

SCHOOLS FORUM AGENDA ITEM

For Action



For Information



Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

The Schools Forum is asked to consider the outcomes of the consultation and make final recommendations on the structure of the Early Years Single Funding Formula for the 2017/18 financial year.

Date (s) of any Previous Discussion at the Forum

A report on the DfE's consultation on Early Years Funding reform was presented to the School Forum on 21 September 2016. The Schools Forum agreed to the publication for consultation of our proposals for our Early Years Single Funding Formula for the 2017/18 financial year at the last meeting on 19 October.

Background / Context

At the Schools Forum meeting 20 July 2016 it was reported that a further £1.2m of unspent resource is available from the DSG's earmarked funding previously allocated for the development of the 2 Year Old Offer. The Forum asked that the options for the use of this £1.2m be referred to the Early Years Working Group for consideration. It was reported to the Forum on 19 October that the EYWG recommends that the £1.2m is earmarked for 2 purposes:

- To help in the response to ensure that sufficient funding is available to support early years providers with the cost of meeting the needs of children with SEND going forward.
- To provide short-term protection to ameliorate against the full impact of the reduction in setting base rates for the 3 and 4 year old offer in 2017/18 that comes from the reduction in the Early Years Block allocated by DfE.

The Government's new 30 hours free entitlement for 3 and 4 years olds of working parents is to be implemented from September 2017. Bradford is an 'early innovator' authority. A project board is overseeing our development work, including the development of pilot delivery from September 2016. Funding will begin in and from the DSG for this additional offer from September 2017 (7/12ths in 2017/18). The DfE estimates an additional 2,398 PTE to be funded in Bradford, with DSG funding of £6.25m on a full year on-going basis.

Details of the Item for Consideration

Document GP Appendix 1, presented to the Forum on 19 October 2016, set out our understanding of the implications of the DfE's reform of Early Years Funding (a new National Funding Formula) on Bradford's early years funding levels, our immediate proposed response for the 2017/18 financial year to the DfE's changes and how we propose to move to new funding arrangements, which the DfE proposes to be in place from 1 April 2019 at the latest. The Technical Statement and Timetable in Document GP Appendix 1 explained in detail how funding for the early years free entitlements is proposed to be calculated and delegated for individual early years providers. The consultation focused on proposals for the structure of our Early Years Single Funding Formula for the 2017/18 financial year; how we calculate and allocate funding for the free entitlements. As with the Primary and Secondary formulae consultation, we stressed that the Schools Forum will continue to discuss the rates of funding before making final recommendations on these, in the round, on 11 January 2017.

The introduction and summary section of the consultation paper (a repeat of what was presented on 19 October) is attached at Appendix 1 for the Forum's reference. This outlines the proposals for 2017/18.

There have not been any further formal announcements from Government about its planned reform since the publication of its original consultation document in August. We currently await confirmation of our 2017/18 Early Years Block funding value. As we reported to the last Forum meeting, there are 2 aspects of the DfE's proposals, where it is unclear whether these are to be implemented at April 2017 or April 2019:

- The restrictions around the type of formula supplements, meaning that our current supplement for nursery schools would not be permitted. We assume in our proposals for 2017/18 that we can continue this

Details of the Item for Consideration (continued)

supplement as this appears to follow the spirit of the DfE's proposals, which aim for stability for nursery schools over the 2017-2019 transition period. From a meeting that nursery headteachers had with the DfE recently, it appears that the DfE's general expectation is that nursery schools will continue to be funded as they are now in 2017/18. The DfE also expressed its view that it is expected that local authorities will spend the full value of the Nursery School Supplement on nursery schools across 2017-2019.

- The capping of total spending on supplements, including deprivation, to 10% of budget. We propose to move our deprivation spending to 10% of budget at April 2017 so that we are not 'caught out' where this restriction comes into place at April 2017 and is announced after the Schools Forum has made its recommendations on the 2017/18 DSG in January 2017. It is also the case that this movement of budget helps mitigate against the reduction in the 3 and 4 year old setting base rates, brought about by the DfE's reduction of our value of Early Years Block, especially in the PVI sector (it transfer £1m of budget from deprivation to base rate spending).

Responses to Our Consultation

The consultation document was posted on Bradford Schools Online. An email notification through BSO was sent to all PVI providers and to the Primary Business Managers' Forum. A separate meeting was held with the headteachers and business managers of the nursery schools. One of the general points that has been made is how complicated these changes are. We have received 6 formal written responses to our consultation on Bradford's Early Years Single Funding Formula for the 2017/18 financial year. These responses have been submitted by providers from the PVI sector (5) and a nursery school (1). A simple analysis of the responses is given below. Not all responses answered all questions.

Question 1 – Do you agree with the guiding principles?

- 6 strongly agreed or agreed on balance

Question 2 – Do you agree with proposed timetable for implementing early years formula funding change in Bradford across 2017-2019?

- 3 agreed; 2 disagreed expressing concerns about the short period of notice given for providers to respond to what are significant changes and funding reductions.

Question 3 – Do you agree with the proposal to continue the existing technical, administrative, payment and counting arrangements in 2017/18, and to extend these arrangements to the funding of the extended 30 hours entitlement for 3 and 4 years olds?

- 6 strongly agreed or agreed on balance

Question 4 – Do you agree with the proposed approach to funding the 2 year old free entitlement in 2017/18?

- 6 strongly agreed or agreed on balance

Question 5 – Do you agree with the proposed approach to funding the 3 and 4 year old free entitlement in 2017/18?

- 5 strongly agreed or agreed on balance with all but one of the elements. 3 disagreed with the trajectory of the NFF rates reduction.

Question 6 – Are there any changes that you would like to see made to the Early Years Single Funding Formula in 2017/18 that have not been proposed?

Question 7 – Do you have any comments on these estimated rates of funding?

Question 8 – Do you have any other comments that you have not made elsewhere in your response?

Comments in response to questions 6, 7 and 8 focused on the scale of the expected reduction in the funding of the 3 and 4 year old entitlement, in itself and in the context of rising costs, such as the national living wage and also the implementation of the 30 hours offer. Comments set out views about the seriousness of the impact that such is likely to have on the financial sustainability of providers, the quality of provision, the retention of highly qualified staff and the delivery of the 30 hours entitlement within the PVI sector.

The longer term implications of the DfE's proposed reduction in Bradford's Early Years Block will need to be considered in detail. We have set out a timetable for further formula review work and for a consultation in Bradford towards the end of the summer term 2017 to establish our funding approach from April 2018. At this stage, the DfE has not confirmed its final plans for early years funding reform. Our consultation and the information we have presented on funding rates in 2017/18 and in future years are based purely on the assumption that the DfE's proposals are implemented. There is nothing in the received responses to our consultation that fundamentally disagrees with how we propose to respond in 2017/18 should these reductions begin at April 2017. On this basis, we recommend that the Schools Forum recommends to the Council's Executive that the EYSFF as set out in the consultation paper (Document GP Appendix 1) is adopted for the 2017/18 financial year. We also recommend that the Forum more closely considers the use of one off monies in 2017/18 to help mitigate against impact.

Details of the Item for Consideration (continued)

Allocation of £500,000 of One Off Monies into the 2017/18 EYSFF

As reported to the last Schools Forum meeting, a recommendation of the EYWG is to use a proportion of the £1.2m balance in the DSG's 2 year old places capacity building resources to provide short-term protection to ameliorate against the full impact of the reduction in setting base rates for the 3 and 4 year old offer in 2017/18 that comes from the reduction in the Early Years Block allocated by DfE.

A proposal to allocate £500,000 on a one off basis in the 2017/18 3 and 4 year old EYSFF was presented to the EYWG at its meeting on 21 November. This proposal is now recommended by the EYWG to the Schools Forum and the Forum will be asked to make its final recommendation on 11 January. The allocation of £500,000 fully into 2017/18, alongside the movement to 10% maximum deprivation spend, significantly protects the 3 and 4 year old setting base rate, especially for PVI providers. This is done on the understanding that no further one off monies will be available to be allocated in 2018/19 i.e. this approach provides for a more significant value of protection only next year, rather than providing for a smaller value of protection across 2 years (which is what would happen, for example, if 50% of the available £500,000 was allocated in each of the next 2 financial years).

The allocation of the £500,000 (and the impact that this has on funding rates) is set out in the indicative rates table below. Holistically, £500,000 raises the 3 and 4 year old funding rates by £0.08. However, this is distributed differently across the 3 types of providers (nursery schools, nursery classes and PVI providers).

At this stage, no further allocation of the £0.70m remaining from the £1.2m 2 year old balance is proposed. The £0.7m is contained within the £1.75m total DSG reserve figure shown in Document GT Appendix 2. In thinking about this, it is important that Members are reminded that an additional £2.5m of one off monies within the DSG has been previously allocated to capital funding for the development of 2 year old places capacity i.e. if the £0.70m is brought back to the DSG reserve we will still have spent £1.8m more on the development of 2 year old places capacity than allocated by the DfE within the DSG.

The EYWG has made the recommendation, reported to the Schools Forum on 19 October, that the £0.7m or a proportion of this should be used to help ensure that sufficient funding is available to support early years providers with the cost of meeting the needs of children with SEND going forward. This is an area of review that is being taken forward by the Local Authority. Whether one off monies are used to support this work will need to be considered by the Schools Forum, and the Local Authority, in the round and in the context of the other cost pressures facing the DSG. We generally would not expect one off monies to be allocated to resolve on-going funding issues. A proposal was set out in the consultation document for the Early Years Block to finance the Early Years Inclusion Panel budget in 2017/18 (currently estimated at £0.30m). The value of this budget, how it is funded and allocated, will be influenced particularly by the Government's National Funding Formula proposals for the High Needs Block and this will need to be considered in our response to this.

Indicative 2017/18 3 and 4 Year Old Funding Rates (for information only at this stage)

The table below sets out, as these currently stand, the estimated total rates of funding within the 3 and 4 year old EYSFF for the 2017/18 financial year. A significant health warning is attached to this information; these rates are calculated using estimated numbers (including take up of the 30 hours) and estimated DSG funding. The latter will be confirmed by the DfE mid December.

The intention in presenting this information is to give a simple view of how our key proposals for 2017/18 affect each type of provider in Bradford in the context of the reduction in Early Years Block funding. The key proposals are set out in Appendix 1, but the information below focuses on 2 in particular:

- Responding to the DfE's proposed restriction that means that we must reduce our % of spend in the 3 and 4 year old EYSFF on deprivation from 13.2% to 10% (a reduction of £1m on 2016/17 numbers).
- To allocate an additional £500,000 into the 3 and 4 year old EYSFF on a one off basis in 2017/18, using the expected NFF trajectory as a guide. As set out in our consultation document, in assessing what we do for 2017/18, the trajectory and final expected position of the Early Years Block at April 2019 must be followed to avoid making a change in 2017/18, for example, that is then reversed in 2018/19 or in 2019/20 because the Government's funding reform is going in the opposite direction.

Table 1	2016/17 Actual Total Rate	A: 2017/18 B4 £500k; B4 13.2% > 10%	B: 2017/18 B4 £500k; With 13.2% > 10%	C: 2017/18 With £500k; With 31.2% > 10%
Nursery Schools *	£7.56	£7.05	£7.27	£7.45
Nursery Classes	£4.89	£4.82	£4.65	£4.68
PVI	£5.13	£4.61	£4.83	£4.98
Total All	£5.16	£4.89	£4.89	£4.97

* Please note that this does not include the balance of the Nursery School Supplement (please see below)

Details of the Item for Consideration (continued)

A: The position prior to adjusting our deprivation spending to 10% and without the allocation of £500,000 of one off monies. This is simply showing the impact of the first stage of reduction in the Early Years Block brought by the Government's NFF reform proposals at April 2017.

B: The position including the adjustment of deprivation spending from 13.2% to 10% but without the allocation of the £500,000 of one off monies. This is showing the impact of the reduction in the proportion of the EYSFF allocated towards deprivation. Compare B vs. A.

C: The position including both the adjustment of deprivation spending to 10% and the allocation of £500,000 one off money. This is showing how the one off money is allocated to protect funding rates. This is the model that follows our current proposals. Compare C vs. B and then C vs. 2016/17 actual.

The table below shows more clearly the differences by type of provider between 2016/17 actual total rates of funding and rates as these currently stand based on proposals for 2017/18.

Table 2	2016/17 Actual Total Rate	C: 2017/18 With £500k; With 31.2% > 10%	£ Difference	% Difference	Cash Reduction
Nursery Schools *	£7.56	£7.45	- £0.11	- 1.5%	- £46,200
Nursery Classes	£4.89	£4.68	- £0.21	- 4.3%	- £754,000
PVI	£5.13	£4.98	- £0.15	- 3.1%	- £383,000
Total All	£5.16	£4.97	- £0.19	- 3.7%	- £1,183,200

The table below shows the forecasted % of 3 and 4 year old hours delivered in each type of setting and the % of the cash reduction shown in the table above:

Table 3	% of Hours Delivered	% of Cash Reduction	Median Average Reduction	Maximum Reduction	Minimum Reduction
Nursery Schools	6%	3.9%	n/a	n/a	n/a
Nursery Classes	56%	63.7%	- £5,205	- £16,005	- £790
PVI	38%	32.4%	- £250	- £9,987	+ £177

The figures in the tables above demonstrate that the allocation of the one off £500,000 has a clear impact in protecting the funding position of the PVI sector in 2017/18. The reduction in the deprivation % to 10% is also significant in protecting this sector (as this re-distributes £1m of funding through the setting base rates). Correspondingly, the reduction to 10% is the most significant factor behind the reduction in the funding rate for nursery classes. Our estimate of the NFF trajectory is for a universal setting base rate of £4.11 at April 2018 and April 2019. At £4.13 in 2016/17 and 2017/18, the setting base funding rate for nursery classes is already very close to this. Although some of the £500,000 one off money could be re-directed to nursery classes by increasing their base rate above £4.13 in 2017/18, this would be a temporary measure only that will be out of step with what we predict for the NFF trajectory, which will be a reduction to £4.11. We could choose not to adjust our deprivation spending, to keep this at 13.2%. This would be risky. In moving to 10% we have assumed that the DfE's proposal will be established and from April 2017. This is one of the areas of uncertainty that we have highlighted earlier in this report. We propose to move our deprivation spending to 10% of budget at April 2017 so that we are not 'caught out' where this restriction comes into place at April 2017 and is announced after the Schools Forum has made its recommendations on the 11 January 2017. It is also the case that this movement of budget helps mitigate against the reduction in the 3 and 4 year old setting base rates.

Estimating the NFF trajectory, we calculate that the PVI sector will see a more substantial final reduction in its funding rates at the point that the full proposed reduction in our Early Years Block 3 and 4 year old funding is implemented, as the table below shows:

Table 4	2016/17 Actual Total Rate	Estimated Rate at April 2019	% Reduction
Nursery Schools – With NSS same value	£7.56	£7.28	- 3.8%
Nursery Schools – Without NSS	£7.56	£4.78	- 36.9%
Nursery Classes	£4.89	£4.63	- 5.3%
PVI	£5.13	£4.47	- 13.0%

It is in this context that the proposals for 2017/18 are put forward. The table above also demonstrates the scale of uncertainty around the impact of the Government's NFF reform on nursery schools, in particular the position of the Nursery School Supplement (NSS).

Details of the Item for Consideration (continued)

The Nursery Schools Supplement (NSS)

Within the DfE's consultation modelling an indicative sum of £1.167m is added back into our Early Years Block identified as a 'Nursery Schools Supplement'. This sum is still indicative and is expected to be confirmed for 2017/18 by the DfE mid December. It is assumed that this Nursery Schools Supplement will be available in each of the next 2 financial years.

The DfE's consultation document does not state specifically that this sum is ring-fenced. However, from a recent meeting, the DfE has a clear expectation that this sum will be spent supporting nursery schools during the period 2017-2019; to enable local authorities to afford to maintain current funding methodologies but also to support this sector in its financial sustainability (and investing for change). The DfE says that it will be consulting further on the position and funding of the nursery school sector shortly.

The scale of the uncertainty currently is massive, as the table above indicates. If the NSS stops at April 2019, nursery schools in Bradford are estimated to see a 37% reduction in funding, based on maintaining current pupil numbers. If the NSS (or some form of funding differentiation and enhancement) continues, the nursery schools will definitely need to respond to ensure sustainability but the height of the 'cliff face' may be much lower. At best, the DfE's August consultation document gives a very uncertain view about the future funding position of nursery schools from April 2019. At worst, in this document can be read the expression of a direction of travel away from enabling the differentiation of funding to support nursery schools' costs. This is certainly how a number of authorities and other bodies have interpreted what the DfE has said.

As set out in paragraph 2.1 of our consultation document, we propose in Bradford to establish the principle that the DfE's Nursery School Supplement should be spent on our 7 nursery schools, not diverted to any other purpose, so long as this funding continues. Bradford's EYSFF, as previously agreed, allocates an enhanced level of funding to our 7 nursery schools in the following 3 ways (quoting indicative 2017/18 values):

- A higher setting base rate, at an indicative cost of £482,500
- A sliding-scale lump sum factor, at an indicative cost of £382,700
- A smaller lump sum for the cost of catering provision, at a cost of £25,300

The indicative value of spending in these 3 elements in 2017/18 is £890,500. Against the DfE's indicative NSS allocation, this leaves a balance of £276,500. Please note that this balance figure is estimated and will be affected if the figure confirmed by the DfE mid December is substantially different from the indicative £1.167m.

Forum Members will be aware that the position of nursery schools in Bradford is intrinsically linked to key District strategies, including children's centres and SEND provision. Following discussions with both the EYWG, and the nursery school headteachers, it is proposed at this stage to retain the balance of the NSS (indicatively £276,500) with a view to this being used to support nursery schools in an agreed way once the DfE has set out its longer term proposals for funding and once the 'height of the cliff-face' from April 2019 is clear. Further consultation, lead by the DfE, is expected. We would expect to report planned spending of this balance to the Schools Forum before any commitments are made.

A Note on Uncertainties and Next Steps

Within this report we have explained that there are key elements of the Government's NFF proposals, where the status and timing of change is still currently uncertain:

- The position of the Nursery Schools Supplement from April 2019
- The restrictions around the types of formula supplement at April 2017
- The capping of total spending on supplements, including deprivation, to 10% of budget, at April 2017

We expect confirmation of changes to be published by the DfE shortly. We are planning to address formula funding changes in the longer term within our review work next year and we anticipate publishing our own consultation document on funding arrangements in Bradford from April 2018 towards the end of the summer term 2017. In this document we anticipate that we will be able to set out a more accurate view of the NFF trajectory and future year rates of funding for types of providers.

If the DfE confirms anything after the Schools Forum meeting on 11 January that materially affects our EYSFF for 2017/18, in so far as we will not be non compliant with the Regulations if we do not make alteration, we will work with the EYWG and would expect to present something to the Schools Forum in the March meeting. We have taken steps within our proposals e.g. in moving our deprivation spend to 10% that should avoid this being necessary unless the DfE alters its proposals as set out in August.

Finally, we would also like to stress that, within the 2017/18 financial year DSG construct, we are estimating the take up of the 30 hours free entitlement for eligible 3 and 4 year olds. We will need to reconcile estimates with actuals and may need to adjust the 2018/19 DSG allocation for any differences (positive or negative).

Implications for the Dedicated Schools Grant (DSG) (if any)

Direct implications as set out in the consultation paper (Document GP Appendix 1) and in the tables above.

Recommendations

The Forum is asked to consider the outcomes of the consultation and to make final recommendations on the structure of the Early Years Single Funding Formula for the 2017/18 financial year.

Members are asked to note at this stage the Early Years Working Group's recommendation for the use of £500,000 of off monies in support of the protection of the 3 and 4 year old base settings rates in 2017/18. The Schools Forum will be asked to make a final recommendation on this on 11 January.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – Consultation Introduction and Summary.

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