

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	18 July 2017
<b>Title:</b>	Early years national funding formula – response to stage 2 of the consultation
<b>Author:</b>	Alison Manning and Christina Lewis
<b>Decision making / consultative / information:</b>	Information
<b>Who can vote?</b>	n/a

### **What is the Forum being asked to decide?**

- Note developments and early planning for year two (2018/19) of the EYNFF transition period.
- Agree the outline budget plans for managing centrally retained EY DSG in year two of the transition period.
- Provide feedback on ideas for managing the centrally retained budget reductions with an emphasis on the Early Learning Together service.
- Note the current challenges presented by the HMRC Childcare Choices website including the impact and risks to parents, providers and the council.

### **Reason for recommendation**

1. There is no recommendation as the paper provides information on planning for and consultation on the preparation for year two of the Early Years National Funding Formula.

### **Alternative options**

2. See paragraph 16.

### **Who will be affected by this decision?**

3. All early years providers; schools, private, voluntary and independent providers (PVI), high needs providers, the children of Suffolk, their parents, businesses and the local authority will be affected.

## **Main body of the Report**

### **Background: The Early Years National Funding Formula (EYNFF)**

4. Following a consultation on the EYNFF in January and February 2017 with the Early Years and Childcare Consultative Forum a new base rate for 3 and 4 year olds was implemented from 1<sup>st</sup> April 2017.
5. This represented a reduction for a large number of Suffolk providers. Understandably, this was not welcomed, particularly at a time when providers were, and still are, planning for the new free entitlement for 3 and 4 year olds of up to 30 hours a week from September 2017.
6. The reduction equates to a £2.1m decrease in the current funding over the next two financial years (5% in 2017-18 and a further 2.5% in 2018-19), 7.5% overall. A number of Suffolk providers made representations to their MP and to CYP's Lead Member.
7. A small group of providers attended a meeting at the DfE with their MP to discuss the issues and impact. It is our understanding that one provider was asked to submit the costs of delivering an hour's provision. At the time of writing there is no further update.
8. The Early Years and Childcare Consultative Forum has expressed a wish to keep the reduction in funding for Suffolk providers high on the agenda both locally and nationally.

### **Planning for Year two of the transition period**

9. Planning for year two of the transition period is in progress. It will be important to avoid the situation we experienced earlier in the year when providers were receiving information about the base rate at a very late stage. This was due to the late notification from the DfE of the final DSG allocation.
10. We are also mindful that another reduction in the base rate for providers will be challenging for them and will risk the council's ability to meet its sufficiency duty where settings become unsustainable.
11. To try to avoid this challenge, the Early Years and Childcare Service is looking at the feasibility of managing the reduction within the Service, rather than passing on any further reductions to providers. The Early Years and Childcare Consultative Forum has welcomed this approach. However, we have been clear that no guarantees can be made at this stage.
12. As a reminder:
  - Previous re-structures (2011 and 2014) reduced the amount of centrally retained funding in order to increase the hourly rate for providers.
  - in year two of the EYNFF, local authorities are required to retain no more than 5% of the total budget currently the ceiling for centrally retained is 7% and Suffolk is retaining 6.6%. See table below.

**Centrally retained values:**

2014/15	2015/16	2016/17	2017/18 Year One EYNFF	2018/19 Year Two EYNFF
£2,654,060	£2,368,763	£2,123,763	£2,123,763 6.6%	Tbc iro £500K reduction It will decrease to 5% of overall 3 and 4-year-old funding.

13. Early indications suggest the size of the overall reduction will need to be in the region of £500K. This represents 20% of the current centrally retained budget.

14. Given that 90% is spent on staffing, it is logical to look first at how staff are deployed and to services which are not statutory.

15. The delivery of the Early Learning Together Service (ELT) (Portage) is one such service and this was highlighted in the January DMT paper. The decision to cease a financial contribution from the I&ECCG/WS CCG's coupled with the impact of the EYNFF and subsequent reduction in DSG funding, prompts the need to consider options for this service.

16. Portage is referred to in the SEND Code of Practice (Jan 2015) section 5.16.

*'This support can take a number of forms, including:*

- *specialist support from health visitors, educational psychologists, speech and language therapists or specialist teachers, such as a teacher of the deaf or vision impaired. These specialists may visit families at home to provide practical support, answering questions and clarifying needs*
- *training for parents in using early learning programmes to promote play, communication and language development*
- *home-based programmes, such as Portage, which offer a carefully structured system to help parents support their child's early learning and development'*

17. However, it is not a statutory duty for the local authority.

18. In Suffolk, ELT is recognised as a valuable service by parents and indeed by the EYC Consultative Forum, there are benefits to providers of children having received this service prior to taking up an early years and childcare place. It was also seen as a strength in the area SEND Inspection. However, the Forum

members have questioned whether the Early Years Block (EYB) DSG should be used for this service when it is not statutory.

19. The EYC Service is therefore exploring a number of options to reduce the contribution from the EYB DSG. The current options are:

- a) Cease the service;
- b) Continue the service 'as is' but with funding contributions from alternative sources including EYB DSG; or
- c) Continue the service with tighter criteria and with funding from alternative sources including EYB DSG.

20. Options b) and c) would be preferable as all stakeholders agree there is long term value in working with parents and their child prior to the child taking up their free entitlement. At best this early investment prevents long term costs so should not be underestimated in terms of the impact on finances.

21. The Strategic Lead for Early Years and Childcare has had positive early discussions with ADs for Inclusion and Skills and Early Help to consider the possibilities of jointly funding from EY Block, High Needs DSG and Early Help budgets. Further exploratory work is being planned.

22. Any savings made by changes to the source funding for the ELT service will not be sufficient to meet the overall savings target.

23. Additional savings will need to come from the staffing budget. This will require the service to 'cut its cloth' and to look at even smarter ways of working. We have started early discussions with the Early Years and Childcare Consultative Forum about the value to them of the services currently offered by the Early Years and Childcare Service. Regular meetings have been set up to maintain the pace of this work so that decisions can be made in time to complete the Early Years Pro-forma return for the DfE, usually in January.

24. Once we have a clearer plan regarding the funding for ELT, it will be possible to work with the EYC Forum to focus on how further savings can be achieved.

### **Childcare Choices**

25. The reason for including this information is related to the fundamental fact that the take up of places generates EYB DSG. Given that the percentage of centrally retained funding must reduce again from April 2018 to 5% of the total allocation, it follows that we should be aiming for the highest take up of both the universal free entitlement and the extended entitlement to ensure the 5% is as high as possible.

26. Childcare Choices is the new HMRC website for parents; *'The government is introducing **new** ways to help parents with childcare costs. Whether you have toddlers or teens, you could get support.'*

27. The website has a number of functions including crucially:

- a) A system for working parents to input their personal details including national insurance number so they can find out if they are eligible for the extended 15 hours free entitlement for their 3 or 4 year old, and
- b) A system to enable working parents to set up an online account so they can receive funding from the government towards the cost of childcare and pay their childcare provider from this account. This is tax free childcare.

The issues with the functions of the website are as follows:

- Neither of these functions is currently working smoothly for parents (see background information for links to recent media articles) and this is having a knock on effect on providers and to the Early Years and Childcare service.
- In relation to 27a), for parents who are eligible for the extended entitlement to access these hours from September, they must get an 11 digit eligibility code by 31 August and have this code verified by Suffolk's Head Count Day (21 September) so Suffolk can be funded.
- Currently the number of parents successful in obtaining a code from HMRC is an estimated 10% of those we anticipate will be eligible for the extended entitlement from September.
- Of the 10%, only a small proportion have had their codes validated by a childcare provider; equating to 1.6% of all those who will be eligible.
- The slow progress relates to several factors including a lack of a national marketing presence and technical difficulties on the website. These are nationwide issues but are compounding our lower funding situation in Suffolk because:
- The level of take up generates income into EY Block for providers and centrally retained; if take up isn't as estimated by DfE, by the census in January 2018, funding will be adjusted downwards. Therefore, the value of the 5% centrally retained will decrease and more cost reductions will have to be found.
- A number of providers close in the summer holidays so this will make it difficult for parents to secure their places thereby affecting take up.
- The EYC service is working with providers across the county to encourage them to offer the extended entitlement so if parents don't get their code in time for September, there will be vacancies in the system, which is not good for business. This risks our reputation.
- Parents will have already made financial decisions based on an expectation they will have more disposable income from September.

28. In relation to 27b) above, many parents have been successful in creating their tax free account but are not then able to use it to pay for their childcare, meaning in effect they're paying twice.

29. Unfortunately, this is having an unexpected demand pressure on the EYC service as parents are calling us either because they are generally frustrated (understandably) or because they believe (incorrectly) that Suffolk CC has a responsibility for the website.