Summary
This report sets out the funding that was made available to LB Sutton by the Department for Education for the Early Years Free Entitlement and the Council’s proposal on how to distribute that funding within the framework set by the Early Years National Funding Formula.

Recommendations
The Schools Forum to agree the Early Years Funding Formula proposal as set out below
The Schools forum to approve the increase in SEN funding to £150K

Background
The government is delivering its Manifesto commitment to double the childcare offer to 30 hours per week for working parents of three- and four-year olds. This new offer is in addition to the existing 15 hour entitlement for all three- and four-year olds, as well as the free entitlement for eligible two year olds.

Last year the government consulted on the funding allocations made to Local Authorities for the free entitlement. Funding allocations were confirmed in December 2016. The Local Authority received an additional £1.7m to reflect the additional 15 hours entitlement (for those eligible) with an equivalent total funding pot of £12m for the first year of the EYNFF, 2017-18. Government allocations are based on data from the January 2016 schools and early years censuses. Actual final allocations for universal 3-4 year old entitlement funding will be based on a 5/12ths to 7/12ths weighting of data from the January 2017 and January 2018 censuses. Note that the additional 3-4 year old funding in the first year begins in September 2017, so relates to only seven months of the financial year.

Early Year National Funding Formula
There are now a number of new requirements on how the London Borough of Sutton is able to allocate funding to providers from April 2017. These requirements are intended to ensure that funding provided by the Education Funding Agency (EFA) is fairly distributed to providers. The main changes are:

- LBS must pass a minimum amount of funding through to providers.
- LBS must set a local universal base rate that is the same for all types of provider by 2019/20
LBS will receive supplementary funding to ensure the stability of maintained nursery schools until at least 2019/20.

Set out the mandatory and discretionary supplements LBS is able to use to allocate funding.

The introduction of a Disability Access Fund (DAF).

A requirement for authorities to establish a special educational needs inclusion fund.

The main proposals that LBS consulted on are summarised below:

- Introduce a universal base rate for all providers at the earliest opportunity, in April 2017 (£4.75)
- To allocate the Nursery School's supplementary funding to bridge the gap between the new base rate funding and current funding rates.
- Propose to allocate supplementary funding for flexibility and deprivation of 5% of the Budget passed through to providers.
- Propose not to allocate EAL or Quality as a funding supplement
- To create an ‘SEN inclusion fund’ to support children with SEND in Early years providers to access their free entitlement place (£150K) to be allocated based on child's level of need and attendance.
- LBS to retain 7% of the funding allocation centrally in 17/18, and reduce the centrally retained funding in 18/19 to 5%.
- Introduction of the Disability Access fund to be paid termly to the provider

Consultation

As a result of the proposed changes above, LBS consulted with Early Years providers between 3 January and 24 January 2017. The rationale for the proposals and consultation briefing is set out in the Appendix to this report.

LBS had 71 responses to the consultation. A summary of the responses is below:

- 41% of respondents were from the private sector
- 8% Voluntary sector
- 3% Independent sector
- 39% Childminders
- 9% School provision

The majority of respondents agreed with all of the LBS funding proposals

- 96% of all respondents agreed that LBS should bring in the universal base rate straight away.
- 89% agreed that LBS should allocate 5% via Supplementary funds. Those that disagreed commented that they would prefer the base rate to be higher.
- 89% agreed that Deprivation should be a supplementary fund
- 86% agreed Flexibility should be a supplementary fund
- 54% agreed that Quality should not be a supplementary fund
55% agreed that English as an Additional Language (EAL) should **not** be a supplementary fund

70% disagreed that Rurality /Sparsity should **not** be a supplementary fund, considering the LBS is not a rural area it is assumed that respondents misunderstood this question.

The majority of the comments from respondents (where they were made) included concerns providers have about increasing numbers of children with EAL attending early years settings in Sutton which they feel is currently unrecognised. Many of the other comments focused on the need to undertake training, advice and access resources rather than a justification for additional money to be allocated as part of the formula.

LBS proposed to not include EAL as a supplement largely because there is no firm data that is held centrally that would be able to confirm an eligibility criteria or a clear monitoring process for how this funding could be distributed. However, support for providers on EAL can be accessed via different LBS departments and local agencies such as advisory support, training courses and the Children's centre service.

**SEN Funding allocation**

LBS propose to increase the SEN funding to £150K from the existing £50K budget has been under increasing pressure over the past few years, due to the increase in the number of children with SEND attending early years provision.

- 63% thought the £150K SEN funding budget was about right,
- 30% thought it was too low
- 7% thought it was not enough.
- 83% of respondents agreed to allocate the SEN funding as the proposal described in the appended report.

**Payment arrangements**

49% responded that they would like the current process of funding allocations to continue 39% would prefer monthly payments in arrears, 11% responded they were not a PVI provider and therefore the question was not applicable.

Responses from the consultation regarding payment was therefore mixed. Officers are of the view that both payment methods could cause administrative burdens and difficulties in managing business cash flows especially with the small business. The government are yet to confirm the grace period for eligible families for the extended free entitlement, which may result in monthly payments. Therefore LBS propose to continue with the current payment arrangements until the grace period has been decided, LBS will review the impact of the grace period and payment allocations further with providers in more detail following the governance announcement.

Forum should note that Muriel McIntosh is unable to attend the Forum meeting and as the Early Years Representative wanted to circulate her views on the consultation in the attached Appendix B for Forum’s consideration.
Recommendation

The only proposal made by officers where the majority of respondents disagreed with the proposal relates to the proposal not to use of a sparsity / rurality factor. This is perhaps surprising given Sutton is a London Borough. It’s not clear from the feedback why respondents took this view, however officers do not intend to make a change to reflect this feedback given that Sutton couldn’t be defined as an area more akin to a shire Borough with urban and rural divides.

It is recommended that School Forum agree the proposals as set out above and in the attached consultation briefing without amendment.