

Date of meeting:	Thursday 19 th October 2017
Title of report:	Early Years Funding Update
Type of report: Delete as required	For decision and information only
Executive summary: Including reason for submission	This report provides an overview of the position in North Yorkshire with regard to the Early Rollout pilot of the Extended Entitlement for 3 & 4 year old children with working parents undertaken in Summer 2017 and the national rollout of this initiative from September 2017. The financial impact of retaining the 2016/17 funding rates for 3 & 4 year olds for the Summer 2017 term is also detailed in the report. The proposed early years' funding rates for 2018/19 are presented in the report for consideration by the Education Partnership.
Budget / Risk implications:	The agreed early years funding rates for 2018/19 will provide a significant proportion of the income for early providers within North Yorkshire. This results in an impact on the sustainability of providers of early education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties
Recommendations:	The Education Partnership is asked: <ul style="list-style-type: none"> • To note the delivery of the Early Rollout pilot of Extended Entitlement for 3 & 4 year old children with working parents in Summer 2017 and the implementation of the national rollout of Extended Entitlement from September 2017. • To note the cost of £209.4k to the Early Years' Reserve in relation to maintaining the 2016/17 funding rates for 3 & 4 year olds for the Summer 2017 term. • To support the early years' funding rate recommendations for 2018/19 as detailed in Section 7 of the Report
Voting requirements:	
Appendices: To be attached	N/A
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1.0 PURPOSE OF THE REPORT

1.1 This report provides an update on the delivery of the Early Years Extended Entitlement hours for children of working parents in North Yorkshire through the Early Rollout pilot in Summer 2017 and the national rollout in Autumn 2017. The cost to the Early Years' reserve of maintaining the 2016/17 funding rates for 3 & 4 year olds for the Summer 2017 term is detailed in the report. The report also provides an overview of the early years funding rate proposals for 2018/19.

2.0 BACKGROUND

2.1 A number of significant developments have been implemented in 2017/18 in relation to the early years' sector and early years' funding.

2.2 The Early Years National Funding Formula was implemented from 1st April 2017 with the key changes for North Yorkshire being:

- A reduction in the hourly base funding rate received by the LA from the DfE for 3 & 4 year olds from £4.31 per hour to £4.30 per hour. A funding consultation exercise was undertaken with early years' providers in order to determine the provider funding rates for 2017/18. The resultant decision was to maintain the 2016/17 differential funding rates for the period April 2017 to August 2017 and then to introduce a new universal funding rate of £3.90 per hour for 3 & 4 year olds for all providers from 1st September 2017. This also addressed the new requirement for a universal base hourly funding rate to be set for all providers by 2019/20.
- A requirement for 93% of LA funding to be 'passed through' to providers in 2017-18 and 95% in 2018/19. The cost of central services provided to early years' providers and early years' children in 2016/17 for North Yorkshire was £2.17m and this equated to 10.6%. A review of the early years' central service provision was instigated in order to implement the required savings.

2.3 The DfE requested North Yorkshire to participate in the Early Rollout pilot for the Extended Entitlement for the 3 & 4 year old children of working parents during the Summer 2017 term. This enabled working parents within North Yorkshire to access up to 15 hours of additional funded childcare provision one term earlier than the national roll out. It also provided the opportunity for both providers and the Local Authority to gain experience of the delivery of the Extended Entitlement.

2.4 The national rollout of the Early Years Extended Entitlement for 3 & 4 year olds with working parents has been introduced from 1st September 2017. This also required a new provider funding agreement to be implemented from 1st September 2017 to reflect the new DfE Statutory Guidance associated with the delivery of the Extended Entitlement.

3.0 DELIVERY OF THE EXTENDED ENTITLEMENT EARLY ROLLOUT PILOT – SUMMER 2017

3.1 North Yorkshire participated in the Early Rollout pilot for the delivery of the Extended Entitlement which enabled the working parents of 3 & 4 year old children to access up to 15 additional hours of funded childcare provision during the Summer 2017 term. 3,926 children accessed the extended entitlement and 451 early years providers participated in the delivery of extended entitlement provision during the Summer Term pilot. Tables 1 & 2 below provide further detail with regard to provider participation in the delivery of extended entitlement provision during the pilot period.

Table 1

No. of Extended Entitlement Hours Provided During Summer 2017			
Provider Type	Ext. Entitlement Hours – Summer 2017 No. Hours	Universal 15 Hour Entitlement – Summer 2017 No. Hours	Extended Entitlement v Universal Entitlement %
Maintained Nursery School	9,756	42,248	23.1%
Maintained School / Academy Nursery Class	76,517	494,402	15.5%
Independent School Nursery Class	10,200	69,674	14.6%
Childminder	58,579	63,268	92.6%
Full Day Care	385,387	682,203	56.5%
Sessional	85,757	397,123	21.6%
Total Hours	626,196	1,748,918	35.8%

Table 2

No. of Providers Participating In The Delivery Extended Entitlement Hours During Summer 2017			
Provider Type	Providers Delivering Ext. Entitlement Hours – Summer 2017 No. Providers	Total No. Providers Registered for Funding No. Providers	Extended Entitlement Providers v Registered for Funding Providers %
Maintained Nursery School	3	3	100%

Early Years Funding Update

Maintained School / Academy Nursery Class	65	107	61%
Independent School Nursery Class	5	15	33%
Childminder	164	251	65%
Full Day Care	118	131	90%
Sessional	96	132	72%
Total Providers	451	639	71%

3.2 The DfE appointed Frontier Economics to evaluate the Extended Entitlement Early Rollout pilot undertaken by 4 local authorities, including North Yorkshire. The evaluation report can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641864/Evaluation_of_early_rollout_of_30_hours_free_childcare_brief.pdf

4.0 NATIONAL ROLLOUT OF THE EXTENDED ENTITLEMENT FOR 3 & 4 YEAR CHILDREN WITH WORKING PARENTS

4.1 The Extended Entitlement for 3 & 4 year olds with working parents was rolled out nationally from 1st September 2017. At this stage a full analysis of the extended entitlement provision cannot be provided for the Autumn 2017 term until the termly census undertaken week commencing 2nd October has been fully verified. However, table 3 below provides information of provider participation in the delivery of the extended entitlement based on delivery estimates submitted by providers for Autumn 2017. The delivery of the extended entitlement is likely to be higher than the submitted estimates as a further small number of providers are known to be delivering the entitlement in the Autumn term but have not submitted an estimate. A further update will be provided at the January 2018 meeting of the Partnership.

Table 3:

No. of Providers Indicating Participation In The Delivery Extended Entitlement Hours During Autumn 2017 (based on submitted estimates)			
Provider Type	Providers Planning To Deliver Ext. Entitlement Hours – Autumn 2017 No. Providers	Total No. Providers Registered for Funding No. Providers	Extended Entitlement Providers v Registered for Funding Providers %
Maintained Nursery School	2	3	67%
Maintained School / Academy Nursery Class	43	114	38%

Early Years Funding Update

Independent School Nursery Class	1	15	7%
Childminder	118	281	42%
Full Day Care	98	129	76%
Sessional	70	120	58%
Total Providers	332	662	50%

4.2. The implementation of the national rollout of the extended entitlement is generally progressing well however a small minority of parents have experienced difficulties in obtaining eligibility codes from HMRC within the required timescales to access funded provision for the Autumn 2017 term. The Early Years Teams are supporting parents and providers facing these difficulties on a case by case basis.

5.0 FINANCIAL IMPACT OF MAINTAINING THE 2016/17 FUNDING RATES FOR 3 & 4 YEAR OLDS FOR THE SUMMER 2017 TERM

5.1 The introduction of the Early Years National Funding Formula from April 2017 resulted in an overall reduction in the funding rate for 3 & 4 year olds for the LA and a resultant reduction in the funding rate paid to providers. As a result of the timing of this notification and in order to ensure providers had appropriate time to restructure their businesses to respond to the reduced rate the Partnership supported a recommendation to use the Early Years reserve to maintain 3 & 4 year old funding rates at the 2016/17 level for the Summer 2017 term. The cost of this support for the universal entitlement to the Early Years reserve has now been finalised at £209.4k. The cost related to the extended entitlement pilot has been met from the pilot grant funding and there is no impact on the reserve.

6.0 2018/2019 EARLY YEARS FUNDING RATES

6.1 In response to the introduction of the Early Years National Funding Formula from April 2017, and the resultant reduction in the 3 & 4 year old funding rate for North Yorkshire, extensive modelling of provider funding rate options was undertaken for 2017/18 and provisionally for 2018/19. The following funding rates were agreed and implemented for 2017/18:

2017/18 Provider Funding	Amount / Hour
Universal 3 & 4 Year Old Funding Base Rate	£3.90
Deprivation Funding Supplement (3 & 4 Year Olds): Hourly funding rate based on child's postcode IMD score.	
Band A IMD Score: >34.17	£0.57
Band B IMD Score >20 <34.17	£0.10

Early Years Funding Update

Band C	IMD Score >10 <20	£0.07
Band D	IMD Score >10	£0.03
<p>Sparsity Funding Supplement: £50k</p> <p>Sparsity funding is allocated to providers where there is no other similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider. In order to be awarded funding, the provider has to be projecting that they will be operating at a loss in the next 12 months without any sparsity funding and that they have less than 3 months operating costs within their reserves. The level of funding awarded is based on a financial assessment and there is a maximum award of £16k. Providers are required to implement an agreed action plan in order to achieve financial viability and to provide progress monitoring updates on a regular basis.</p>		

- 6.2 The North Yorkshire LA funding rate for 3 & 4 year olds received from the DfE for 2018/19 will continue at the 2017/18 rate of £4.30 per hour
- 6.2 The Early Years National Funding Formula requires the overall pass through rate of funding from the Local Authority to providers to increase from 93% in 2017/18 to 95% in 2018/19. It is proposed, as discussed in the 2017/18 North Yorkshire Early Years funding consultation, that the additional provider funding is allocated to the 3 & 4 year universal funding base rate which would increase the rate from £3.90 per hour to £3.98 per hour from 1st April 2018. The funding supplements related to deprivation and sparsity are paid in addition to the universal funding base rate and are also included within the pass through rate.
- 6.3 The deprivation funding supplement remained unchanged in 2017/18 and the sparsity funding quantum was reduced from £100k to £50k. The 2017/18 North Yorkshire Early Years funding consultation discussed undertaking a review of funding supplements for 2018/19. It is proposed to continue to operate these funding supplements for 2018/19 at the 2017/18 rates and to delay any review for a further year in order to:
- More fully understand the deprivation funding supplement payment profile for the extended entitlement hours. At this stage the only data available relates to the extended entitlement pilot in the Summer 2017 term and there is no data related to the national rollout.
 - More fully understand the combined financial impact on providers of both the reduction in the funding rate and the introduction of the extended entitlement from September 2017.
- 6.4 The funding rate received by the LA from the DfE for disadvantaged 2 year olds is £5.20 per hour. This funding was fully passed through to providers in 2017/18. It is proposed that £5.20 per hour is continued to be paid in 2018/19.
- 6.5 It is not proposed to undertake a further funding consultation exercise with Early Years providers on the change to the universal funding base rate for 3 & 4 year olds given this increase has already been discussed in the 2017/18 North Yorkshire funding consultation. Providers have also expressed a strong opinion that the universal base

Early Years Funding Update

funding rate should be the focus of any funding increases in order to ensure all providers receive the benefit from any increase.

7.0 RECOMMENDATIONS

7.1 The Education Partnership is asked to note the delivery of the early rollout pilot of the Extended Entitlement for 3 & 4 year old children with working parents in Summer 2017 and the implementation of the national rollout of Extended Entitlement from September 2017.

7.2 The Education Partnership is asked to note the cost of £209.4k to the Early Years' Reserve in relation to maintaining the 2016/17 funding rates for 3 & 4 year olds for the Summer 2017 term.

7.3 The Education Partnership is asked to support the funding rate recommendations for 2018/19:

- A universal 3 & 4 year old base funding rate of £3.98 for all providers to be implemented from April 2018
- The current banded deprivation funding supplement methodology and rates for 3 & 4 year olds to be retained for 2018/19 with a more in-depth review of the funding criteria and rates to be undertaken for 2019/20. This will enable more data to be available in order for a full assessment to be undertaken with regard to the deprivation supplement payment profile and the delivery of extended entitlement hours.
- To retain the Sparsity funding quantum of £50k for 2018/19. A review of this supplement will be undertaken for 2019/20 when more information on the combined financial impact on providers of both the reduction in the funding rate and the introduction of the extended entitlement will be available.
- The LA funding rate for disadvantaged 2 year olds of £5.20 per hour to continue to be fully passed through to providers for 2018/19

STUART CARLTON

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