

Funding Early Years Education in Haringey

– Providers Details

Why are we consulting?

The government is proposing to change the way early years education for all 3 & 4 year old children is funded from April 2017 and has asked all local authorities and childcare providers for their views on the proposal to have a national funding formula for the Early Years Block of the Dedicated School Grant (DSG).

A national funding formula will decide how much early years funding is given to each local authority area. Government proposals will mean changes to the way providers of early years education will get paid for each child and how each local authority is able to support the cost of ensuring that enough high quality early education and childcare is available in their area.

Information about indicative funding levels and rates for 2017-18 and 2018-19 was circulated by the Department for Education (DfE) as part of the government's consultation exercise and has given us an idea of what Haringey Council might receive in total funding over the next two years.

Table 1. Haringey's current and indicative funding levels for delivery of the 3 & 4 Year Old Free Entitlement

2016-17	2017-18	2018-19
£	£	£
10.224m	13.939m	15.634m

The proposed changes will mean Haringey's current Early Years Single Funding Formula (EYSFF) will need to be revised and may mean that some early years education and childcare providers see an increase in the basic hourly funding rate they are paid for 3 and 4 year old children accessing their free early education entitlement. We know that, across the borough, we have a wide range of providers offering the free early education entitlement and therefore, it is important that we understand the impact of these potential changes on our early years sector, ahead of the Council making any decision on a new EYSFF for Haringey.

The government's consultation closed on 22nd September 2016 and we expect their response to the feedback during autumn 2016. The proposed changes are expected to begin from April 2017. This timescale means that, in Haringey, we would like to plan for potential changes to our Early Years funding sooner rather than later.

In light of this, we are launching a local consultation with the early years sector on aspects of change that will have an impact on the delivery of the free early education offer and the childcare business as a whole.

Background

Haringey Council has a statutory duty to provide funding to Early Years and Childcare Providers offering the free entitlement using an Early Years Single Funding Formula (EYSFF). In Haringey, our existing EYSFF has been operational since 2011.

In March 2016, the Childcare Act 2016 was passed. This provides for an extended entitlement of up to 30 hours of free early education in each of 38 weeks in any year for the eligible three and four year old children of working parents. The Government is planning for the extended entitlement to be introduced from September 2017.

As part of planning for the expanded free early education offer, the government set out to consult the early years sector and stakeholder on proposals for:

- the way in which the three and four year old free entitlement is funded
- the levels of funding for the free early education entitlement for 2, 3 and 4 year olds to local authorities
- indicative funding rates for providers
- how local authorities are expected to administer the entitlements
- the amount of funding that can be centrally retained by local authorities

The proposals underpin the most significant changes to early years funding arrangements since 2010/11.

Summary of government proposals

The government has developed proposals for a new national funding formula for early years which will inform the levels of Dedicated School Grant (DSG) Early Years block funding councils are likely to receive from April 2017 onwards and how providers will be funded for delivering the current universal 15 hour per week free entitlement offer and the forthcoming additional 15 hour per week offer for eligible 3 & 4 year old children of working parents.

Key points

- DSG Early Years funding levels will continue as 'participation' based funding.

3 & 4 year olds

- The EYSFF will apply to existing 15 hour entitlement and to the additional 15 hours from Sept 2017. The funding rate, to LAs and for providers, will be the same for both elements.

- High minimum threshold for proportion of funding passed to providers: 93% of the funding received by the Council for the delivery of the 3 & 4 year old free entitlement in 2017-18, rising to 95% from 2018-19 onwards.
- A deprivation factor supplement, added to the universal base rate, remains mandatory,
- LA can choose the metric to apply e.g. IDACI or FSM and the amount paid.
- LA discretionary supplements limited to: Flexibility, Efficiency and Delivery of the additional 15 hour offer. The LA would be able to choose which, if any to apply

Eligible 2 year olds

- Uplift to the 2 year old funding rate. From £5.28 to £5.66 per hour.

Early Years Pupil Premium (EYPP)

- This separate funding stream, to be applied to provider funding rate, will continue unchanged at £0.53 per hour for each eligible 3 & 4 year old child.

Local authorities have been advised by the government to use the proposals set out in its consultation document to develop local funding formula for 3 and 4 year old funding and to progress local consultation and decision-making in readiness for implementation of new proposals from April 2017. The government has indicated that their response to the consultation and notification of final funding allocations are likely to be made available in the autumn of 2016 from which Local Authorities can develop their respective local funding formulae for allocating funding to providers from April 2017.

Details of our proposals

A. Base Rate

The base rate is the unit of funding paid hourly to providers for each child accessing the 15 hour per week free entitlement. . Haringey's early years single funding formula (EYSFF), currently pays a base rate that differs according to provider type and size.

Under the government proposals, a universal base rate will be introduced for delivery of the 15 hour per week free entitlement and, from September 2017, for delivery of the additional 15 hours per week entitlement for eligible children.

What the government have proposed

The government proposes that authorities introduce a universal base rate, into their local funding formula by 2019/20.

What this means in practice

In Haringey, this will mean making changes to our current EYSFF to incorporate a new universal base rate. Indicative figures provided by the government suggest that the Council will be funded at a rate of £5.66 per hour per child from April 2017.

The application of the government's proposed caps on the proportion of this funding rate that can be centrally held by the Council, and also on the proportions that can be paid to providers as supplements, implies a universal base rate for funding providers in Haringey of £4.74 per hour per child.

Appendix 1 below shows how the universal base rate has been calculated for Haringey;

Appendix 1

Determining a base rate for Haringey

	<u>£/hr</u>
LA illustrative Hourly rate 2017-18 (£/h)	5.66
Less: LA Centrally retained funding (7%)	(0.40)
	<hr/> 5.26 <hr/>
Less: Supplements capped @ 10%	(0.52)
Indicative universal Base rate paid to providers	<hr/> 4.74 <hr/>

Table 1 below shows a comparison between the current (2016-17) base rates and the proposed universal base rate. It shows that there is an increase in the base funding rate for all providers.

Table 1. Comparing 2016-17 base funding rates with proposed rate for 2017-18

Provider Type	Base Rate 2016-17 (£/h)	Proposed Base Rate 2017-18 (£/h)	Increase / (decrease) in Base Rate (£/h)
PVIs (count of 1-32 3&4 Year Olds including Childminders)	4.27	4.74	0.47
PVIs (count of 33-48 3&4 Year Olds)	3.86	4.74	0.88
PVIs (count of 49-64 3&4 Year Olds)	3.67	4.74	1.07
Children's Centres	3.47	4.74	1.27
Primary Nursery Classes	3.37	4.74	1.37
Maintained Nursery	3.95	4.74	0.79

Our preferred option:

- To introduce the proposed universal base rate per hour per child into Haringey's EYSFF for providers of the three and four year old free entitlement from April 2017**

Reason why this is our preferred option

- Indications are that the introduction of the implied universal base rate of £4.74 will see an increase in the base funding rate for all providers
- A universal base rate provides a more streamlined and transparent method for allocating funding
- A universal base rate is more equitable
- An increased universal base rate ensures that the largest proportion of funding is directly paid to the providers
- We believe that this could be introduced with minimum turbulence in the market.

Alternative options;

- Keep the current differential rate within the EYSFF until 2019-20, when it will become mandatory to have a universal base rate.**

What would it mean?

- We believe that it could mean providers may miss out on a significant level of funding.
 - The proposed cap on supplements and centrally retained funds from 2017/18 would not allow for unallocated funding to be distributed to providers through supplements or retained centrally by the Council.
3. **To phase in the implementation of a proposed universal base rate by increasing current base rates by an indicative 5% per year until 2019-20:**
- 2017/18 increase the current base rates by 5%
 - 2018/19 increase base rates by a further 5%
 - 2019-20 set universal rate per hour per child for all providers

What would it mean?

- Phasing would present some significant challenges as providers are currently paid differential base funding rates. It is unlikely that it would be possible to find a fair and equitable system for phased increase that means no providers is unduly disadvantaged by the allocation of funding in this way.
- If the progression towards a universal base rate is implemented in phases, caps on supplements and centrally retained funds from 2017/18 would mean unallocated funding cannot be distributed to providers or retained centrally by the Council.

Deprivation Supplement:

Supplements are additional payments the council makes to providers for children who require additional support as a result of their individual circumstances.

What the government have proposed

The government expects all Local Authorities to have in place a mandatory deprivation supplement with the underlying indicators of deprivation being the 'income deprivation affecting children index' dataset (IDACI), Free School Meals (FSM) or both. The deprivation supplement should be based on the child level definition of eligibility rather than on characteristics at the setting level.

The government has proposed a 10% cap on the level of funding that can be paid out to providers as supplements. The new proposals maintain the deprivation supplement as mandatory, and this will be the **only mandatory** supplement.

What this means in practice

Based on our calculations, (see appendix 1 above) an amount of £0.52 per hour per child would be available for allocation as supplements to all providers.

In Haringey, the deprivation supplement is currently set at £0.50 per hour per child and paid in addition to the base rate.

Our preferred option:

- 1. To set from 1st April 2017 a mandatory deprivation supplement of £0.40 per hour per child from April 2017.**

Reason why this is our preferred option

- We recognise deprivation as a significant factor in Haringey and its impact on outcomes for children.
- In recognition of this the proportion of the total supplement funding, paid as deprivation supplement will change from £0.50 out of an average hourly supplement funding total of £1.08 (46%) in 2016-17 to £0.40 out of the indicative hourly supplement funding total of £0.52(76%).

B. Discretionary Supplements

What the government have proposed

The government has stated that local authorities should continue to supplement their universal base rate by providing additional funding to providers for particular purposes but are seeking to restrict the use of supplements within local authorities early years single funding formulae to a limited set of possible supplements. Within their consultation, the government proposed that local authorities have the discretion to fund supplements concerning rurality/sparsity, flexibility, efficiency and delivery of the additional 15 hours free childcare.

What this means in practice

The Council would have some discretion to introduce supplements that enable them to respond to market conditions locally.

Our preferred option:

To introduce a discretionary supplement of £0.12 per hour, per child, targeted towards supporting providers in the delivery of the additional 15 hours per week from September 2017. We are proposing to pay this supplement only in the first year of a provider offering the additional 15 hours to help mitigate transitional challenges. The funding will, however, not be paid to providers beyond one year, as we expect the number of providers offering the 15 hours to increase year on year.

Reason why this is our preferred option

- The intention is to support sustainability for Haringey providers.
- Those settings that decide to provide the additional 15 hours of childcare from September 2017 would attract a supplement in recognition of the initial challenges that this model can bring and the need to remain viable in spite of these challenges.
- We would target this supplement to settings as a 'growth' or 'new places' supplement to offer additional money for new capacity where it is genuinely required to meet parental demand
- We believe that transitional support will allow providers to better plan for sustainability.

D. The free early education entitlement for two year olds.

What the government have proposed

The government have proposed an increase to the current funding rate local authorities receive for the delivery of the 2-year old programme. This would mean the hourly funding rate received by the Council would be increased from £5.28 to £5.66 from April 2017.

What this means in practice

The government currently pays the Council a funding rate of £5.28 per hour per child for the delivery of the 2-year old programme. Providers in Haringey are currently paid an enhanced rate of £6 per hour, paid for by ring-fenced DSG funding. We know that this enhanced rate of £6 is not sustainable in the longer term, and if patterns of take-up and expenditure remain at current levels, indications are that we will only be able to maintain a £6 per hour provider funding rate until 2021.

Our priorities going forward are to:

- Establish a sustainable funding rate for the 2 year old place provision and manage the transition from Haringey's current funding rate levels to the rate at which the council are funded.
- Safeguard the sufficiency of 2 year old places in the short to medium term, given the introduction of the 30 hour offer from September 2017.

Our proposed options

In light of the information above, we would like to hear your views on the following three possible options:

Option 1 - To begin funding all providers delivering the 2-year old programme at the new government funding rate of £5.66 per hour per child from April 2017.

Impact of this change

- This will constitute an immediate reduction in funding for all providers

Option 2 - To maintain the enhanced funding rate of £6 per hour per child for 2017-18 and then begin tapering the funding in 2018-19 as follows:

- 2017/18 - £6.00 per hour per child
- 2018/19 - £5.83 per hour per child
- 2019/2020 -£5.66 per hour per child

Impact of this change

This will mean a gradual adjustment over three financial years, implementing the government funding rate in year 3

Option 3 - To maintain the enhanced funding rate of £6 per hour per child for 2017-18 and 2018-19 and begin tapering the funding from April 2019-20 as follows:

- 2017/18 - £6.00 per hour per child
- 2018/19 - £6.00 per hour per child
- 2019/20 - £5.83 per hour per child
- 2020/21 - £5.66 per hour per child

Impact of this change

- This will mean a gradual adjustment over four financial years, implementing the government funding rate in year 4.