

Cabinet (Resources) Panel

25 April 2017

Report title	Nursery Education Funding	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Val Gibson Children and Young People	
Key decision	Yes	
In forward plan	No	
Wards affected	All	
Accountable director	Linda Sanders, Strategic Director, People	
Originating service	Early Intervention	
Accountable employee(s)	Andrew Wolverson Tel Email	Head of Early Intervention 01902 551272 andrew.wolverson@wolverhampton.gov.uk
Report to be/has been considered by	Schools' Forum People leadership Team Strategic Executive Board	19 February 2017 27 March 2017 11 April 2017

Recommendations for action or decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the basis for the allocation of Nursery Education Funding for 2, 3 & 4 year olds as set out in the report.
2. To approve the spend of the identified early years funding as set out in paragraph 5.1

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. The outcome of the public consultation that was carried out in relation to the implementation of a new funding formula.

1.0 Purpose

- 1.1 The purpose of this report is to outline the proposed allocation of early years funding for 2, 3 & 4 year olds and to seek approval of the spend for 2017-2018. The report will also outline the consultation that has been undertaken with early years providers and other key stakeholders and how this has supported the development of the formula.

2.0 Background

- 2.1 In August 2016 the Department for Education (DfE) commenced a consultation exercise on the future of funding for early education. The consultation also sought views on the implementation of the 30 hours offer for working parents. A response to the consultation was published by the DfE in December 2016 with the expectation that local authorities would then commence their own local consultation.
- 2.2 The DfE's Early Years National Funding Formula guidelines set out the intention to introduce a single base rate for schools and childcare providers in the private, voluntary and independent sector.
- 2.4 In addition to the base rate, several parameters for supplementary payments have been introduced by which the new formula should be constructed at a local level and provided some discretionary items that should be considered. Deprivation is a mandatory requirement, however, discretionary supplements of flexibility, English as an additional language, quality, rurality and sparsity could also be implemented.
- 2.5 The greatest risks to the implementation of the single formula would be the resistance to having a standardised base rate as traditionally Wolverhampton have insisted on having rates for each different sector, however, the new proposed base rate should provide a marginal increase for all sectors (other than nursery schools) and therefore it is anticipated that this will provide the compelling argument for moving to a single rate.
- 2.6 The second and most significant risk is the reduction in funding to nursery schools, of which there are seven in the city. The DfE have recognised this risk and committed to providing transitional funding for the period of this parliament which will ensure that the current funding levels can be retained. During this transitional period officers will work closely with nursery school heads and governors to explore operating models that provide sustainability going forward.

3.0 Consultation

- 3.1 In accordance with DfE guidelines consultation was undertaken during the period 9 December 2016 to 9 January 2017 with schools and childcare providers via online survey. There was a total of 33 responses, the outcome of which are outlined below. Of the respondents 46% were Day Nurseries, 27% were Maintained Schools, 12% were Nursery Schools, 12% were Playgroups and 4% were Independent Schools.
- 3.2 Four key consultation questions were posed to early years providers in the maintained, private, voluntary and independent sectors:

1. Do you agree with the proposed funding rates?
2. Do you agree with the proposed supplements?
3. Which other supplements, if any, would you like to see?
4. Do you agree the SEN funding should be implemented in September 2017

3.3 33 responses were received with the following outcomes:

- 76% agreed with the proposal regarding funding rates
- 79% agreed with the proposal regarding the deprivation factor and inclusion fund from the hourly rate
- 1 respondent suggested an English as an additional language supplement
- 85% agreed that SEN funding should be implemented no later than September 2017

4.0 Wolverhampton's Proposed formula

- 4.1 As a result of the consultation exercise and in line with the guidance for formula development set out by the DfE the proposed formula for the future funding of 2,3 & 4 year old nursery education has been developed.
- 4.2 Base rate:
- 4.2.1 A single base rate for all providers for two year old nursery places of £5.24. This rate reflects the base rate set by the DfE and recognises the higher staff ratios required in this age range.
- 4.2.2 A single hourly rate for all providers for three and four year old nursery places of £4.25. This will be paid for all children accessing the 15 and 30 hour entitlement.
- 4.3 Deprivation supplement:
- 4.3.1 35p per hour has been deducted from the base rate of £4.68 allocated by the DfE. This has been amalgamated into a single budget and re-distributed as a lump sum payment to all settings based on the postcodes of the children accessing the setting within the last academic year. Settings are allocated a banding which is generated using a national database provided by the Education Funding Agency.
- 4.4 Special educational needs inclusion fund:
- 4.4.1 Local authorities are required to establish a SEN inclusion fund to better address the individual needs of children with SEN. It is proposed to allocate 8p from the base rate of £4.68 allocated by the DfE to establish this fund. This funding will be accessed by providers through the Local Authority on a case by case basis and allocated through top up grants.
- 4.5 Disability access fund:
- 4.5.1 This is a separate fund identified by the DfE to support children in receipt of disability living allowance access a one-off payment of £615 per year to support them in accessing their free entitlement through reasonable adjustments or building capacity. Providers will directly claim this payment through a locally hosted system and signing a declaration form outlining eligibility.

4.6 Nursery School transitional funding:

4.6.1 An identified fund of £1.0million has been allocated by the DfE as part of their commitment to supporting nursery schools for a transitional phase lasting for the period of the current parliament. It is proposed that the whole fund is used to retain the current funding rate for nursery schools of £6.39 per hour and to maintain supplements in line with the previous formula, ensuring budgets remain largely the same. Any surplus budget within the fund will be used to bring in external support for governors and headteachers to develop a future sustainable operating model.

5.0 Financial implications

5.1 The initial funding allocations for 2017-18 were issued in December 2016 and provided funding of £11.8million for 3 & 4 year olds with a further allocation of £1.3million to support the increase to 30 hour provision in September 2017 and £3.6million for supporting 2 year olds. These allocations are adjusted in year to reflect actual participation rates.

5.2 A supplementary grant of £1.0million has been provided to protect the funding of Maintained Nursery Schools and an additional grant of £70,000 will support settings in meeting the needs of pupils eligible for Disability Living Allowance.

5.3 The hourly rates for 3 & 4 year olds referred to in paragraph 4 are summarised below.

	£ per hour
Basic Hourly Rate	4.25
Deprivation	0.35
SEN Inclusion Fund	0.08

5.4 Based on the provisional data (which will be reviewed to reflect actual participation) the initial funding of provider settings is £12.0 million and is contained within the DfE allocation and which also allows a further contingency of £315,000 for increases in participation rates
[AV/23032017/F]

6.0 Legal implications

6.1 The changes to the Early Years National Funding Formula must be fully implemented by 2019/20 in line with the guidance set out by the DfE
<https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance>
[RB/27032017/Q]

6.0 Equalities implications

6.1 The DfE have introduced a requirement for local authorities to set up a SEN Inclusion Fund within their local funding systems. The fund will be created to allow local authorities to work with individual providers to identify resources required for providers to meet the needs of individual children with special educational needs.

6.2 In addition to this the formula is required to have a deprivation supplement to ensure that the most disadvantaged children receive additional funding, therefore supporting settings in being able to close the gap between the most disadvantaged and the rest.

7.0 Environmental implications

7.1 None identified

8.0 Human resources implications

8.1 None identified

9.0 Corporate landlord implications

9.1 None identified

10.0 Schedule of background papers

10.1 None identified