DERBYSHIRE COUNTY COUNCIL

Agenda Item 4

Rep 717

SCHOOLS FORUM

6 November 2017

Report of the Strategic Director for Children’s Services

Early Years Consultation

1. Purpose of the Report

To inform the Schools Forum of the publication of the Authority’s Early Years consultation paper and changes to the funding framework for 2018-19.

1. Information and Analysis

On 11th October 2017 the Authority published a consultation paper on its proposed Early Years changes for 2018-19. A copy of the paper is attached as Appendix 1. The most significant proposals were as follows:

1. To reduce the hourly rate for nursery units by £0.23 per hour from £4.53 to £4.30 from April 2018 as part of the transition to a universal rate of ~£4.09 per hour (by April 2019);
2. To base deprivation funding on individual child data rather than using the Index of Multiple Deprivation’ (IMD) as a proxy measure;
3. To require nursery schools to meet a number of additional costs from April 2018 to help the Authority meet the 95% delegation requirement; and
4. To consider what other measures might be taken to ensure the above delegation target is met.

The closing date for the consultation is 1st December 2017 and a report on the responses will be reported to the Forum’s meeting in February.

1. Other Considerations

In preparing this report the relevance of the following factors have been considered: social value; prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.

1. Background Papers

Held in Children’s Services Finance and School Improvement services

1. Strategic Director’s Recommendation

That the Schools Forum:

1. Notes the report and offers its views on the issues raised; and
2. Agrees to receive a further report on the Early Years funding consultation at its meeting in February.

**JANE PARFREMENT**

**Strategic Director for Children’s Service**

**2018-19 Early Years Consultation**

**Appendix 1**

**October 2017**

1. **Financial Background**

A new Early Years National Funding Formula (EYNFF) was introduced by the Government in April 2017. The EYNFF determines the amount of Early Years (EY) funding that Derbyshire has available to distribute.

2018-19 will be second year of the new formula and Derbyshire’s EYNFF rate for 3 and 4 year olds is due to fall by a further 5%, i.e. from £4.63 to £4.39 per hour. This represents an overall loss of Local Authority (LA) funding of approximately **£1.491m** for the universal 15 hours. The lower funding rate will also apply to the additional 15 hours for working families which commenced in September 2017.

There is also a requirement that next year 95% of the Early Years funding must be delegated to providers (93% in 2017-18) and therefore the value of centrally held budgets will have to be reduced.

This consultation document sets out a range of issues that need to be addressed as a result of the EYNFF and also considers some other local funding matters. You are invited to give your views on the key questions by completing the attached proforma by **Friday 1st December 2017** at the latest.

1. **Issues Affecting the PVI Sector and Nursery Units in Schools Only**

|  |  |
| --- | --- |
| PVIs | **✓** |
| Nursery Units | **✓** |
| Nursery Schools | **🗶** |

* 1. **Equalising Hourly Rates**

The new EYNFF introduced a requirement on LAs to bring the hourly funding rates for children in PVIs and Nursery Units into line by April 2019 (N.B. This requirement does not currently apply to Nursery Schools).

Derbyshire’s current and **indicative** hourly rates, based on estimated data, are set out below:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2017-18 (Actual)** | | | **2018-19 (Indicative)** | | | **2019-20 (Indicative)** | | |
| **Rates per hour** | **Nursery School** | **Nursery Unit** | **PVI** | **Nursery School** | **Nursery Unit** | **PVI** | **Nursery School** | **Nursery Unit** | **PVI** |
| Universal | £4.00 | £4.00 | £4.00 | £4.03 | £4.03 | £4.03 | £4.09 | £4.09 | £4.09 |
| Enhanced | £0.62 | £0.53 | £0.00 | £0.59 | £0.27 | £0.00 | £0.53 | £0.00 | £0.00 |
| Overall | **£4.62** | **£4.53** | **£4.00** | **£4.62** | **£4.30** | **£4.03** | **£4.62** | **£4.09** | **£4.09** |
| Proposed change (£) |  |  |  |  | **-£0.23** | **+£0.03** | **-** | **-£0.21** | **+£0.06** |
| Proposed change (%) |  |  |  |  | **-5.1%** | **+0.8%** | **-** | **-5.0%** | **+1.5%** |

The above model would deliver a universal rate of around **£4.09** per hour by April 2019. As part of the transition towards this universal rate it is proposed that the rate paid to Nursery Units be reduced from £4.53 per hour to £4.30 per hour from April 2018 and then to the indicative universal rate of £4.09 from April 2019. Schools may recall that the reduction for 2017-18 was deferred in anticipation of a National Funding Formula for mainstream pupils being in place, the introduction of which, from April 2018, has now been confirmed by the Government.

The reduction in the Nursery Unit hourly rates are estimated to contribute £0.530m in 2018-19 and £0.485m in 2019-20 towards the £1.491m loss of grant in Section 1 above.

**Q1. The views of providers are sought on the proposed reduction in the hourly rate paid to Nursery Units from April 2018.**

1. **Issues Affecting All Early Years Providers**

|  |  |
| --- | --- |
| PVIs | **✓** |
| Nursery Units | **✓** |
| Nursery Schools | **✓** |

* 1. **Deprivation Funding**

LAs are required to have a formula factor which provides funding for the most deprived children. Derbyshire’s current Early Years Single Funding Formula (EYSFF) uses the ‘Index of Multiple Deprivation’ (IMD) as a proxy measure to distribute deprivation funding, i.e. it uses families’ home post codes, which are considered to be a good, but not perfect, indicator of deprivation. This methodology was established some years ago in the absence of any individual child based data.

In recent years LAs have had to collect much more information about parents to enable eligibility for the Early Years Pupil Premium (EYPP) to be determined. Given the increased data held, it is now possible to change our formula and to use individual child data rather than the current proxy, post code related measure. The LA proposes to adopt this revised approach to ensure that resources are better targeted at actual need and follow the child should they change provider.

Deprivation would be paid on the same basis as the EYPP i.e. as a supplementary rate per hour.

**Q2a. Do you agree with the proposal to fund deprivation on the basis of individual child data? (Agree/disagree/don’t know)**

**Q2b. Do you have any additional comments you would wish to make on this issue?**

1. **Issues Affecting Nursery Units in Schools and Nursery Schools**

|  |  |
| --- | --- |
| PVIs | **🗶** |
| Nursery Units | **✓** |
| Nursery Schools | **✓** |

* 1. **Payment Profile**

The count of Early Years hours for schools has always been weighted on the basis of 5/12th (April to August), 4/12th (September to December) and 3/12th (January to March) to recognise that the vast majority of staff are on annual contracts and therefore paid every month.

In contrast, the PVI system pays providers on a ‘weeks per term’ basis, with the number of weeks per term varying according to Easter dates.

If a child attends for a consistent number of hours for a whole financial year there is no difference in the annualised count and hence the core funding. For example:

* Schools: [15hrs x 38wks x 5/12] + [15hrs x 38wks x 4/12] + [15hrs x 38wks x 3/12] = 570 hours
* PVIs: [15hrs x 14wks Summer] + [15hrs x 12wks Autumn] + [15hrs x 12wks Spring] = 570 hours

However, the x/12ths methodology can be more generous in terms of funding because it applies the highest weighting (5/12th or 0.42) against what is usually the highest count in the financial year.

The LA is in the process of moving all providers, including schools, onto a new Early Years payment system, which will make payments on the basis of ‘weeks per term’. Academies will start to experience the effects of a change to ‘weeks per term’ from September 2017 as they move over to the new payment system; this change recognises their status as an outside body. Due to logistical reasons, schools may not be able to transfer to the new payment system until September 2018 and will therefore continue to be paid on an x/12th basis until the end of the financial year.

It is proposed that the different bases on which providers are paid are aligned at the earliest practicable opportunity. As the calculation of the payments effectively forms part of the EYSFF the Authority would welcome any comments that providers have regarding the changes.

**Q3a. Do you agree with the proposal to align the basis on which early years funding is paid at the earliest practical date? (Agree/disagree/don’t know)**

**Q3b. Do you have any additional comments you would wish to make on this issue?**

1. **Issues Affecting Nursery Schools Only**

|  |  |
| --- | --- |
| PVIs | **🗶** |
| Nursery Units | **🗶** |
| Nursery Schools | **✓** |

* 1. **Centrally Held Funds**

Even with the proposed reductions in the Nursery Unit hourly rates for 2018-19 and 2019-20 there is still an estimated shortfall of around £0.476m [£1.491m minus £0.530m minus £0.485] to deal with. In addition, the requirement to meet the Government’s 95% delegation target from April 2018 effectively means that the shortfall has to be met from reductions in central spending. Two sets of measures are proposed

* + 1. **Nursery Schools**

Since April 2013, funding for a range of services provided to Nursery Schools has been met centrally rather than from the individual schools’ budgets. It is proposed that from April 2018 individual Nursery Schools should become responsible for these costs, bringing them closer into line with mainstream schools. The table below sets out the proposed costs/services and the options available to the schools.

|  |  |  |
| --- | --- | --- |
| **Service/Cost** | **£m** | **Proposed Future Treatment** |
| Behaviour Support | 0.015 | Traded offer to be provided |
| Maternity Cover | 0.010 | Indiv. schools invited to join primary re-pooling arrangements\* |
| Public/Trades Union Cover | 0.004 | Indiv. schools invited to join primary re-pooling arrangements\* |
| DBS Checks | 0.003 | Individual schools to pay |
| Sports | 0.002 | Traded offer to be provided |
| Insurance | 0.010 | Indiv. schools invited to join primary re-pooling arrangements\* |
| School Improvement | 0.020 | Indiv. schools invited to join primary re-pooling arrangements\* |
| **Total** | **0.064** |  |

\*Subject to Schools Forum agreement

No additional funding would be allocated to Nursery Schools to meet these costs, which equate to around 2.3% of the sector’s budgets.

**Q4a. Do you agree with the proposal to require nursery schools to meet the above costs from April 2018? (Agree/disagree/don’t know)**

**Q4b. Do you have any additional comments you would wish to make on this issue?**

* + 1. **Other Central Budgets:**

The balance of the required reductions, around £0.412m, will be found from other central budgets, the precise details of which have still to be confirmed. The current budgets are set out overleaf:

|  |  |
| --- | --- |
| **Service/Cost** | **£m** |
| Early Years Service | 1.504 |
| Early Years SEN Service | 0.415 |
| Every Child A Talker (ECAT) | 0.055 |
| Early Years –Early Help | 0.050 |
| Nursery Schools - Catering | 0.063 |
| Nursery Schools - Capital | 0.030 |
| Nursery Schools - Broadband | 0.025 |
| Nursery Schools - Contingency | 0.020 |
| Nursery Schools - Licences | 0.002 |
| **Total Other Central Early Years Spend** | **2.164** |

**Q5. Do you have any comments on how the residual balance might be found?**

If implemented in full the proposals in Section 5 would:

* Leave a residual shortfall of ~£0.412m to be met from other central early years savings;
* Leave nursery schools’ budgets at 2017-18 levels (other than for data changes)
* Reduce Nursery Schools’ spending power by ~2.3% next year
* Leave Nursery Schools’ planned budgets above the relevant income from Early Years Government Grants
* Achieve delegation rates of ~96.2% in 2018-19 and ~95.18% in 2019-20

1. **Issues For Information for All Early Years Providers**

|  |  |
| --- | --- |
| PVIs | **✓** |
| Nursery Units | **✓** |
| Nursery Schools | **✓** |

**6.1 Risk to Future Levels of Funding in Derbyshire**

The proposed hourly funding rates for 2019-20 leave Nursery Schools with an enhancement to the basic rate of £0.53 (£4.62 vs £4.09). However, this enhanced level of support is dependent upon a specific Government grant, namely the Maintained Nursery Schools (MNS) grant. This grant is only confirmed to the end of 2019-20 and, if withdrawn, would result in a loss of around £1.4m to Derbyshire. A second risk relates to Derbyshire’s EYNFF grant rate of £4.39 per hour (see Section 1). This rate is in itself protected by £0.22p per hour, also equivalent to ~£1.4m.

If either, or both, of these protections were to cease this would create further financial problems for the sector and for Nursery Schools in particular.

**6.2 SEN Issues Relating to the Additional 15 Hours for Working Families.**

The introduction of the additional 15 hours entitlement for working families could give rise to further financial pressures. For example, parents of those children currently receiving SEN support via ETAEYS/EHCP for the universal 15 hours may seek equivalent support for the additional 15 hours. A decision will need to be taken on the extent of any extra support and where the new costs will be funded from.

1. **How to respond to this consultation**

Please complete the proforma response form and return it to [**schoolfunding@derbyshire.gov.uk**](mailto:schoolfunding@derbyshire.gov.uk) (schools/other respondents) or [**enquiries.sufficiency@derbyshire.gov.uk**](mailto:enquiries.sufficiency@derbyshire.gov.uk) (PVI providers) by **Friday 1st December 2017** at the latest.