

Open Report on behalf of Debbie Barnes OBE, Executive Director of Children's Services

Report to:	Lincolnshire Schools' Forum
Date:	11 October 2018
Subject:	Early Years Funding Formula - Update

Summary:

The purpose of this report is to provide the Schools Forum with an update on the proposed 2019/20 funding formula following provider consultation regarding the deprivation supplement, and implementation of the new inclusion funding process.

Actions Required:

Schools Forum is asked to consider the content of the report and to support the Local Authority's approach to early years funding in 2019/20.

1. Background

The government introduced in April 2017 an early years national funding formula. The new national funding formula allocates funding to Local Authorities (LAs) through a formulaic funding system. The national funding formula sets out the hourly funding rate that each LA is paid to deliver the universal and additional entitlement for 3 and 4 year olds.

The early years national funding formula requires LAs to have a local universal rate across all types of providers, a mandatory deprivation supplement factor, and to establish an special educational needs inclusion fund.

The LA agreed to report back to the Schools Forum on the review of the mandatory deprivation supplement funding, and the special educational needs inclusion fund implementation.

Deprivation Supplement

The LA has reviewed the government's prescribed supplements and concluded that it would continue to only use the mandatory deprivation supplement.

Following a consultation exercise in 2017/18, and feedback from a small number of providers, school forum requested the LA undertake a review of the deprivation factor and the associated monetary values.

The LA completed a consultation with providers and schools during the spring term 2018. Within this consultation, the following questions were asked:

- Does the current method reach enough children and families?
- Is the way the funding being distributed (termly grant allocation) effective?
- Is this funding being utilised effectively by providers?
- Do you monitor how you spend this funding?
- Would you propose alternative criteria to be used?
- Would you like to receive the funding in a different way? (e.g. as an hourly rate or one off grant)

From the consultation responses, it became evident that the deprivation supplement is not adequately being monitored by providers and therefore potentially not having the intended impact on outcomes for those most disadvantaged children in Lincolnshire.

The LA currently provides information including a breakdown of postcodes with funding allocations attached to support providers to easily identify where children reside and the level of deprivation funding this represents. This information is not being fully utilised by providers and therefore the LA will consider ways in which this can be made more commonly known to providers and additional reporting tools will be developed by the LA to monitor the use of the deprivation funding including its impact which the LA can look to develop a best practice framework to support providers in targeting this funding.

In the summer term 2018, the following proposals were offered to childcare providers for their feedback:

- **Option 1** - Continue to use government's Income Deprivation Affecting Children Index (IDACI) measure, and to identify the children that the supplement relates to in the Early Years Provider Hub. Continue with termly grant allocations.
- **Option 2** - Use Early Years Pupil Premium (EYPP) criteria and add an additional amount per hour to the existing EYPP rate. This would be administered as an hourly amount based on the child's early years entitlement (EYE) hours of attendance.
- **Option 3** - Use a targeted approach for those children with team around the child (TAC); child in need (CIN) or child protection (CP) plan. This could be administered as a grant allocation or as an hourly rate.

As part of the consultation process, a poll of all attendees was taken at the summer leaderships and management briefings and 80% of provider's were in favour of continuing to use the IDACI criteria as the preferred approach (option 1) to supporting disadvantaged children. Providers also requested that this continued to be distributed on a termly basis. There was also feedback from providers that the sector should be held more accountable for how this funding benefits the targeted groups. Feedback was received from 149 providers which represents 22% of the sector.

In 2019/20, the LA will continue to use the same deprivation factor and deprivation monetary values that are currently in place in 2018/19.

The IDACI deprivation measure determines the probability of a child coming from a deprived area, using the child’s postcode. For example, a child with an IDACI score of 0.2 has a 20% chance of coming from a deprived area; a child with an IDACI score of 0.8 has an 80% chance of coming from a deprived area. Only pupils with an IDACI score of 0.2 or above will trigger deprivation funding, therefore targeting funding at those children deemed to be more deprived.

The following table shows the deprivation scores and associated funding:

Deprivation Band	IDACI Score lower limit	IDACI score upper limit	Funding Per Pupil
1	0.2	0.25	£150
2	0.25	0.3	£300
3	0.3	0.4	£450
4	0.4	0.5	£600
5	0.5	0.6	£750
6	0.6	1.0	£900

The October 2018 data collection information and IDACI 2015 datasets will determine the 2019/20 annual deprivation funding allocation. The indicative 2019/20 allocations will be shared with all early years providers in the autumn term 2018 to provide them with more time to consider how they will spend this funding during 2019/20 and familiarise themselves with the auditing tools to monitor the impact.

A full review of the 2019/20 deprivation performance will be completed through the year. Deprivation allocations will also be identifiable within a live system known as the Early Years Provider Hub. This system also allows providers to make monthly early years participation funding claims and access remittance advice.

Inclusion Funding

The key components of Lincolnshire's early years funding formula builds quality within the model to support inclusive practices for children working within the graduated approach to meeting the needs of children with identified delays in the prime areas of learning. The guidance expects providers to meet children's needs within the local universal rate. Pupil needs above this threshold are considered either through the Special Educational Needs (SEN) inclusion fund or the Education, Health and Care plan process.

The SEN inclusion fund is administered by the LA, and supports the inclusion and participation of Lincolnshire early years children as part of the Local Offer.

The SEN inclusion fund process was reviewed in 2017, and following the implementation of a pilot, the new process has now been fully rolled out in 2018/19.

The SEN inclusion funding has been paid at the rates below:

- 50% of the base rate to enable the setting to enhance provision to meet the Emerging needs of the child
- 100% of the base rate to enable the setting to enhance provision to meet the Moderate needs of the child

The revised approach enables providers to receive additional funding in a way which is meaningful to them and gives them flexibility to work with the families to provide an offer above and beyond that which can be met as part of the graduated approach.

Children with more complex needs and those in receipt of an EHC plan will continue to be eligible to receive funding via the High Needs block of the Dedicated Schools Grant.

The new process has not yet had a full financial year of implementation. Following 2018/19, the LA will have a better understanding of future budget requirements and further findings will be reported to Schools Forum in January 2019. This will be reviewed alongside the extended 15 hours, which may have further financial impact on the SEN inclusion fund depending upon future take up of this offer.

The revised inclusion model funds providers termly. With the introduction of monthly payment process for EYE, there will be further work undertaken with the sector to determine if there are any benefits to aligning these payment schedules.

Monthly Claims Process

The government remains clear that smaller providers, such as childminders, need to be supported to enable them to offer the extended entitlement. The government wants to prevent cash flow problems and is encouraging more providers to deliver 30 hours to increase the market and ensure a more flexible offer. The government therefore included in statutory guidance, their expectation that LAs should pay providers on a monthly basis, by September 2018 at the latest.

Lincolnshire has successfully implemented this system for September 2018 following consultation with the sector, providing extensive training and support to providers. All providers in Lincolnshire that submitted a claim by the specified date were paid on time and within the parameters of the payment schedule. The Early Years Provider Hub is being utilised to ensure accurate and up to date claims and payments will continue on a monthly basis.

Providers were given the option of a transition period when moving to monthly payments. A small number of providers opted for this to give them time adapt to the different timing of EYE funding. This transition period involves providers continuing to receive a 60% interim payment at the start of term in autumn 2018 and spring 2019.

Next steps

The LA will report back to the Schools Forum in January 2019 to provide an update to central government publications and funding levels; the local universal rate for providers in 2019/20, and to agree the LAs proposals to centrally retained funding.

2. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

The deprivation supplement funding will be audited across childcare providers in Lincolnshire and a full impact analysis will follow to consider its effectiveness and the LA will look to develop a best practice framework to support providers in targeting this funding.

3. Background Papers

Document title	Where the document can be viewed
Early Years National Funding Formula (January 2018)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5160&Ver=4
The Annual Report 2016/17 for Early Years and Childcare Support (EYCC)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4853&Ver=4
Early Years National Funding Formula (February 2017)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4876&Ver=4
Early Years National Funding Formula Guidance	https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance
Early Education and Childcare Statutory Guidance (DfE valid from 1 September 2018)	https://www.gov.uk/government/publications/early-education-and-childcare--2
Early Education and Childcare Operational Guidance (DfE June 2018)	www.gov.uk/government/publications/30-hours-free-childcare-la-and-early-years-provider-guide
Evaluation of the first year of the national rollout of 30 hours free childcare	https://www.gov.uk/government/publications/30-hours-free-childcare-final-evaluation-of-the-national-rollout

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