

# Cheshire East Council

## Cabinet

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<b>Date of Meeting:</b>	7 <sup>th</sup> February 2017
<b>Report of:</b>	Kath O'Dwyer, Executive Director People
<b>Subject/Title:</b>	Early Years National Funding Formula
<b>Portfolio Holder:</b>	Councillor Liz Durham, Children and Families

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### 1. Report Summary

- 1.1. To seek approval to amend the funding to schools, private, voluntary and independent sector providers of the free early education entitlement for 2, 3 and 4 year olds in line with revised government guidance – Early Years National Funding Formula (EYNFF), December 2016.
- 1.2. This will be implemented on 1<sup>st</sup> April 2017.

### 2. Recommendation

- 2.1. Cabinet is requested to approve:
  - 2.1.1. The formula set out in Appendix 1a (93% pass through) for implementation from 1<sup>st</sup> April 2017 and Appendix 1b (95% pass through) for implementation from 1<sup>st</sup> April 2018.

### 3. Other Options Considered

- 3.1. A range of factors for the funding formula were considered within the limitations of the operation guidance from the DfE:
  - 3.1.1. Local Authorities continue to have the ability to use funding supplements. These are given in addition to the base rate to reflect local needs or policy objectives.
  - 3.1.2. The total value of supplements must not be anymore than 10%.
  - 3.1.3. Deprivation is a mandatory supplement.
  - 3.1.4. Discretionary supplements include: Rurality/sparsity; flexibility; quality; English as an additional language (EAL)
- 3.2. The DfE allocation to local authorities fluctuates based on the number of hours delivered. Therefore, the funding formula should be linked to the characteristics of the population rather than characteristics of the provider. The discretionary supplements outlined in 3.1.4 are linked to characteristics of the provision rather than the child. This can create instability in the funding model as take up shifts across providers.

3.3. A formula that gives the provider the opportunity to alter their hourly rate each year could result in a significant overspend due to the high pass through requirement. Similarly, the authority could fail to pass through the minimum requirement if providers reduce their hourly rate. This could only be controlled by revising the funding formula on an annual basis. This would not be practical and would prove an administrative burden on the Local Authority.

3.4. Further considerations:

3.4.1. SEN Inclusion Fund for 2, 3 and 4 year olds

3.4.2. Funding for the 2 year old Free Early Education Entitlement

#### **4. Reasons for Recommendation**

4.1. The Department for Education (DfE) will fund local authorities under the EYNFF from April 2017. The recommended formula both ensures sustainability of the childcare market moving from the current funding formula whilst targeting funds in to 'narrowing the gap' between children from disadvantaged areas and their peers.

#### **5. Background/Chronology**

5.1. From April 2017 all local authorities will be funded via the EYNFF. The reforms aim to:

5.1.1. Deliver fairer funding for local authorities via a national formula.

5.1.2. Maximise funding to providers by requiring local authorities to pass through the majority of funding to providers.

5.1.3. Deliver a new Disability Access Fund (DAF) that will award an annual payment of £615 to settings who support children aged 3 and 4 who are in receipt of disability living allowance and the free early education entitlement.

5.1.4. Additional funding for maintained nursery schools for the duration of this Parliament.

5.2. All providers of the Free Early Education Entitlement in Cheshire East were consulted, via an online survey, on the parameters of the EYNFF.

5.3. Detailed consultation and modelling of the formula took place on the 9 January 2017 with the Early Years Reference Group (EYRG), a sub-group of the Schools Forum.

5.4. The EYRG were seeking to create a flatter funding model, with the majority of funding via a universal base rate. The formulae recommended by the EYRG reduced the proportion of the funding awarded to children from disadvantaged areas when compared to the current formula.

- 5.5. The Local Authority recommended to the EYRG a formulae that increased the current proportion of additional funding for disadvantaged children.
- 5.6. After full consideration the status quo is recommended as outlined in appendix 1a and 1b that maintains the current proportion of additional funding for disadvantaged children.
- 5.7. The recommended funding model was presented to the Schools Forum on 26 January 2017 and noted.
- 5.8. The recommended formula meets the following objectives:
  - 5.8.1. High pass through rate of 93% in 2017/18 and 95% in 2018/19
  - 5.8.2. High proportion of the funding via the base rate
  - 5.8.3. Additional funding for children from disadvantaged areas
  - 5.8.4. Additional funding to support provision in rural areas
  - 5.8.5. All providers receive more funding than the previous formula
  - 5.8.6. An average hourly rate of at least £4

## **6. Wards Affected and Local Ward Members**

- 6.1. All wards affected.

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

- 7.1.1. One of the aims of the EYNFF is to create greater parity between the sectors in the payment systems via a higher and universal base rate. Policy implications relate to the proportion of the base rate in relation to any supplements and how the supplements are targeted.
- 7.1.2. The suggested supplements focus on 'narrowing the gap' between children from disadvantaged areas and their peers and sustaining provision in rural areas.

### **7.2. Legal Implications**

- 7.2.1. The EYNFF will fund the free entitlement to early years provision for 3 and 4 year olds across all sectors which is the authority's statutory duty under Section 7 of the Childcare Act 2006. It will also assist with the authority's delivery of its duty to secure sufficient childcare under Section 6 of the Childcare Act 2006.

### **7.3. Financial Implications**

- 7.3.1. The EYNFF funding allocation for 2017/18 is £17,231,003.

7.3.2. All providers of the free entitlement will receive an increase in funding based on the proposed formula. The proportion of funding targeted at disadvantaged area would be retained at the current level.

7.3.3. Centrally retained levels will be made in line with the new guidance, 7% 2017-18 and 5% 2018-19.

#### **7.4. Equality Implications**

7.4.1. None.

#### **7.5. Rural Community Implications**

7.5.1. Funding under the current formula provides additional funding for provision in rural areas in recognition of their limited ability to attract the numbers of children required to cover operating costs.

7.5.2. Additional funding should continue to be awarded to rural areas. Removal of this additional funding may undermine the sustainability of provision and lead to the authority failing to meet its sufficiency duty.

#### **7.6. Human Resources Implications**

7.6.1 If a number of supplements are introduced this would result on an administrative burden on the LA and could enable the funding to fluctuate (see 3.2).

#### **7.7. Public Health Implications**

7.7.1. None.

#### **7.8. Implications for Children and Young People**

7.8.1. Adequate and equitable funding contributes towards sustaining sufficient levels of provision for children to access their free early education entitlement. This is an LA duty.

#### **7.9. Other Implications (Please Specify)**

7.9.1. Failure to distribute the funding allocation in an equitable way across all sectors could impact on delivery of the extended free entitlement for working families from September 2017 when an additional 15 hours will be available for children from households in full employment. Childcare providers nationally have voiced concern that introducing 30 hours free childcare limits their ability to charge for additional hours. Providers may choose not to deliver the additional 15 hours if the prescribed rate is significantly less than the market rate, and the rate required to sustain their provision.

## 8. Risk Management

- 8.1. Application of the EYNFF could result in spend being more than the allocated budget should participation increase beyond that forecast. However, the DfE adjusts funding in the following year to take account of fluctuating take up. Therefore, the risk is cash flow rather than overspend. This risk is higher for delivery of the additional 15 hours than the universal 15 hours due to the DfE allocation for the additional 15 hours being based on 80% of the eligible population taking up 12 hours.
- 8.2. Take up and spend is monitored closely on a twice termly basis by Early Years and Childcare Team and the Accountancy Services.
- 8.3. Any emerging issues are reported immediately to Directors/Senior Managers.

## 9. Access to Information/Bibliography

- 9.1. Early Years Funding Government Consultation Response.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574040/Early\\_years\\_funding\\_government\\_consultation\\_response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574040/Early_years_funding_government_consultation_response.pdf)
- 9.2. Early Years National Funding Formula. Operational guide. Education Funding Agency. December 2016.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/580716/EYNFF\\_Operational\\_Guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/580716/EYNFF_Operational_Guidance.pdf)
- 9.3. EYNFF Local Authority Allocations Table, Education Funding Agency. December 2016.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574003/EYNFF\\_local\\_authority\\_allocations\\_table.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574003/EYNFF_local_authority_allocations_table.xlsx)

## 10. Contact Information

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