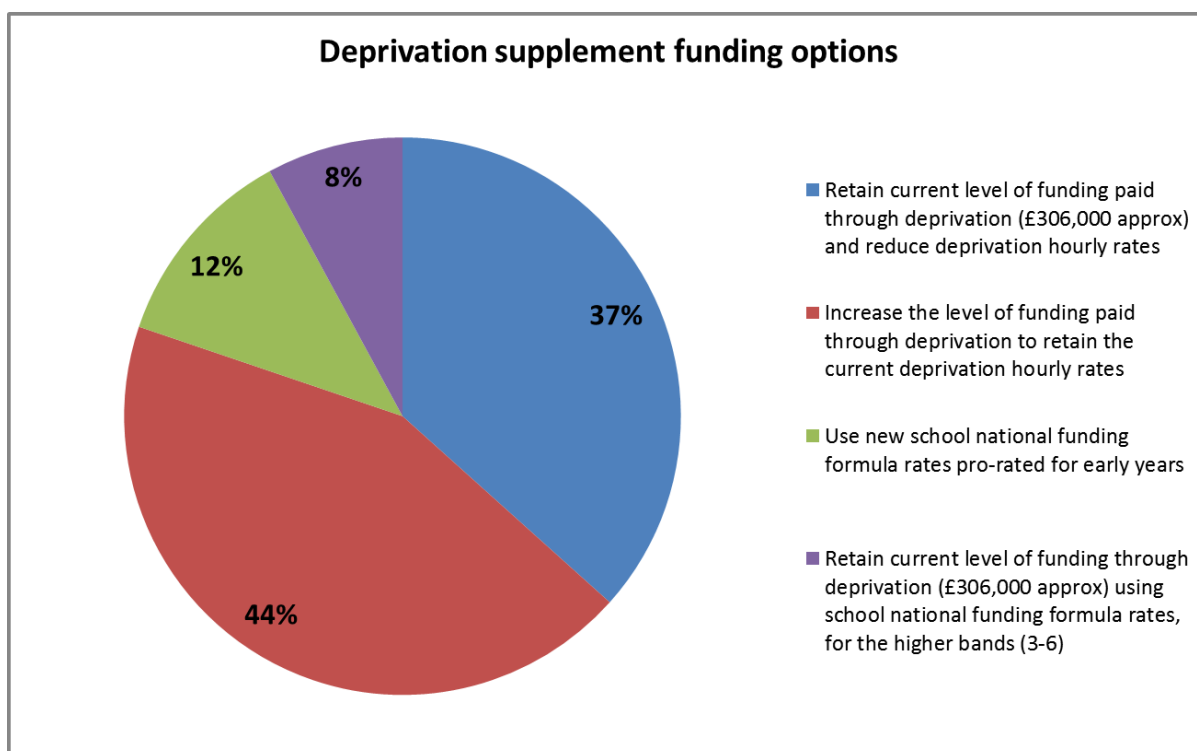
The current Kirklees formula (detailed in appendix A) was agreed in February 2017 and is compliant with the new guidance however the guidance now clarifies that the mandatory deprivation supplement should be paid on both universal and extended entitlement hours, the current Kirklees formula only includes an allocation of funding for the universal entitlement hours.

An online survey was launched on 15th January 2018 and closed on 26th January 2018. Providers were asked to comment on their preferred option for funding deprivation and the payment schedule for 2018-19. Full details of the options can be found in appendix A.

Currently there are 478 providers registered to deliver free early education and care, 52 responded to the survey, which is just 11%.

The Free Early Education and Care Working Group met on 30th January to consider the responses and make recommendations to the Schools Forum meeting on 9th February 2018.

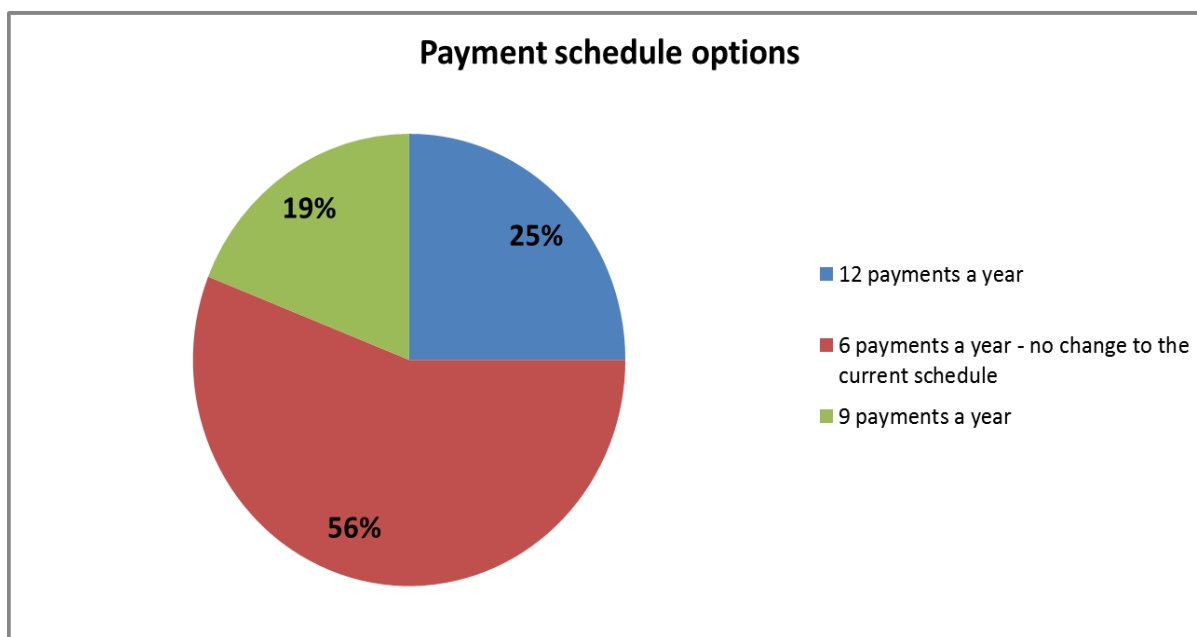
The results of the survey are as follows:



23 providers (44%) opted to increase the amount paid through deprivation to retain the current deprivation hourly rates however there is evidence that providers have misunderstood the question. Phone calls were made to check a sample of responses (who responded to retain the deprivation rates and reduce the base rate) which

confirmed providers thought they had chosen to retain the current base rate. This echoes the response during the consultation in 2017 where there was a strong message from providers to maximise the base rate.

Free Early Education and Care Working Group Recommendation: All members of the group were in agreement that option 1 be recommended to Schools Forum - retain the base rate and current level of funding paid through deprivation (£306K) and reduce deprivation hourly rates.



29 providers (56%) opted for the current schedule of 6 payments a year therefore there is not enough support to change the system at this time. Council Officers would prefer to move to 9 payments a year as this reduces financial risk to the council and does not increase admin for providers or FECC Team plus it allows flexibility to increase/decrease estimates. More engaging conversations on 9 payments to take place with providers in the Autumn term.

Free Early Education and Care Working Group Recommendation: All members of the group were in agreement that option 1 is recommended to Schools Forum (6 payments per year / no change to current schedule).

Other elements of the formula

The survey included the proposed Central Retention of Early Years Block Funding which includes additional information for transparency. The amount of the proposed retention is the same amount as last year which equates to approx. 2.5% of Early Years Block Funding to cover the cost of administration. In real terms the value has reduced because salaries and on-costs have increased.

The introduction of '30 hours free childcare' and the resulting increase in the number of providers eligible to claim free entitlement funding (mainly after school-clubs and

childminders) has placed unprecedented volume pressures on the Early Learning and Childcare teams.

Efficiency improvements have helped ensure that these pressures can continue to be met with existing resources. Once 30 hours is embedded the pressure should ease a little however the volume of queries and workload are likely to remain at a higher level than previously due to the complexities of 30 hours and also stretch.

There were no comments received from the provider survey regarding the proposed central retention or any other elements of the formula.

'Miscellaneous costs' of £12K are a contribution to central costs associated with school nursery staff for example - Admissions / maternity / unions / premature retirement. At the Free Early Education and Care Working Group meeting representatives from the Kirklees NDNA network commented that the PVI sector also have these costs therefore this goes against the principal of equity. Whilst agreeing with the principle of equity, Officers explained that the new Central Schools Services block does not cover costs for nursery provision hence this is the most practical means of dealing with these costs. In context, removing this contribution would not provide any opportunity to increase the base rate.

Free Early Education and Care Working Group Recommendation: With the above exception, all members of the working group were in agreement that the proposed central retention amount should be agreed. However, due to increasing financial pressures on providers the central retention amount and base rates should continue to be reviewed annually.

Background

Following the publication of the Department for Education's (DfE) response to the consultation on the early years funding reforms and early years operational guidance at the beginning of December 2016, Kirklees launched an online consultation and held provider engagement events during January 2017.

The Free Early Education and Care (FEEC) Working Group met on 31st January 2017 to consider feedback received from the provider engagement events. The recommendations presented to Schools Forum on Friday 10th February 2017 were broadly representative of the principles agreed by the working group and the feedback received from the majority of providers during the online consultation and provider engagement events.

Schools Forum agreed all recommendations made by the FEEC Working Group.

The agreed Kirklees Early Years Funding Formula for 2017-18 was as follows:

Base rates

- 2 year old base rate: £5.00.
- 3 and 4 year old base rate: £4.14.
- Funding for transitional protection for one year (2017-18) to maintain the current 3 and 4 year old base rate of £4.19 until 31st March 2018.

Deprivation

- No change to deprivation funding, 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.
- Limit deprivation funding to the 15 hour entitlement only provided the administration of this can be managed efficiently i.e. automated.

Optional Supplements

- No optional supplements.

Central retention

- No change to the current level of centrally retained funding however keep the use and level of the central retention under review.

SEN Inclusion

- £50,000 for low level and emerging needs SEN to support providers from all sectors delivering the free entitlement (up to 30 hours).
- £40,400 contribution towards Inclusion Officer team [*note technically the Department for Education will count this contribution as central retention*].
- Continue with the current Access Fund for 2 year olds for one year (2017-18) whilst the SEN Support Service review is ongoing, using underspends carried forward from the financial year 2015-16.

Kirklees Early Years Funding Formula 2018-19

The early years national funding formula rates for Kirklees remain the same for 2018-19. Kirklees Council will receive £4.30 per hour for three and four year olds and £5.20 per hour for 2 year olds.

There are some variations associated with a change in pupil numbers, the most notable being the 2 year old funding which has reduced by 95 part-time equivalent places (5.3%). The maintained nursery schools supplement has reduced due to the re-organisation of one nursery school. The funding for the extended entitlement has increased to reflect a full financial year. The total allocation in the early years block for 2018-19 is £28.7m (in 2017-18 the allocation was £27.0m).

The Department for Education (DfE) recently published revised [early years entitlements operational guidance](#) for local authorities. This guidance provides further clarity around the early years national funding formula parameters for 2018-19.

The current Kirklees formula, which was agreed in February 2017, is compliant with the new guidance however the deprivation supplement does need reviewing, please see options on pages 8 and 9.

Payment schedule 2018-19

The Statutory Guidance published in March 2017 states: *“Local authorities should pay all providers, particularly childminders, monthly and are expected to do so from September 2018. If a provider requests and the local authority agree an existing alternative sustainable method of payment may be continued”*.

We are seeking your views on the payment schedule and have listed options on pages 10 and 11.

SEN Inclusion Fund

Local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the dedicated schools grant (DSG).

Local authorities will establish their SEN Inclusion Funds using funding from either one or both of their early years block and high needs block of the DSG.

In Kirklees it was agreed last year to allocate £50,000 from the early years block to fund 3 and 4 year old children with lower level or emerging SEN. It was also agreed to continue with the current Access Fund for 2 year olds for one year (2017-18) whilst the SEN Support Service review is ongoing, using underspends carried forward from the financial year 2015-16.

Central retention

The minimum amount of funding required to be passed on to providers from 2018/19 is increasing to 95%.

When the formula was approved for 2017-18, it was agreed that the central retention element would be kept under review. The introduction of '30 hours free childcare' and the resulting increase in the number of providers eligible to claim funding for the free entitlement (mainly after school-clubs and childminders) has placed unprecedented volume pressures on the teams which support children, families and early learning and childcare providers. Efficiency improvements have helped ensure that these pressures can continue to be met with existing resources. The proposed Early Years Block retention for 2018-19 is approximately 2.5%, well within the 5% level permitted by the government.

<p>EARLY LEARNING AND CHILDCARE:</p> <p>Free Early Education and Childcare Team consisting of:</p> <p>Free Early Education and Care Section (full cost) – administration of the eligibility checking processes and the distribution of £27m of free entitlement funding to childcare providers on a pupil-led basis. This includes dealing with enquiries from providers, parents and professionals.</p> <p>Childcare Sufficiency Section (contribution associated with free entitlement places) - production of Childcare Sufficiency Assessments and graduated market intervention where required to ensure there are sufficient places in a local area. This includes advice and support to childcare providers with sustainability risks and the management of grant opportunities when available.</p> <p>Early Years Outcomes Team (contribution associated with free entitlement places) – preventing and, where required, supporting provision judged less than good by Ofsted.</p> <p>Includes management/ on- costs of £71,200 (e.g. payroll, finance, audit, HR, Legal Services and IT etc.)</p>	<p>£656,200</p>
<p>INCLUSION SUPPORT:</p> <p>Contribution to the Inclusion Officer team – supporting childcare providers to meet the needs of children with additional needs (This was new in 2017-18 in response to detailed consultation with childcare providers early in 2017).</p>	<p>£40,400</p>

MISCELLANEOUS COSTS:	£12,000
Contribution to central costs associated with school nursery staff, for example with maternity and union duties. Following feedback from providers in January 2017 other options for meeting these costs have been considered but a new Central School Services Block does not cover the nursery phase. As the cost equates to less than 0.25p per child per hour this is the most practical means of dealing with these costs.	
Total	£708,600

Deprivation supplement

The deprivation supplement is mandatory for all local authorities. The feedback received from providers last year was to maximise the base rate and keep the deprivation supplement to a minimum, current allocation is £306,000.

Extract from page 9 of the Operational Guide 2018-19

Local authority funding of the entitlements for three and four year olds

Single rate for both entitlements

18. *The Government funds local authorities on the same basis for both the universal 15 hours entitlement and the additional 15 hours entitlement for working parents. This is because the statutory framework and the quality requirements for the two entitlements are the same.*

19. *We therefore expect local authorities to fund their providers in the same way for both sets of hours and not to distinguish between the two. This means using the same base rate and same supplements for both entitlements.*

This means that Kirklees needs to allocate an amount of funding to pay the deprivation supplement to eligible children taking up their extended entitlement hours. We are therefore seeking your views on the options available.

Current deprivation supplement rates and estimated number of children

Band	Current rate for 2017/18	Estimated number of children (2017 take-up plus estimates for the extended entitlement)		
		Spring	Summer	Autumn
1	£0.06	1,134	1,316	915
2	£0.14	827	954	688
3	£0.18	1,177	1,319	929
4	£0.26	768	919	649
5	£0.26	230	266	213
6	£0.26	21	27	27

Options for deprivation supplement (see table below for costings)

	Option	Impact	Rationale
1	Retain current level of funding paid through deprivation (£306,000 approx.) and reduce rates	<ul style="list-style-type: none"> • 3 and 4 year old base rate will remain at current level • Hourly rates for each band will need reducing to fund children in receipt of extended hours • Providers not offering the extended entitlement will receive less deprivation funding 	<ul style="list-style-type: none"> • Supports the majority view of providers and principles agreed by the FEEC Working Group last year
2	Increase the level of funding paid through deprivation to retain the current hourly rates	<ul style="list-style-type: none"> • Will reduce the 3 and 4 year old base rate by £0.02, note this reduction may increase as the extended entitlement take-up becomes embedded • All providers will be affected by a reduction in the base rate 	<ul style="list-style-type: none"> • There was no support from providers last year for changing the distribution of the funding within the IDACI bands • FEEC Working group members supported retaining the current rates for 2017/18 so that at least one area of funding remained consistent
3	Use new school national funding formula rates pro-rated for early years	<ul style="list-style-type: none"> • Will reduce the 3 and 4 year old base rate by £0.02, note this reduction may increase as the extended entitlement take-up becomes embedded • All providers will be affected by a reduction in the base rate • Some providers will receive more deprivation funding • Some providers will receive less deprivation funding 	<ul style="list-style-type: none"> • Consistent approach – brings in line with the new school national funding formula rates (pro-rated) • Fairer distribution – rate increases with the level of deprivation (current rates are the same for bands 4, 5 and 6.)

4	Retain current level of funding paid through deprivation (£306,000 approx.), using school national funding formula rates, but remove deprivation funding for the lower bands (1 and 2) therefore increasing the rate for the higher bands (3-6)	<ul style="list-style-type: none"> • 3 and 4 year old base rate will remain at current level • Some providers will receive more deprivation funding • Some providers will receive less deprivation funding 	<ul style="list-style-type: none"> • Same as option 3 but the amount of funding per child will increase for the children living in the highest deprived areas, therefore the level of funding will be more substantial for some providers
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Rates and estimated cost based on 2017 take-up and estimated take-up of the extended entitlement

	Option 1	Option 2	Option 3	Option 4
IDACI Band	Retain current level of funding paid through deprivation (£306,000 approx.) and reduce rates	Increase the level of funding paid through deprivation to retain the current hourly rates	Use new school national funding formula rates pro-rated for early years	Retain current level of funding paid through deprivation (£306,000 approx.), using school national funding formula rates, for the higher bands only (3-6)
1	£0.05	£0.06	£0.11	-
2	£0.11	£0.14	£0.13	-
3	£0.15	£0.18	£0.19	£0.23
4	£0.21	£0.26	£0.21	£0.26
5	£0.21	£0.26	£0.22	£0.27
6	£0.21	£0.26	£0.31	£0.38
Estimated cost	£304,695	£372,049	£378,859	£304,214

Options for the payment schedule

	Option	Details	Pros	Cons
1	6 payments a year - no change to the current schedule	<ul style="list-style-type: none"> • Each term there will be 1 estimate payment and 1 final payment based on 80%/20% split. • Providers can choose to have their estimate paid on week 1 or week 5 of the term. • Providers can choose to have both funding type payments (i.e. 2, 3 and 4 year old funding) on the same week or one during week 1 and the other during week 5. • The final payment is between weeks 10 and 12 depending on the term. 	<ul style="list-style-type: none"> • Simple process, providers submit 1 estimate claim and 1 actual claim • No increased administration burden for the council 	<ul style="list-style-type: none"> • No flexibility to change estimate payments • Risk of under or over payment • Cashflow uneven for providers and the council
2	9 payments a year	<ul style="list-style-type: none"> • Each term there would be 2 estimate payments and 1 final payment. • Proposed percentage split would be 40%/40%/20%. • Proposed timing of the payments: Payment 1 – week 1, payment 2 – week 5, final payment - between weeks 10 and 12 depending on the term. 	<ul style="list-style-type: none"> • Simple process, providers submit 1 estimate claim (unless a change occurs) and 1 actual claim • No increased administration burden on the council • Payments will be more accurate • Allows flexibility to change the estimate for the second payment • Supports cashflow for providers and the council • Reduces risk of under or over payment 	<ul style="list-style-type: none"> • None

3	12 payments a year	<ul style="list-style-type: none"> • In Spring term there would be 3 payments • In Summer term there would be 5 payments • In Autumn term there would be 4 payments • The percentages paid would vary depending on the number of payments, for example in the autumn term each payment will represent 25% of the estimated termly funding • The first payment each term would be in week 1, payments would be monthly thereafter. 	<ul style="list-style-type: none"> • Simple process, providers submit 1 estimate claim (unless a change occurs) and 1 actual claim • Payments will be more accurate • Allows flexibility to change the estimate for the second and subsequent payments • Supports cashflow for providers and the council • Reduces risk of under or over payment • Meets Statutory Guidance requirement 	<ul style="list-style-type: none"> • Increased administration burden for the council • Risk of reducing the provider base rate due to increased administration
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