

Document GV Appendix 1

Consultation - Bradford District Early Years Single Funding Formula 2017/18

(repeats Document GP Appendix 1 presented on 10 October)

1) Introduction

1.1 Attached with this introduction is the full Technical Statement, which sets out the proposed methodology and timetable for the calculation of funding allocations for individual providers delivering the 2, 3 and 4 year old free entitlements in 2017/18. This Statement includes direction on the funding of the extended 30 hours free entitlement for eligible 3 and 4 years olds from September 2017.

1.2 Our proposals also incorporate our immediate response to the changes set out by Government in its consultation on national funding formula and early years funding reform, which can be accessed [here](#). These reforms will have significant implications for the funding of early years provisions in Bradford. There are some aspects of the Government's reforms where it is currently unclear when change is required to be implemented from, April 2017 or April 2019, especially in changes to the funding of nursery schools. In pulling our proposals together, we have assumed that we can continue in 2017/18 to fund nursery schools as we currently do now. If it is confirmed by Government that this is not possible, we will need to revisit some of our proposals.

1.3 Please note that the values of funding rates quoted in this consultation document, including the Setting Base Rates, are indicative only at this stage and should be viewed with caution. These indicative rates are highlighted in yellow. It is expected that rates of funding for 2017/18 will be set following the Schools Forum meeting on 11 January 2017. The rates presented in this document do however, incorporate our initial estimate of the impact of the reduction in Bradford's Early Years Block funding at April 2017 that is set out in the Government's funding reform consultation document. Therefore, these do give providers some sight of the scale of reduction in the funding that they will receive from the Local Authority in 2017/18. Further reductions will take place in 2018/19, as set out in the impact assessment paragraph below.

1.4 We have briefed previously on our expectation that, because we currently fund our early years provision within the Dedicated Schools Grant (DSG) at a rate that is significantly higher than the national average, and in most other authorities, we are likely to lose from national formula funding arrangements. For reference (as a starting point for understanding and for comparison):

Bradford's 2016/17 DSG Early Years Block currently is £39.18m. This is 7.8% of the total DSG. It is made up of the following elements:

- 3 and 4 Year Old Offer £29.91m (76%)
- 2 Year Old Offer £8.93m (23%)
- Early Years Pupil Premium £0.34m (1%)

Our current 2016/17 Early Years Single Funding Formula allocates funding to providers as follows:

- A 2 Year Old Offer universal setting rate £4.83 per hour
- 3 and 4 Year Old setting base rates x3:
 - Nursery schools £5.70 per hour
 - PVI providers £4.62 per hour
 - Nursery classes £4.13 per hour
- An additional individual setting 3 and 4 year old deprivation rate, calculated using a 3 year rolling IDACI average. 13.2% of the total 3 and 4 year old budget is allocated via this factor. The mean average rate is £0.68 per hour.
- An additional sustainability lump sum, incorporating catering costs, for nursery schools; total allocation of £0.38m.

- An additional allocation, £333 per term, for Looked After Children in all settings.
- The Early Years Pupil Premium to the formula and conditions set by the DfE (£0.53 per hour for eligible children).

The distribution between settings of children taking up the free entitlement offers (based on 2016/17 indicative numbers) is as follows:

- 2 Year Old: 11% nursery schools; 18% nursery classes; 71% PVI providers
- 3 and 4 Year Old: 7% nursery schools; 37% PVI providers; 57% nursery classes

1.5 A detailed report was presented to the Schools Forum on 21 September 2016 on the Government's planned early years funding reform and the implications for the Bradford District. To summarise our initial view of the impact of the Government's plans:

- A quite substantial (7%) increase in funding for the 2 year old offer from April 2017 (a £0.6m gain to Bradford on January 2016 numbers), with the rate of funding per hour for providers possibly increasing from £4.83 to £5.20.
- A substantial (10%) reduction in funding for the 3 and 4 year old offer, of £3.01m in the DSG on January 2016 numbers, meaning funding rates for 3 and 4 year old free entitlement provision will need to reduce, especially for nursery schools and PVI providers, starting from April 2017. This is funding lost from the District; it is not retained to be recycled into another part of the Dedicated Schools Grant.
- Nationally, 112 authorities are gaining from the Government's proposals; 38 are losing (a number of London authorities are particularly negatively affected; Bradford's position is the worst of Yorkshire regional authorities).
- A significant alteration in the distribution of funding between providers within Bradford. A flattening of this distribution as a result of the proposal for a universal base rate.
- Very significant implications for the levels of DSG funding to nursery schools. The DfE indicates that there will be further consultation on this, with transitional protection in place "for at least" 2 years.
- A weakening of the proportion of funding allocated to deprivation (so a further flattening of the distribution on top of that from the universal base rate).
- Transitional protections in place 2017-19 meaning the full value of loss is not felt immediately, but substantial losses will still need to be managed in these transitional years (especially in 2018/19).
- Some lack of clarity on whether various restrictions come into place at April 2017 or April 2019.

1.6 A summary of the Government's structural proposals behind these points, as these affect provider-level allocations (*with Bradford's context shown in italics*):

- The calculation of allocations to early years providers will remain under the management of local authorities but under tight national statutory restrictions.
- 2 year old funding and the Early Years Pupil Premium, on their existing formulae, will continue.
- Authorities must have established a single universal base rate of funding for all providers by April 2019 at the latest (with encouragement for earlier implementation). *We currently have 3 different Setting Base Rates for different types of providers.*
- The amount by which the Early Years Block can be 'topliced' for centrally managed funds is restricted to 5% of the total budget. *We currently topslice 1%.*
- Authorities must have a deprivation factor and can continue to set their own method for allocating this to providers, but the total of spending on all supplements is limited to 10% of the budget. *We currently spend 13.2% on deprivation.*
- The types of supplements authorities can use will be restricted to: deprivation (mandatory), rurality (optional), key policy objectives e.g. flexibility (optional). *We have not previously employed any of these supplements. However, this means that our current lump sum funding (to nursery schools) and sustainability mechanisms would not be permitted. Unclear whether this restriction applies from April 2017 or April 2019.*
- Authorities are encouraged to introduce (if not in place already) funds for inclusion for SEND children. These can be funded from the Early Years Block. *We have these funds in place already.*
- The Minimum Funding Guarantee will no longer be applied in the Early Years Block. *Currently, this MFG restricts the value of reduction in the setting base rate to a maximum of 1.5% on the rate in the previous financial year.*

- A new grant stream within the DSG, which will allocate funding on an annual basis for children in receipt of Disability Living Allowance (DLA).

2) Bradford's Early Years Single Funding Formula – Proposals for 2017/18 in Response to Government Funding Reform

2.1 Our proposals for amendment to Bradford's Early Years Single Funding Formula (EYSFF) for the 2017/18 financial year, in response to the Government's announcement, are based on the following guiding principles:

- The Early Years Block (EYB) must be self contained and must not require contributions from the other 2 DSG Blocks in 2017/18 and in the future.
- The DfE's Nursery School Supplement should be spent on Nursery Schools, not diverted to any other purpose, so long as this funding continues. There are options for how this supplement (or an element of this supplement can be used).
- The EYB should continue to contribute to High Needs Block (HNB) pressures, especially HNB funds that directly support early years activities. However, the value of this contribution must be controlled and assessed in the context of the reduction in EYB funding that will need to be managed 2017-19.
- The values of funding rates for the 3 and 4 year old entitlement for settings will reduce in 2017/18 because the Early Years Block is reducing. It will also be helpful to start to make change towards a new required funding approach in 2017/18. However, it is unrealistic, in the time we have before the 2017/18 DSG allocation is set at the beginning of January 2017, for the Authority with the Schools Forum, to develop, test, properly consult on and communicate significant formula change, such as the introduction of a universal base rate, in time for providers to react and amend their business models for April 2017. It is also the case that we may not know the final outcomes of the DfE's consultation until late in the autumn term or early in the new year, giving even less time to react to establish arrangements for 2017/18 on a certain basis.
- In assessing what we do for 2017/18, the trajectory and final expected position of the EYB 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.

Question 1 – Do you agree with the guiding principles? If not, please can you explain why not.

2.2 The Government has outlined its expectation that local authorities will be 'on formula' according to reformed arrangements by April 2019 at the latest, with encouragement to implement earlier if possible. Our proposal for the outline timetable for the amendment of Bradford's EYSFF in response the Government's funding reform, across the 2017-2019 period, is as follows:

- For 2017/18 – continuity - by maintaining the overall structure of Bradford's current EYSFF, which includes continuing different setting base rate values and additional nursery school funding, but with some adjustments to follow the expected trajectory for / in:
 - Deprivation & SEN Funding rates with the reduction to 10% maximum spend
 - The Nursery School Supplement
 - Overall affordability (responding the DSG EYB reduction)
- For 2018/19 – adoption of new arrangements under protection - the adoption of new formula arrangements, including a universal base rate and reviewed supplements under an additional transitional protection mechanism but incorporating the necessary response to the expected further reduction in EYB funding. This will include transferring the full spending of the Nursery School Supplement to a separate sustainability factor, to enable a universal base rate to be established.
- 2019/20: full adoption of new formula arrangements - including a universal base rate and reviewed supplements, without any protections, incorporating the necessary response to the expected further

reduction in EYB funding. This may or may not include the removal of the Nursery School Supplement, which the Government has indicated it will consult further on.

2.3 Following this timetable, the Authority expects to complete review work and to publish a consultation on new formula arrangements in Bradford, which would be implemented at April 2018, in June or July 2017.

Question 2 – Do you agree with proposed timetable for implementing early years formula funding change in Bradford across 2017-2019? If not, please can you explain why not.

2.4 In summary, we propose to calculate allocations for early years providers in the 2017/18 financial as follows:

- Using the technical, administrative, payment and counting arrangements, and timetable, that are already established and have been used to calculate and pay allocations in the current 2016/17 financial year. The full details of these arrangements are set out in the Technical Statement. The administration of the extended 30 hours offer from September 2017 will be brought into these existing administrative arrangements. Specific guidance, where necessary, on the 30 hours has been written into the Statement (some guidance has still to be confirmed in later iterations of the Technical Statement). There are some small technical adjustments needed with the implementation of the extended 30 hours entitlement.

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? If not, please can you explain why not.

- The 2 Year Old Offer:
 - The simple universal rate of funding per hour for all types of provider, without supplement, will be retained.
 - This rate will be set at the value of the rate the Government funds the Early Years Block (EYB) i.e. 100% pass through of the Government's rate to providers. Currently, the EYB funded rate is £4.85 per hour and providers are funded at £4.83 per hour. The DfE indicates that our rate of funding for 2017/18 will be increased to £5.20 (this still to be confirmed). On this indicative basis, we would fund providers at the £5.20 rate.

Question 4 – Do you agree with the proposed approach to funding the 2 year old free entitlement in 2017/18? If not, please can you explain why not.

- The 3 and 4 Year Old Offer, incorporating the extended 30 hours entitlement, we propose to:
 - Continue to use 3 different Setting Base Rates (nursery classes, nursery schools and PVI providers). The same rates will be used to fund the 15 and the 30 hour entitlements in each type of setting.
 - Continue our current Deprivation and SEN Supplement, using the 3 year average of IDACI data. However, we will reduce our total spending from 13.2% of budget currently to 10% of budget (which is a reduction of about £1m), which will reduce the values of Deprivation & SEN funding rates for providers. There is some uncertainty about the 10% restriction will be in place 2017, but there is rationale for making this change now, in particular as it helps protect the value of the base rate especially for PVI providers.
 - Cease the separate (and additional) formula funding for looked after children, currently funded at £333 per term (a total spend of £21,600 in 2015/16). Looked After Children will continue to receive additional funding through the Early Years Pupil Premium.
 - Bring the catering supplement for nursery schools into the nursery school setting base rate and deprivation rate funding (this is a technical change that does not change levels of funding allocated to individual schools).
 - Continue the nursery school sustainability supplement, without reduction, but bring the extended 30 hours into the calculation of this from September 2017. There is uncertainty

about whether this supplement will be permitted at April 2017. If it is not permitted, we would need to look to transfer this supplement into the nursery school base rate.

- Amend nursery school funding to ensure the full value of spend of the DfE's Nursery School Supplement. There are options for this that will be discussed directly with the Nursery schools e.g. enhance the lump sum for all 7 schools; enhance the value of the sliding scale protection; establish a cash protection factor; or establish a pot from which to pay for the costs of change.
- Reduce all of the 3 setting base rates according to the needs of affordability (so that the overall EYB balances for 2017/18) with reference to the expected trajectory of the Government's funding reform. This trajectory is set out below. This means that the reduction to the nursery classes base rate is likely to be lower than schools and PVI providers, because the classes rate is already close to what the universal setting base rate is expected to be at April 2019. The 2017/18 reduction will also need to take account of the additional one off pressure created by the difference between the DfE funding the extended 30 hours at DSG level on a 7/12ths basis for September 2017 to March 2018 and Bradford being required to fund 26 weeks for the same period (26/38ths is greater than 7/12ths).

Question 5 – Do you agree with the proposed approach to funding the 3 and 4 year old free entitlement in 2017/18? If not, please can you explain why not.

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?

3) Estimated Provider Funding Rates 2017/18 to 2019/20

3.1 The table below sets out our estimate of the changes in rates of funding for providers that will be brought about by the Government's early years funding reforms across the 2017-2019 period, based on the broad proposals set out in this document. These estimates come from analysis of the modelling presented in the Government's consultation. As such, they are very indicative and should be viewed with caution.

3.2 These estimates simple factor the estimated impact of the Government's proposed reduction in Bradford's Early Years Block, the requirement for a universal setting base rate for the 3 and 4 year old entitlement, the restriction of supplements spending to 10% of the total budget, and our response to this. It assumes that Bradford's formula will not include any additional supplements e.g. supporting flexibility in the future and that our deprivation measure will continue to work in the same way and be based on IDACI. It also assumes a continued very low value of central retention within the Early Years Block. The construct of Bradford's future formula is to be reviewed, with proposals anticipated to be published in summer 2017. As such, we would emphasise that providers view these rates with caution. Our rates of funding will also be affected by annual data changes. The new funding stream for Disability Living Allowance has not been included in the analysis below and will be added once confirmed.

ESTIMATED Rate Per Hour	2016/17	2017/18	2018/19	2019/20
2 YO Offer - Universal Base Rate	£4.83	£5.20	£5.20	£5.20
3 & 4 Year Old Entitlement				
Setting Base Rate – Nursery Schools	£5.70	£5.45	£4.12	£4.11
Setting Base Rate – Nursery Classes	£4.13	£4.11	£4.11	£4.11
Setting Base Rate – PVI Providers	£4.62	£4.42	£4.12	£4.11
Mean Deprivation & SEN Rate	£0.68	£0.50	£0.49	£0.47
Nursery Schools Supplement	£1.07	£1.87	£3.16	*
Looked After Children Additional	£1.75			
Early Years Pupil Premium	£0.53	£0.53	£0.53	£0.53

* the continuation of the Nursery Schools Supplement at April 2019 is uncertain

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?

4) Responses to this Consultation and Next Steps

4.1 Please use the responses form attached at the end of this document to submit your views on the proposals outlined in the consultation. There is space on this form for you to comment on any aspect of the proposals. If you wish to discuss these proposals in more detail, or have any specific questions, please contact either Andrew Redding andrew.redding@bradford.gov.uk 01274 432678, Dawn Haigh dawn.haigh@bradford.gov.uk 01274 433775 or Jaclyn McManus jaclyn.mcmanus@bradford.gov.uk 01274 431965

4.2 Please ensure that your response is submitted by the deadline of **Monday 28 November 2016**. Any responses received after this deadline date may not be included in the overall analysis presented to the Schools Forum.

4.3 It is anticipated that the Schools Forum will make its final recommendations on 2017/18 arrangements on Wednesday 11 January 2017. A confirmed Technical Statement, giving sight of the final Early Years Single Funding Formula, and rates of funding, for the 2017/18 financial year will be published very shortly after.