

Committee: **Lead Member for Learning and School Effectiveness**  
 Date: **14 March 2013**  
 Title of Report: **Early Years Funding Formula**  
 By: **Director of Children's Services**  
 Purpose of Report: **To recommend the proposals to change the East Sussex Early Years Funding Formula from 2013/14**

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**Recommendation:**

**The Lead Member is recommended to**

**(1) approve the proposed use of the trajectory funding as set out in paragraph 1.3 of this Report**

**(2) approve the new formula and the rates for eligible two year olds as set out in paragraph 1.5 and Appendix 1 of this Report**

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**1 Financial Appraisal**

1.1 The Government announced that funding for free early education for two year olds will form part of the Dedicated Schools Grant (DSG) from 2013-14. Local authority allocations for two year olds free early education will, alongside the funding for three and four year olds, form part of the notional Early Years block within the reformed DSG.

1.2 The notional funding allocated to Local Authorities is in two elements: statutory place funding and trajectory funding allocations. Statutory place funding is intended to support the delivery of the two year old entitlement through providing statutory places. The trajectory funding, as well as building towards the extended entitlement from September 2014, is to be used to create non-statutory places.

1.3 The authority does not have a budget for the growth of additional places. In order to make formal provision for additional places and ensure the quality of places provided, it will be necessary to make funding available outside of the funding formula to be held centrally for distribution to pre-school and schools from the trajectory element of the Early Years Block. It is intended that at least 80% of trajectory funding is passed to providers for the early creation of places.

1.4 The breakdown of allocation of the funding is as follows:

Statutory Place Funding	£2,710,305
Trajectory Building	£1,063,992

1.5 The formula allocation is made up as follows:

A base hourly rate	£5.00
Additional payment for Band A Children	£1.00

**2 Supporting information**

2.1 In November 2012 the Department for Education (DfE) confirmed that free early education for eligible two year olds will become a statutory entitlement from 1 September 2013.

2.2 The DfE proposals require local authorities to change the way in which funding is allocated so that it is through the Early Years Funding Formula.

2.3 The funding of eligible two years olds has been successfully piloted in East Sussex since 2009.

2.4 The proposed changes to the Early Years Funding Formula to include funding for two year olds are detailed in Appendix 1.

2.5 In January 2013, the Forum agreed that the Director of Children's Services should consult early year's providers on the proposals for funding two year olds.

2.6 There has been a Children's Services Project Board made up of multi-agency representatives since 2009 and this group has considered carefully the proposals set out to the Schools Forum. The agencies represented on this Board will continuously review the referral criteria and processes to ensure priority is given to the most disadvantaged children. In order to assess the capacity to increase provision for two year olds in East Sussex a number of activities have taken place during the autumn of 2012.

- A data analysis and mapping of providers;
- A survey of all providers (only 8 out of 267 did not respond);
- A focus group of pre-school providers to discuss barriers to expansion; and
- An assessment of funding by other South East local authorities and statistical neighbours.

2.7 The drive to raise quality of Early Years Foundation Stage (EYFS) outcomes at the end of reception continues to be a key priority for children in East Sussex. The key research, both nationally and in East Sussex, tells us that the quality and duration of access to the Early Years Educational Entitlement (EYEE) makes a lasting impact on children's learning and development. The Standards and Learning Effectiveness Service is therefore implementing the strategy to develop consistent provision on one site for children from aged two years to the end of reception.

2.8 It is recognised that expansion of places is not just about numbers, but is also about the 'right sort of provision' for two year olds. The County Council hopes to ensure not just the requisite number of places, but an appropriate 'environment' for the most vulnerable two year olds in the County. In order to ensure this:

- All providers will be required to meet the 'good or outstanding' criteria;
- The high level of need for early identification of deprived language requires specific quality improvement;
- Wherever practicable the expansion will develop consistent provision on one site for children from aged two years to the end of reception;
- There is a current shortfall of 700 places in priority FSM areas of East Sussex

2.9 The eligibility criteria are set out in Regulations and provide for children from families meeting the benefits-related eligibility criteria (which are also used for free school meals (FSM)) and Looked After Children. In support of our most vulnerable Children in Need, the County Council intends to prioritise children at greatest disadvantage; these will be children on a Child Protection Plan, a Social Care Child in Need or a Health designated Child in Need.

2.10 A base rate will be paid for all eligible two year olds. The base rate which is set will reflect that providing for two year olds is more costly than for three to four year olds. A deprivation factor will be applied to the most vulnerable children (to be known as Band A children), who shall be identified using current criteria, i.e. the deprivation factor will apply to those most vulnerable children who are those on a Child Protection Plan, Social Care Child in Need or Health designated Child in Need.

2.11 Formal consultation has taken place through Schools Forum and with providers of early years education details are included in Appendix 1 and 2.

### **3 Conclusion and Reason for Recommendations**

3.1 The Early Years Funding Formula and the responses to the consultation are set out in Appendices 1 and 2. The Schools Forum has consulted on and agreed these proposals.

3.2 It is recommended that the changes to the new Early Year's formula, the funding rates set out in paragraph 1.4 are approved.

3.3 It is also recommended that the proposals for use of the trajectory funding set out in paragraph 1.3 of this Report are approved.

MATT DUNKLEY

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Local Members: All

Background Documents: None

Appendices:

Appendix 1 - Early Years Funding Formula Consultation Document

Appendix 2- East Sussex Provider Responses to the Consultation on the Inclusion of 2  
Year Old Funding Within the Single Funding Formula



# **East Sussex County Council**

## **Schools Forum**

### **Early Years Funding Formula Consultation Document**

## Background

The Early Years Funding Formula (EYFF) was first implemented in East Sussex in April 2010 to provide funding for three to four year olds.

Two year old funding has been piloted in East Sussex since September 2009, funding 140 places for the most vulnerable two year olds in the County. Under the Pilot, priority has been given to children on a Child Protection Plan, Social Care Children in Need and Health designated Children in Need.

From September 2013 provision will be extended to the 20% most deprived two year olds (based upon Free School Meals (FSM) criteria), with a further 20% of children funded from September 2014. The first phase of funding must include Looked After Children as well as the 20% most disadvantaged two year olds. The funding given in this phase can include children that fall under categories of need identified as a local priority, provided they also meet the categories identified as national priorities.

In East Sussex 1100 children will become eligible for a free 15 hours a week (38 weeks) place from September 2013. It is proposed that the formula for two year olds will be made up as follows:

- (1) A base rate will be paid for all eligible two year olds. The base rate which is set will recognise that provision for two year olds is more costly than provision for three to four year olds.
- (2) A deprivation factor will be applied to the most vulnerable children (identified using the current FSM criteria) i.e. those at greatest disadvantage. The children eligible for the deprivation factor will be known as 'Band A' children. Band A children will be those on a Child Protection Plan, Social Care Child in Need or Health designated Child in Need.

The second phase of entitlement will then be extended by a further 20% to approximately 40% of all two year olds – 2200 children in East Sussex – from September 2014. The criteria for this second cohort of children has yet to be agreed by the Department of Education (DfE).

Payments to settings providing the early years education entitlement for two year olds will be made three times a year on a pupil count of participation. Adjustments will be made in year.

The local authority, as part of the formula, will take into account the number of places that should be reserved in a nursery class or with a Private, Voluntary or Independent Early Years provider (instead of the predicted total number of hours of attendance) for children with special educational needs, Children in Need or children that meet the condition prescribed by regulation 3 (2) of the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012 (a)

## **Current/Existing allocation for three and four year old pupils**

The formula allocation is made up as follows:

- a base hourly rate
- a quality addition based on the level of the qualification of the person who substantially leads on the delivery of the EYFS to three and four year olds
- deprivation funding based on the number of children in a setting from the 20% most deprived areas as measured by the Income Deprivation Affecting Children Index (IDACI) total of 2.5% on base funding.

### **Calculation of the current/existing payment**

- The base hourly rate will be multiplied by the number of full time equivalent (FTE) pupils. An FTE pupil is defined as a pupil attending a setting for 15 hours per week 38 weeks a year.
- The quality addition will be allocated based on the qualification of the person who substantially leads on the delivery of the EYFS to three and four year olds. Payment is made from a fixed budget, allocated annually to all settings who qualify and paid three times a year.
- The deprivation addition will be allocated based on the number of children who claimed funding in the previous financial year and who live in a postcode in the highest 20% of deprivation as defined by IDACI. Payment is made from a fixed budget, allocated annually to all settings who qualify and paid three times a year.

### **Proposed Introduction of two Year Old funding within the Early Years Funding Formula**

1. The formula allocation is made up as follows:
  - 1.1. a base hourly rate
  - 1.2. additional payment for identified Band A Children
2. Calculation of the payment
  - 2.1 The base hourly rate will be multiplied by the number of full time equivalent (FTE) pupils. An FTE pupil is defined as a pupil attending a setting for 15 hours per week 38 weeks a year.
  - 2.2 The additional payment will multiplied by the number of Band A Children identified as attending that placement.





## Appendix 2

### East Sussex Responses to the Consultation on the Inclusion of 2 Year Old Funding Within The Single Funding Formula

#### Background

The Government announced that funding for free early education for two year olds will form part of the Dedicated Schools Grant (DSG) from 2013-14. Local authority allocations for two year olds free early education will, alongside the funding for three and four year olds form part of the notional Early Years block within the reformed DSG.

This document collates the responses from early year's providers across all sectors in regards to the proposed changes to the Funding Formula.

#### Consultation Process

Consultation paper work was sent out to all providers currently in receipt of Early Years Education Entitlement Funding.

<u>Sector Type</u>	<u>Number of Providers</u>
Private	125
Voluntary	94
Registered Independent School	15
Maintained Nursery Class	15
Childminder/Other	46

#### Results of Consultation

Out of 295 early years providers we received 37 written responses to the following questions.

**Q1. Are Early Years Providers in agreement with the top 20% most disadvantaged 2 year olds in East Sussex being funded as described in paragraph 2.1 of the Early Years Funding document (Appendix A – Appendix 1 of this report)**

94% of respondents agreed or strongly agreed with the top 20% 2 year olds in East Sussex being funded as described in paragraph 2.1 Appendix A.

**Q2. Are Early Years Providers in agreement that those children who have been identified as Band A children within the top 20% most disadvantaged 2 year olds in East Sussex are paid an additional payment on top of the base rate as described in paragraph 2.2 of the Early Years Funding document (Appendix A)**

Over 84% of respondents agreed or strongly agreed to the proposal to implement an additional payment on top of the base rate to Band A children as described in the Early Years Funding Formula document (Appendix A). 1% of respondents disagreed or strongly disagreed to this proposal with 2 respondents choosing not to answer.

### **Additional comments in relation to Q1 and Q2.**

There were 15 responses to this question. Further comments included –

“Fully support the expansion, changes and improvements around 2 year old funding’

‘We are in strong agreement that the funding for 2 year olds should be continued and increased, especially for the most vulnerable children”

“We are concerned about the admin costs involved in administrating the Band A payment. 15 hours is too many hours for 2 year olds. Funding 8 hours a week for 2 free eye morning sessions would be better”

“Michael Hall School will not be admitting 2 year old children into their early year’s kindergarten settings. We have parent and child groups for this age group”

“Additional funding required as some of these children present with challenging behaviour plus developmental delay which in some cases requires far more one to one attention. Also more information required on why these children have been awarded funding to allow us to cater for these children properly.”

"If funding is going to top 20% disadvantaged children is it not reasonable to consider that a great deal of them would be eligible for the deprivation payment. Why not ditch the deprivation payment and include more children e.g. top 25%?"

"I am a provider running at full 2 year old capacity in the morning, 2 staff and 8 children. In the afternoon I have 1 member of staff and 4 children, with potential space for 4 children per afternoon. If the demand for sessions was high we could employ a member of staff term time only to fill those spaces. This cannot be on an ad hoc basis per term as the costs of staff recruitment are high both in time and money. As a nursery we are not going to be increasing our ratios to take more children in, a sacrifice on quality is not an option."

"To be able to attend the child protection meeting to support the 2 year olds in our setting we need the top up to pay towards staff cover."

"Some families have been declined funding although they appear to meet the criteria. Many parents/carers have commented that the system seems unfair as they have not been selected but families with similar circumstances have."

"Criteria should be looked at for providers to offer spaces for 2 year olds. Some cases where ofsted results below good parents/carers should be able to choose setting more freely."

"Parents of my 2 year olds, who may not be described as having disadvantaged children, we feel would still gain from the experience of early years activities within their age group and social interaction in a nursery."

"Whilst we agree with the proposals to give funding to band A children, we feel concerned for longer funded sessions for these young children. We may look at our offer to see if we can give more appropriate session lengths for their age. With reference to 2.4 we would like to know what impact the SLES strategy to develop

consistent provision on one site for 2yo will have on our setting. Are we expecting schools to expand to accommodate these younger children."

"Will Crowhurst Playgroup be included as we are only able to open 12 hours not 15?"

"2 yr old funding will be attached to the 20% most disadvantaged children, we do not need Band A for additional funding. When are children in the FSM areas going to be eligible for free nursery meals? 3 & 4 year old funding is being left behind , we need an increase in the 3 & 4 year old base hourly rate. Not discussed or mentioned that this consultation was necessary and overdue."

"Some settings may struggle with their facilities/premises to really be able to fulfil (2.5) the criteria of being the right sort of provision. As a vulnerable 2 yr old would need a provision that is really suited to their needs. This must be made a priority where children are being placed, although this will be becoming statutory - suitability of provision is more important."

We opted out of providing places for funded 2 yr olds as the amount of funding provided covered only their actual care in a 1:4 ratio. We struggled to release staff to core group meetings and case conference meetings which were not funded at all. We were lucky in that the child we had didn't need 1:1 support - if they had have done we would be operating at a loss. We would be interested to see how much money is allocated for these children as if it was significant we could consider opting back in to provide spaces for 2 yr olds."

