

**LONDON BOROUGH OF HAMMERSMITH AND FULHAM  
SCHOOLS' FORUM – 16<sup>TH</sup> JANUARY 2017  
REPORT BY HEAD OF RESOURCES  
EARLY YEARS FUNDING**

**Purpose of the report**

Key issues from the Early Years funding consultation

- Impact analysis on individual providers
- Transition arrangements and full time places
- Delivering the 30 hours – Local Authority communications strategy

**FOR INFORMATION**

**1. Early Years Consultation**

- 1.1. The Department for Education (DfE) consulted on the introduction of a national funding formula for Early Years (EY) provision on 11 August 2016.
- 1.2. The aim of the proposals are to ensure that funding is distributed “fairly and transparently” across the country from April 2017. Funding for three- and four-year-old additional hours for working parents will take effect in September 2017.
- 1.3. A report was submitted to the last Schools Forum providing key points relating to the proposed new formula and highlighting the potential impact on future EY funding for EY providers for whom the Local Authority commission free entitlement places.

**2. Implications for providers**

- 2.1 The new formula allocates funding to local authorities for the existing 15-hour entitlement for three- and four-year olds and the

additional 15 hours for eligible working parents. Funding in 2017-18 for the additional 15-hour entitlement (the 30-hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.

- 2.2 The additional 15 hours will be available to families where both parents are working (or the sole parent is working in a lone parent family) and each parent earns on average a weekly minimum equivalent to 16 hours at national minimum wage (NMW), or national living wage (NLW) and less than £100,000 per year. This includes those parents on zero contract hours who meet the criteria.
- 2.3 Parents will be able to apply for both Tax-Free Childcare and the 30-hour entitlement through a joint application system being developed by HMRC. There will be a short grace period for families whose circumstances change.
- 2.4 Further technical details of how the funding formula will work were announced on 1 December 2016. The main points were:
  - that the Government have increased the average hourly funding rates to local authorities to £4.94 (from £4.88) for three and four year olds as previously stated.
  - Funding has been allocated to local authorities on a formula based on a universal base rate and an uplift for additional needs based on free school meals, Disability Living Allowance and English as an Additional Language and uplifted by an Area Cost Adjustment.
  - The new Disability Access Fund (DAF) is equivalent to £615 per child per year to support access to free entitlements. Three- and four-year olds will be eligible for the DAF if they meet the following criteria:
    - the child is in receipt of child disability living allowance and;
    - the child receives free early education.

- EY providers are responsible for identifying eligible children. Providers will be able to use the parent declaration form template, due to be published by the DfE, alongside the Model Agreement in early 2017.
- The Government intends to legislate for authorities to establish a local inclusion fund for those with Special Educational Needs (SEN). The Local Authority will consult with the EY providers, parents and SEN specialists on the value of the local SEN inclusion fund and how the SEN inclusion fund will be allocated as part of the preparation of the local offer.

2.5 Local Authority permitted supplements in the new formula are capped at 10% as previously notified and specified as mandatory for deprivation. Allowable discretionary supplements are for rurality/sparsity; flexibility; quality and English as an Additional Language.

2.6 The current funding formula is as per Table 1.

**Table 1**

<b>Factor</b>	<b>Allocation</b>
Nursery Schools 15 hrs MFE	£7.00
Nursery Schools 15 hrs MFE - Deprivation	£1.12
Nursery schools 30 hours	£9.06
Nursery schools 30 hours Deprivation	£1.12
Primary FT	£4.04
Primary schools 15 hrs MFE	£4.08
Primary Schools 15 hrs MFE - Deprivation	£1.12
Primary schools 30 hours Deprivation	£1.12
Private, Voluntary and Independent Providers	£3.57
PVI 15 hrs MFE - Deprivation	£1.12

PVI 30 hours Deprivation	£1.12
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2.7 The Local Authority are modelling a new formula based on the requirement to limit the overall number of supplements to 10% of the total planned funding to be passed to providers.

2.8 Table 2 shows the total EY Block funding for 2017-18.

**Table 2**

EY Formula Funding (3- and 4-year old funding)	13,414,239
EY Supplementary Nursery Funding	302,026
15 hours additional hours - childcare policy	2,216,269
2-year old funding	1,210,300
Pupil Premium	95,766
Disability Access Fund	30,750
<b>Total EYF block funding</b>	<b>17,269,350</b>

2.9 The second stage of the data has increased funding of £302,026 for nursery school transition protection.

2.10 The Authority is permitted to retain 7% of funding in 2016/17, reducing to 5% in 2017/18 for centrally retained duties.

2.11 Table 3 details the pupil data received from the DfE.

**Table 3**

	<b>DFE Nos</b>
EYFF	2971.40
15 hours additional hours- childcare policy	490.90
2 year old funding	326.70

2.12 Based on the initial figures, this equates to a total hourly rate of £7.92 per hour. ( $\text{£}2,216,269 / 490.90 \times 15 \text{ hours} \times 38 \text{ weeks}$ ).

2.13 In preparation for the implementation of the new 15 hours, an indicative allocation for all providers is detailed in the table below.

2.14 The recommendation at this stage is to use a base hourly rate of £6.50 per hour for planning purposes. In the calculation of the indicative rate we have created a transition support funding provision of £0.08 per hour to provide for data changes and transition arrangements. This indicative rate is for planning purposes at this stage and may be subject to change once the full details have been announced by the DfE.

<b>Narrative</b>	<b>£</b>
<b>Indicative Hourly rate</b>	<b>7.92</b>
Less	
Centrally Retained duties	0.55
Supplement Funding (10%)	0.79
<b>Net Funding Rate</b>	<b>6.58</b>
Transition Support Funding	0.08
<b>Indicative Provider Funding Rate</b>	<b>6.50</b>

2.15 The Government have funded the 2-year old offer on the basis of £6.50 an hour. The current rates are £6.07 an hour.

### **3 Transition Arrangements and Full time places**

3.1 Prior to the introduction of the national funding arrangements for EY and the introduction of the 30 hours' childcare provision from September 2017, the Forum reviewed the allocation and continued delivery of full time places.

3.2 The DfE requires the Local Authority to have a uniformed rate for all providers from April 2019. Additionally, there needs to be a clear

transition plan agreed by the forum of any transitional arrangements.

- 3.3 The funding changes represent a significant challenge to the sustainability of individual provisions across the Local Authority.

#### **4 Delivering the 30 hours – Local Authority communication strategy**

- 4.1 By the end of January 2017, Officers will commence an extensive programme of consultation and engagement events with providers which will continue through to introduction in September 2017.
- 4.2 Initial engagement through provider forums planned for February will be to identify and confirm interest in delivering the additional 15 hours amongst providers, including: maintained nurseries, Private Voluntary & Independent (PVI) and childminders.
- 4.3 This will be followed by business planning workshops during February and March to share cost modelling tools and scenarios based on successful delivery models from 'Early Implementation' Local Authorities.
- 4.4 The Local Authority will also undertake both web based and direct information sharing events to engage and inform parents about the 30-hour childcare offer. This engagement will begin in February and will also serve to inform the Local Authority and providers of local demand.
- 4.5 Over the next month, the Family Information Service (FIS) will have links to factsheets and FAQs to address specific queries raised by parents and providers. Hard copies of documentation will be distributed across EY settings including Children's Centres as well as Job Centres and the Council's Customer Service Centres.
- 4.6 The Local Authority is currently working with the DfE and IT system providers to develop systems to support the integration of the HMRC eligibility checker. It is anticipated that the new system will be in place by June 2017.

4.7 In recognition of the challenging timeline for implementation and delivery, the Local Authority has identified a dedicated resource to provide the necessary support to providers and to project manage the implementation and delivery.

## **5 Recommendations**

5.1 To continue to deliver the current full time places until the academic year 2018/19.

5.2 Agree the indicative funding rate of £6.50 per hour for the introduction of new 15 hours funding entitlement and communication strategy and engagement.

5.3 Agree transition arrangements for adoption of unified rate.

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## **Background papers**

Full details, along with supporting documentation, can be found via the following link:

- <https://consult.education.gov.uk/early-years-funding/eynff>
- Early years national funding formula: allocations and guidance - Publications - GOV.UK