****

**Consultation on the changes to the Early Years Funding Formula from April 2017**

Relevant to:-

* Nursery Schools
* Nursery Classes in Primary Schools
* Private, Voluntary and Independent Early Years providers
* Approved Childminders

# Introduction

As a result of the Government delivering its manifesto commitment to double the childcare offer to 30 hours per week for working parents of three and four year olds, changes are being made to how funding is allocated to Local Authorities to enable a fairer and more equitable distribution across the country.

This does not replace the existing offer of 15 hours (570 hours per year) for all three and four year olds and targeted two year olds.

The government consulted on the national early years funding formula in September 2016and published its response on the 1st December (<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>). The document details both how the national funding formula will work and the level of funding local authorities will receive.

This consultation seeks to set out the context, process and recommendations for how funding for the Early Education Entitlement (EEE) will be allocated in 2017/18, including proposals for both centrally retained funding and rates for providers in Birmingham.

# Consultation Process

## Timeline

A final decision is required by the 28 February 2017 in order to allow publication of indicative budgets and it must be agreed through Schools’ Forum. The timeline is set out below:-

Friday 13 January Draft proposals our for consultation for a 3 week period

Tuesday 17 January Discussed at Early Years Forum

Weds. 18 January Discussed at Primary Forum

Thurs. 9 February Final proposals to Cabinet Member

Weds. 15 February Outcomes reported to Schools Forum for agreement

Friday 31 March All providers issued with indicative budgets for 2017/18 using the new approved Early Years Funding Formula.

## Why are we consulting?

Birmingham City Council’s Early Years Childcare and Children’s Centre Service is required to fund early education using the new national formula from April 2017. We are consulting on proposed changes to the hourly rates for three and four year olds using the new formula; the proportion of funding that is centrally retained; and the supplements that will be applied.

We need your views on our proposals.

Your views will be taken into full consideration when we finalise our plans which will go to the Cabinet Member for Children, Families and Schools and Schools Forum for approval during February 2017.

## Who will be affected by this consultation?

The consultation is aimed at early year’s professionals, providers of nursery schools/classes, childcare providers from the private, voluntary and independent sectors, early years professionals, neighbouring local authorities and the general public.

## How to respond

Please use this to form to tell us what you think about the proposals. Email the completed form to EarlyYearsReview@birmingham.gov.uk by Friday 3 February 2017.

Alternatively, you can complete an online version of the form at: <https://www.birminghambeheard.org.uk> [Insert short link in here]

# Current Funding Arrangements

Each Local Authority receives an hourly funding rate from the DfE through the Dedicated Schools Grant (DSG). Currently, a very small amount of this is retained centrally to support some early years services, an amount is retained centrally to provide funding for full-time places, and the remainder is distributed to early years providers using the local Early Years Funding Formula (EYFF).

In Birmingham there is currently a base rate for each provider:-

* Maintained Nursery School - £6.20 (plus lump sum)
* Schools with a Nursery Class - £4.86
* PVI (inc. Childminders) - £4.03

In addition there is a deprivation supplement which is added to the base rate when a child lives within an identified postcode according to the Index of Multiple Deprivation as follows:-

* 0-5% SOA - £0.59
* 5-10% SOA - £0.28
* 10-20% SOA - £0.08

Children that attend a setting before and after the lunchtime period as part of their early education entitlement can also qualify for Free School Meals.

# Context

An annual cycle of rates review was started in 16/17, working in partnership with sector representatives and Schools Forum to shape proposals for the Early Years budget and set rates for Early Education in line with DfE guidance and local priorities.

Funding rates for 2017/18 were announced by DfE late December 2016, with an expectation that LAs would consult on local funding in order to set budgets in March 2017.

There have been ongoing discussions with sector reps and Head Teachers to work through anticipated and now actual challenges related to funding from 2017/18. However, it is fair to report that the confirmed actual reduction in EEE funding rates for Birmingham children, at the maximum 5% reduction allowed under national minimum funding guarantee, is a worst case scenario for early education.

Transitional protection will be applied to Birmingham by the DfE for a period of three years.

In light of the actual funding announced, recommendations for funding rates in 2017/18 and beyond are set out within this document. These have been modelled over three years in line with the information available on transitional protection arrangements.

There is a requirement by the DfE that all settings are funded at the same rate by 2019/20, with additional specific protection provided to maintain nursery school funding at current levels within the funding allocations that have been announced.

# Local Authority Requirements

There are now a number of requirements for LAs which are intended to ensure that funding is fairly distributed to providers. The main changes are:-

* A minimum amount of funding that must be passed through to providers (93% in 2017/18 and 95% thereafter).
* A universal base rate for all types of provider to be set by LAs by 2019/20 at the latest.
* Supplementary funding for Maintained Nursery Schools for the duration of this parliament.
* Reforms to mandatory and discretionary supplements LAs are able to use with a maximum 10% cap on the amount of funding that can be used.
* The introduction of a Disability Access Fund linked to children that access Disability Living Allowance.
* A requirement for LAs to establish a SEND inclusion fund (this is already in place in Birmingham – ISEY).

# Guiding Principles

When working through options for funding rates and centrally retained expenditure, the following guiding principles have been used as anchor points for reviewing proposals:-

* Is it safe? Proposals secure everything we can do to ensure that every child is protected from harm.
* Is it fair? Proposals support the principle that very child is entitled to an equal chance of the very best start in life.
* Is it sustainable? Proposals support a model that will continue to be delivered within available resource.
* Does it deliver quality? Proposals ensure we support quality and best practice across all early education settings.

# Assumptions behind the rates proposals

## Numbers and patterns of take-up

The rates that are being proposed are based on current numbers and distribution of children across different types of provision. This means that there are risks of either funding shortfall or surplus funding if the number of children taking up EEE funded places changes or the balance of provision changes across the three types of provision.

There are specific challenges in 2017/18 arising from the introduction of 30-hour funded places for working parents; it is extremely difficult to predict where these funded places are most likely to be provided/taken up and this creates additional uncertainty in the financial model. In addition, we are in period of declining birth rates but have scope to improve take-up substantially to off-set birth rate reduction.

The following mitigations will be clearly communicated to all stakeholders:

* Rates are subject to review during the course of the year to mitigate risk of funding shortfall that would place funding for future years in jeopardy.
* In the event that there is surplus funding, options as to how this may be utilised in-year or in subsequent years rates will be considered and communicated with all stakeholders.