

Milton Keynes Council

Early Years Funding Consultation – Proposed Changes to Early Years Funding Formula

Autumn 2016

Date Consultation issued: 17th October 2016

Closing date of Consultation: 11th November 2016

Purpose of the consultation:

The recent Department for Education consultation into early years funding outlined new requirements for Local Authorities to include within their local funding formula. This consultation is to get your opinions on the components of a revised early years funding formula for three and four year olds and the timeline of the implementation of the formula, both within the parameters of the national policy.

Responses to this consultation will be considered by the Early Years Reference Group in late November and the Schools Forum in December, before a final decision is made. **Changes resulting from this consultation will be implemented from April 2017.**

The outcome from this consultation will affect the way your school/establishment is funded from April 2017.

List of Consultees:

- Head teacher and Chair of Governor of maintained Primary schools with a Nursery class
- Head teacher and Chair of Governor of maintained Nursery schools
- Head teacher and Chair of Governor of maintained Special schools with a Nursery class
- Private providers of the Early Years Free Entitlement
- Voluntary providers of the Early Years Free Entitlement
- Independent providers of the Early Years Free Entitlement
- Childminders providing the Early Years Free Entitlement
- Pre School Learning Alliance
- National Childminding Association
- Councillors
- Professional Associations
- Unions
- Other interested parties

How to Respond:

Please email your response sheet to:

nursery.education@milton-keynes.gov.uk

Or post your response sheet to:

Julie Godwin
Early Years Education Funding
Milton Keynes Council
Saxon Court
502 Avebury Boulevard
Central Milton Keynes
MK9 3HS

The closing date is Friday 11th November 2016.

Background

In August 2016 the Department for Education (DfE) launched a [consultation](#) outlining proposed changes to Early Years Funding under a national funding formula. This consultation only affects funding for three and four year olds with two year old funding remaining unchanged.

The Local Authority (LA) engaged with the Early Years Reference Group in September 2016 and used this feedback to submit a formal response ahead of the consultation response deadline of 22nd September 2016. Individual providers were also encouraged to respond directly.

The DfE consultation document outlined:

- That there will be a national funding formula to reflect how LA's are funded for early years entitlements to ensure consistency across the country.
- The need for this funding to still be distributed at a local level by LA's but with rules and parameters to be attached to this to ensure consistency across the country (whilst allowing for local direction to target funding to areas of local priority) and to also ensure the significant majority of funding is passed onto providers.

Overview of the Proposed Changes

Nationally the government has committed an additional £300m per year to uplift the average national early years funding rate paid to providers to £4.88 per hour. This means the funding rates received by LAs have been uplifted and it is expected that LAs will pass this uplift onto providers.

The indicative figure for Milton Keynes in 2017/18 is £5.01 rising to £5.24 in future years (£4.02 in 2016/17), however the actual rate paid to each provider will vary according to how much funding is held centrally by each LA and how much is allocated through the supplementary factors.

The new extended free entitlement to childcare from 15hrs to 30hrs a week for working parents will be implemented from September 2017 and will be funded according to the same national funding formula proposed for the 15hrs provision.

The local authority is consulting Early Years providers in Milton Keynes on the principles of making these changes prior to confirmation of the national regulations. A further consultation is proposed early in the New Year once the outcome of the national consultation is known.

Implications on the Local Funding Formula

The DfE consultation proposed a number of changes to the funding formula, some of which will be compulsory and some of which will be decided at LA level.

Below is a summary of the changes proposed:

Compulsory Changes

- There will be no lump sum allowable. There will be temporary transition funding to support nursery schools as these providers will be the most significantly affected by this change.
- The quality factor will no longer be an allowable supplement within the formula because quality should be expected as standard from all providers.
- Deprivation will remain a compulsory factor in the formula but local authorities can still decide how this is distributed.
- A single provider base rate will be compulsory.

Areas for Consideration

Implementation Timeline

The new national funding formula allocation from Central Government to LA's will come into effect from April 2017, however LA's will be allowed some transition time to make the required changes to their local formulas, and as a result have until 2019/20 to be fully compliant. This timeline is intended to support LA's who have significant changes to make although the DfE are encouraging all LA's to implement sooner if possible.

The current Milton Keynes funding formula is not significantly different to that proposed under the new national requirements and as a result we are proposing to implement a single provider base rate from April 2017, with the exception of maintained nursery schools.

Maintained nursery schools currently receive a lump sum within the funding formula allocation which will not be allowable going forward, so they will need some additional time to transition to the single provider base rate so as not to destabilise their operations.

Q1: Do you agree that the single provider base rate should be implemented with effect from April 2017?

Supplementary Formula Factors

There will be a number of additional supplements that will be allowable and LA's will need to decide at a local level whether they wish to include these in their formulas (based on the need and issues facing providers in their local area). The maximum amount of provider funding that can be passed through supplementary factors is currently proposed to be 10%.

The different supplementary factors have been discussed at the Early Years Reference Group and we would now like to seek your views on which of these should be included in the new funding formula.

The following supplementary formula factors are allowable within the new regulations:

- Deprivation. This is a factor that we currently use and will be the only mandatory factor required in the local formula under the new regulations. LA's will still have discretion as to how this is calculated.
- Rurality / Sparsity. This supplementary factor is intended to protect small scale providers who have less ability to exploit economies of scale and reduce under occupancy. This factor was discussed at the Early Years Reference Group (EYRG) and although there was a consideration that this may be a useful supplementary factor for some LA's, it was felt that this would not be needed in Milton Keynes.

Q2: Do you agree that this supplementary factor should not be used within the revised local funding formula?

- Flexibility. This supplementary factor is intended to reward providers who are able to offer a more flexible offer to parents, for example wraparound care or removing restrictions on parents who want to compress their free childcare. This factor was discussed at the EYRG and they felt that although this could act as an incentive to some providers, it could adversely affect providers who were unable to offer this and therefore they did not support this.

Q3: Do you agree that this supplementary factor should not be used within the revised local funding formula?

- Efficiency. This supplementary factor is intended to reward and recognise providers who make optimum use of their income and who share strong business models with other providers. The EYRG also thought that this incentive would reward providers doing well when in these cases it is often not these types of providers who require the most financial support.

Q4: Do you agree that this supplementary factor should not be used within the revised local funding formula?

- Delivery of the additional 15 hours free childcare. This factor would financially incentivise those providers able to offer the full 30 hours of free childcare. Similarly to the flexibility factor, the EYRG felt that some providers may not be able to deliver this and therefore may not seem fair.
- However establishing a growth fund to support new providers or providers that want to increase the number of places but require one off funding to support initial set up costs was supported by the EYRG. The DfE have asked for views on how the creation of places could be supported within early years funding and the LA have suggested that a growth fund with a fixed funding amount per place payable as a lump sum and which would be linked to achieving a certain quality outcome and would only be provided where places are needed (so as not to adversely affect other providers) would be a sensible way to ensure additional places can be created.

Q5: Delivery of the additional 15 hours: The LA proposes not to include a supplementary factor in the local funding formula to provide additional funding to providers that are able to deliver the 30 hours free childcare, but to establish a growth fund to support the creation of new places. Do you agree?

In summary, the view from the EYRG was that the revised funding formula should be kept as simple as possible to ensure it was easy to understand which would also make it easier for providers to forecast future income based on differing levels of take up. As the total use of supplementary funding cannot exceed 10%, it was felt that some of the factors didn't target funding in the right way and that any use of these would reduce the level of funding that could be passed through the deprivation factor which was felt to be the most appropriate way to target additional funding.

Central Funding

LA's are allowed to hold up to 5% of central funding each year (7% in the first financial year). This is intended to ensure that the significant majority of funding will be passed onto providers.

This is intended to cover and support the LA's role in delivering free early education including the legal duty to secure sufficient early education places (including working with new providers and those looking to expand their provision), supporting improvement in early years and the need for the LA to administer the entitlements.

Q6: Do you agree that it is reasonable for the Local Authority to hold up to 5% of funding centrally?

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Milton Keynes Council

Early Years Consultation Response Sheet

Please indicate your response to the questions by circling your answer. It would be helpful, particularly where you are disagreeing with any question, to know the reasons for your response. If you have alternative suggestions please include those in your answer too.

Name:	
Position:	
School/Provider Name:	

Implementation Timeline

Q1: Do you agree that the single provider base rate should be implemented with effect from April 2017 (with the exception of maintained nursery schools)?

Y/N

Supplementary Formula Factors

A number of supplements are allowable within the funding formula:

Q2: Rurality / Sparsity: Do you agree that this supplementary factor should not be used within the revised local funding formula? If no, please explain your reasoning.

Y/N

Q3: Flexibility: Do you agree that this supplementary factor should not be used within the revised local funding formula? If no, please explain your reasoning.

Y/N

Q4: Efficiency: Do you agree that this supplementary factor should not be used within the revised local funding formula? If no, please explain your reasoning.

Y/N

Q5: Delivery of the additional 15 hours: The LA proposes not to include a supplementary factor in the local funding formula to provide additional funding to providers that are able to deliver the 30 hours free childcare, but to establish a growth fund to support the creation of new places. Do you agree? If no, please explain your reasoning.

Y/N

Central Funding

Q6: Do you agree that it is reasonable for the Local Authority to hold up to 5% of funding centrally? If no, please explain your reasoning.

Y/N

Impact Analysis

Taking into consideration the proposed changes to the local funding formula, how will this impact on your establishment? Do you have any particular concerns specific to your establishment?

Please return this form by no later than **11th November 2016** to:

nursery.education@milton-keynes.gov.uk

Or post your response sheet to:

Julie Godwin
Early Years Funding
Milton Keynes Council
Saxon Court
502 Avebury Boulevard
Central Milton Keynes
MK9 3HS