

NORTH YORKSHIRE COUNTY COUNCIL

CYPS EXECUTIVE MEMBERS

25TH FEBRUARY 2020

2020/2021 EARLY YEARS FUNDING FORMULA

1.0 PURPOSE OF THE REPORT

- 1.1 This report asks Executive Members to agree recommendations to change the funding rates paid to early years' providers for the funded entitlement for 3 & 4 year olds and disadvantaged 2 year olds for the 2020/21 financial year.
- 1.2 The recommendations have been endorsed by early years' providers through a county-wide consultation and agreed by the North Yorkshire Schools Forum.
- 1.3 The report also provides an overview of the other early years funding rates for 2020/21.

2.0 BACKGROUND

- 2.1 The Early Years National Funding Formula provides a local authority funding rate for three and four olds in North Yorkshire at the funding floor level of £4.30 per hour. This funding rate provides the calculation basis for the 2019/20 three and four year old Early Years DSG allocation. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years provision which are provided free at the point of delivery.
- 2.2 On the 31st October 2019, the DfE announced an increase in the early years' local authority funding rate for the 2020/21 financial year. The funding rate for three and four year olds in North Yorkshire will increase by 8p per hour from £4.30 per hour to £4.38 per hour. The level of funding for disadvantaged two year olds will also increase by 8p per hour from £5.20 per hour to £5.28 per hour. There is no increase in the level of the early years' pupil premium and the disability access funding.
- 2.3 The regulations accompanying the Early Years National Funding Formula restrict the level of three and four year old funding which can be retained for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is 5%.
- 2.4 In addition to the three and four year old funding, the Early Years DSG allocation also includes funding for disadvantaged two year olds, early years pupil premium, disability access funding and maintained nursery school supplementary funding.
- 2.5 The three and four year old funding rate paid to early years providers consists of a base funding rate and funding supplements. The provider base funding rate for 2019/20 is £4.01 per hour. Within North Yorkshire funding supplements are paid for deprivation, which is a mandatory funding supplement, and sparsity.

3.0 CONSULTATION ON THE THREE & FOUR YEAR OLD BASE RATE FUNDING FOR PROVIDERS FOR THE 2020/21 FINANCIAL YEAR

3.1 Modelling was undertaken to develop options for the distribution of the 8p per hour funding increase for the 2020/21 financial year and a funding consultation was held with Early Years providers in order to gain views on the options developed. The consultation was held between 2nd December 2019 and 13th January 2020.

3.2 The options consulted on were:

Option 1	Option 2
Base Rate increases from £4.01 to £4.09 Deprivation rates remain unchanged at Band A 54p, Band B 7p, Band C 4p, Band D 0p	Base rate increases from £4.01 to £4.08 Deprivation rate is increased by 1p for Band A, B and C. Band A will be 55p, Band B will be 8p and Band C will be 5p

3.3 99 responses were received to the consultation, as shown below.

LA Maintained Nursery School	2
LA Maintained Schools and Academies	26
Independent Schools	2
Full Day Care	22
Sessional Care	20
Child Minder	27
Total	99

(Response rate: 16%)

3.4 Providers were asked to choose their preferred option. The consultation feedback is indicated in the table below:

<i>Option 1</i>	<i>Option 2</i>	<i>No Preference</i>	<i>Total</i>
69	17	13	100
70%	17%	13%	100%

3.5 Based on the consultation responses received from early years' providers it is recommended that Option 1 is implemented with the provider base funding rate increasing from £4.01 per hour to £4.09 per hour for the funded entitlement for 3 & 4 year olds for the 2020/21 financial year.

4.0 2020/21 OTHER EARLY YEARS FUNDING ELEMENTS

4.1 Within North Yorkshire the DfE funding allocation for Disadvantaged 2 Year olds has historically been paid in full to providers. In this respect, it is recommended that the funding

rate for disadvantaged 2 year olds is increased from £5.20 per hour to £5.28 per hour for the 2020/21 financial year.

- 4.2 The funding levels received from the DfE for the other early years funding rates have remain unchanged for 2020/21. In this respect the 2020/21 rates for the other funding elements are as follows:

Funding Element	Funding Level
Early Years Pupil Premium	£0.53 / Per Hour (Universal Hours)
Disability Access Funding	£615 per annum per eligible child
Sparsity Funding Supplement Provision (applications required for this funding & eligibility criteria applied)	£50,000

- 4.2 The DfE have provided specific supplementary funding for maintained nursery schools to enable their 2016/17 funding levels related to the delivery of universal provision to be maintained. This enables a higher level of funding to continue to be paid to maintained nursery schools during the period which the supplement funding is in place. The DfE have confirmed that the supplementary funding will continue for the 2020/21 financial based on the 2019/20 level of protection; this will enable maintained nursery schools to benefit from the 8p per hour increase for the 3 & 4 year universal entitlement for the 2020/21 financial year. At this stage, the DfE have not indicated whether this funding will continue to be provided beyond 2020/21.

5.0 RECOMMENDATIONS

- 5.1 CYPS Executive Members are asked to:

- i. Agree the recommendation to increase the provider base funded rate for the universal and extended funded entitlement for 3 & 4 year olds from £4.01 per hour to £4.09 per hour for the 2020/21 financial year.
- ii. Agree the recommendation to increase the provider funding rate for disadvantaged 2 year olds from £5.20 to £5.28 for the 2020/21 financial year
- ii. Note the 2020/21 funding rates for the other early years funding elements

STUART CARLTON

Corporate Director – Children and Young People’s Service

Report Prepared by: Sally Dunn, Head of Finance – Schools & Early Years



NORTH YORKSHIRE COUNTY COUNCIL

EARLY YEARS FUNDING RATES

(3 & 4 year olds)

A CONSULTATION PAPER

2 December 2019

Deadline for responses: 5pm

13th January 2020

- 1.0 Background and introduction**
- 2.0 Two year old funding**
- 3.0 Three and four year old funding**
- 4.0 Current funding rates**
- 5.0 Options for funding rates 2020/21**

1.0 Background and Introduction

- 1.1 On 31 October 2019 the Education Secretary, Gavin Williamson announced that an additional £66 million of early years funding for 2020-21 will be distributed to local authorities. In North Yorkshire, both two year old and three and four year old rates used to distribute funding to local authorities will increase by 8p per hour.
- 1.2 The DfE have also confirmed that the national funding rate for the early years' pupil premium is 53p per eligible child per hour, and the Disability Access Fund is £615 per eligible child per year. Both of these rates are unchanged from 2019-20. The government have also confirmed that the Maintained Nursery Schools Supplementary Funding Grant will continue for the 2020-21 financial year. It is not yet known whether this will continue beyond 2020-21.

2.0 Two Year Old Funding

- 2.1 The two year old hourly funding rate paid to providers will increase by 8p per hour from £5.20 to £5.28 for the financial year 2020/21.

3.0 Three and Four Year old Funding

- 3.1 In respect of the three and four year old funding rates, North Yorkshire will receive an increase in the local authority rate from £4.30 per hour to £4.38 from 1st April 2020. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years' provision which are provided free at the point of delivery.
- 3.2 The regulations accompanying the Early Years National Funding Formula (EYNFF) restrict the level of the three and four year old funding rate which can be retained for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is a maximum of 5%.
- 3.3 At the Schools Forum on 13th November 2019, it was agreed to consult early years providers with regard to funding rates for three and four year olds for the 2020/21 financial year, and review the Early Years Sparsity supplement.

4.0 Current Funding Rates

- 4.1 In 2019/20, the three and four year old funding rate paid to early years providers consists of a base funding rate of £4.01 per hour and funding supplements. Within North Yorkshire funding supplements are:
 - deprivation (mandatory funding supplement), and
 - sparsity (optional supplement)

4.2 Deprivation

- 4.2.1 Deprivation funding is currently paid at the end of each term, and is based on the hours attended by the child and a banding using the post code of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

The deprivation funding rates for 2019/20 are:

Band	2019/20 Deprivation Hourly Funding Rate	IMD Score
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

4.3 Sparsity

- 4.3.1 Sparsity funding within North Yorkshire is used to support providers in areas where there is limited choice of early years provision, and for whom without sparsity funding they would struggle to remain viable. The current budget for sparsity is £50k. Providers must apply for the funding and meet the following criteria:-
- There is not a similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider within 3 miles
 - Provider is projecting that they will be operating at a loss in the next 12 months
 - Provider has less than 3 months operating costs within their reserves
 - Funding is based on a financial assessment carried out by NYCC
 - Maximum award £16k
- 4.3.2 Initial work has been carried out on reviewing sparsity; this work has identified that significant further analysis is required to fully understand the current position in relation to sparsity and sufficiency of early years' provision in the very rural areas of North Yorkshire. Any proposed changes to the sparsity funding supplement also need to complement the strategic priorities of the Local Authority including School Readiness and align with the work carried out by the North Yorkshire Rural Commission. The outcome of the further analysis undertaken with regard to the sparsity funding supplement will be reported in Autumn 2020. It is therefore proposed to retain the current £50,000 sparsity funding supplement for the 2020/21 financial year.

5.0 Options for Three and Four Year Old funding rates 2020/21

- 5.1 Two options are proposed in relation to three and four year old funding for the 2020/21 financial year:

Option 1	Option 2
Base Rate increases from £4.01 to £4.09 Deprivation rates remain unchanged at Band A 54p, Band B 7p, Band C 4p, Band D 0p	Base rate increases from £4.01 to £4.08 Deprivation rate is increased by 1p for Band A, B and C. Band A will be 55p, Band B will be 8p and Band C will be 5p

- 5.2 Option 1 passes all of the additional funding, 8p per hour, received from the DfE to providers by increasing the base funding rate from £4.01 to £4.09.
- 5.3 Option 2 passes 7p of the additional funding directly to the base funding rate by increasing the hourly rate from £4.01 to £4.08, and also allows for an increase in the deprivation funding rates on Band A, B and C of 1p per hour.
- 5.4 The sparsity budget remains at £50k in both options.
- 5.5 Providers are asked to complete the attached response form with their reply to this consultation document. Completed response forms should be returned by 5.00 pm on the 13th January 2020.
- 5.6 The results of the Early Years funding consultation will be presented to the meeting of the Schools Forum on the 23rd January 2020.

Summary of comments from respondents
Comments from respondents in favour of Option 1
<i>Increasing our base rate is the best option due to the fact that the deprivation funding is not of any benefit directly to the children who are classed as deprived due to their post code. Child C who happens to live 2 streets away from child D is often not in any way more deprived. Post code based Deprivation funding doesn't work in a large rural area – postcodes which may appear to be affluent and not deprived are often those of families living in the middle of nowhere and needing extra support. This being said , the additional payment of 60p per week does not offer a setting the opportunity to provide any additional support to children who are classed as deprived anyway – if we 'lump' the deprivation funding together (we have 26 children receiving 4 p per hour – we get an additional £15.60 per week as a setting) – this is placed into the general income and makes more of a difference to keep us sustainable – however, in real terms works out to be an additional 29p per hour total, for each of the hours we offer funded care & education. Again – not really trailblazing the way to change. As I know you already know, the cost of providing childcare and education to young children is rising. As a setting, we are being forced to increase the cost of nursery care to our non-funded children (babies and 2 year olds) to subsidise the cost of our funded children. This is not fair and is making childcare unfordable for the majority of parents. Indeed, parents of the babies and 2 year olds are unfortunately subsidising the Governments offer of 'free childcare' – simply in order to keep early years settings open.</i>
<i>We do not really benefit from the deprivation funding so therefore option 1 works better for us as a setting.</i>
<i>We have so few children that would be included in the deprivation group we would not get the extra money.</i>
<i>We have a lot of children who require additional support who do not have postcodes which come under the postcodes in the IMD.</i>
<i>Base rate increase would suit my setting better</i>
<i>As an Independant School we have a low percentage of deprived children.</i>
<i>As a company we would prefer Option 1 due to it being 1p higher base rate, as we don't get deprivation.</i>
<i>We are currently making a loss of 20% per hour per funded child, this is not sustainable long term, although this increase will have little impact , every penny counts.</i>
<i>From our experience the deprivation funding does not always target the children who need it.</i>
<i>As it applies to all children.</i>
<i>It seems fairer to pass on the money to all settings, as all will have to deal with inflationary costs.</i>
<i>Relatively little deprivation in this area.</i>
<i>£4.09 is still an insult when it comes to Early Years Funding. My qualifications and experience deserve a lot more than this. My basic hourly rate is £5, and so over the period of a year, with 3 children currently receiving 3-4 year funding, I am losing out on £3385.80 per year. It's a disgrace.</i>
<i>Hourly rate increase more beneficial to us rather than a deprivation increase, as our children fall into the lower bands and the new hourly rate will still be below our normal rate.</i>
<i>My hourly rate is £4.50 so option 1 is slightly less underfunded than option 2</i>
<i>As a nursery in a town, we do not benefit from sparsity or depravation payments. Our bottom line has been severely dented since the introduction of 30 hours & the threat of the next election's manifesto's promoting more 'free' childcare, we need the funding & support from</i>

<i>the DfE to contribute directly to the cost of providing quality childcare & staff as much as possible.</i>
<i>The best option is Option 1, for the full 8p per hour increase to be added to the income for all children.</i>
<i>We don't have many children in our setting from a deprived area but still need the funding to be able to provide the facilities that all the children will benefit from.</i>
<i>Limited Deprivation in our area .</i>
<i>For us it is the hourly rate that is important as this applies to all children and would seem to be the fairest option across providers.</i>
<i>We have very few if any pupils at Band A deprivation, therefore our setting would benefit from a higher overall rate.</i>
<i>The basic rate is little enough and needs to be increased by as much as possible in order to ensure nurseries remain viable through 2020/21</i>
<i>Everybody receives some</i>
<i>The funding doesn't cover are actual running costs let alone any 'profit' Harrogate have reduced the business rates to zero for day care settings – can Selby district look at doing anything to help providers too? Trying hard to keep the sessions as totally free for parents but it's becoming impossible to subsidise anymore</i>
<i>The increase in base rate will have more impact for our funding payments than the deprivation rates.</i>
<i>With ever increasing running costs we feel than any less and we will struggle to stay open. We are already running the school on a deficit</i>
<i>Although several of our children receive deprivation funding we will be better off if all the children receive and increase.</i>
<i>As the £4.01 currently is 49p per hour less than my hourly rate, I would like the higher rate of £4.09. Actually my preferred option of my full hourly rate is not listed!</i>
<i>only choice of two options</i>
<i>All providers receive the full additional funding based on pupil roll numbers</i>
<i>This option essentially impacts on the additional 15 hours for a 30-hour place due to the MNS supplementary funding. It would be better if the amount was in addition to the Supplementary funding as our costs have increased as they have across the entire workforce and MNS are not able to see the full benefit of the rise.</i>
<i>Because option 1 is fair to all settings.</i>
<i>As a small setting, although in not a deprived area we are in a rural area and so struggle with the amount of children who attend, so every penny counts for us.</i>
<i>An 8p increase is really a drop in the ocean of underfunding. I charge £4.40 per hour. I am now pushing funded children into nurseries and concentrating on the under 3's.</i>
<i>The government funding does not reflect the actual hourly rate for the 3 / 4 year funded place and what it actually costs! As per comments on various platforms they do need to realistically look at this and make it a fairer rate that reflects actual delivery.</i>
<i>Central government need to re assess 'free' childcare – it is not free! it is subsidised by settings at the point of delivery. Settings should be able to bridge the gap by charging the difference to parents if early years settings are to survive.</i>
<i>The proposed increase in funding is still inadequate in relation to the cost implications of running a quality Early Years provision.</i>
<i>This is a 2% increase in nursery funding but with inflation at 3% plus this will put further financial pressure on nursery provision across the county.</i>

We are pleased that the rates are set to rise, but we are however running at a loss by offering them a place.

Comments from respondents in favour of Option 2

I chose option 2 as its giving me extra money, as a childminder I am limited on number of children so living on funding wage any extra will help. Plus it can help me have more 3 & 4 years funding children in the future if money is increased.

This is due to the deprivation rate and having so many children qualifying at Band C and a couple in Band A

An increase in Deprivation rate should be across the board and will involve everyone getting something, and not just a post code lottery. HG3 postcode is seen as an affluent area, however up here based at the Army Foundation you could actually class our clients as travellers as they are only here for a maximum of two years.

Minuscule more help for those in deprived areas

Although we would be better off with Option 1, I think any additional money to support children from deprived backgrounds should be prioritised.

Due to very low numbers, the difference between the two options is minimal for us. Although we would be better off with Option 1, I think any additional money to support children from deprived backgrounds should be prioritised.

Because we feel this is the fairest option.

This seem to be a fairer option as all areas get an increase in funding.

Not a strongly held preference as not sure the quantum of funding makes a sizeable difference, but broadly support the notion of increase proportional to deprivation need on the basis that a strong early years start would have biggest impact where children come from challenging circumstances

Help given to deprivation seems better. Pence won't make much difference when I have less than 10 funded children.

It is a fair compromise to enable both early years and the depravation fund to benefit from the additional funding.

We feel that more and more children are coming through with deprived backgrounds, and the feel the increase should be spread across all the deprivation bands.

Our nursery class is part of a mixed N/R/Y1 class

The amount isn't enough per hour

We are a Preschool that is part of a School, the Preschool doesn't have a teacher but a Manager.

Comments from respondents who expressed no preference

For the amount of children I have it doesn't really affect me either way

As I only have two funded children both 15 hours per week. Price is fine

Because I do not fully understand the differences outlined in options 1 & 2

Initial equality impact assessment screening form (As of October 2015 this form replaces 'Record of decision not to carry out an EIA')	
This form records an equality screening process to determine the relevance of equality to a proposal, and a decision whether or not a full EIA would be appropriate or proportionate.	
Directorate	Central Services
Service area	Strategic Resources (CYPS)
Proposal being screened	Following an increase in the DfE funding rate to the Local Authority for Early Years for 2020/21, it is proposed to carry out a consultation on the Early Year's funding base rate for 3 & 4 year olds and possible increase in Deprivation funding rate. Two different options, have been presented to Providers for consideration.
Officer(s) carrying out screening	Sally Dunn, Head of Finance Schools and Early Years Catriona Lowin, Accountant, Avril Hadfield, Accounting Technician
What are you proposing to do?	A consultation is being undertaken with all NYCC Early Year's Providers. Option one increases the base rate by 8p, and the second option increases the base rate by 7p plus it also increases deprivation by 1p on Band A, Band B and Band C deprivation rates.
Why are you proposing this? What are the desired outcomes?	The additional funding from the government will facilitate an increase in the hourly rate paid to providers, and could also be used to increase the deprivation rates. The desired outcome is that any change to the allocation metric will not materially impact upon the Council's budget, and that no provider with children located in a deprived area, as defined by the children's postcodes having an IMD score of <10, loses out financially.
Does the proposal involve a significant commitment or removal of resources? Please give details.	There may be a small contribution of approximately £25k (0.08% of the Early Years Grant Funding) to the County Council budget if Option 2 was implemented.
Impact on people with any of the following protected characteristics as defined by the Equality Act 2010, or NYCC's additional agreed characteristic As part of this assessment, please consider the following questions: <ul style="list-style-type: none"> • To what extent is this service used by particular groups of people with protected characteristics? • Does the proposal relate to functions that previous consultation has identified as important? • Do different groups have different needs or experiences in the area the proposal relates to? 	
If for any characteristic it is considered that there is likely to be a significant adverse impact or you have ticked 'Don't know/no info available', then a full EIA should be carried out where this is proportionate. You are advised to speak to your Equality rep for advice if you are in any doubt.	

Protected characteristic	Yes	No	Don't know/No info available
Age		✓	
Disability		✓	
Sex (Gender)		✓	
Race		✓	
Sexual orientation		✓	
Gender reassignment		✓	
Religion or belief		✓	
Pregnancy or maternity		✓	
Marriage or civil partnership		✓	
NYCC additional characteristic			
People in rural areas		✓	
People on a low income		✓	
Carer (unpaid family or friend)		✓	
Does the proposal relate to an area where there are known inequalities/probable impacts (e.g. disabled people's access to public transport)? Please give details.	No		
Will the proposal have a significant effect on how other organisations operate? (e.g. partners, funding criteria, etc.). Do any of these organisations support people with protected characteristics? Please explain why you have reached this conclusion.	No, There is no financial impact on the base rate funding and the deprivation funding supplement of Option 1		
Decision (Please tick one option)	EIA not relevant or proportionate:	✓	Continue to full EIA:
Reason for decision	The Early Years consultation on the base funding rate and deprivation rates is being held with all Early Years Providers across NYCC. Both options offer an increase in funding to providers. The deprivation supplement is payable to providers and not the parents/young people so no individual protected or additional characteristics are directly affected. Any change in deprivation funding has no impact to young people accessing funded childcare as they will continue to receive their funded hours free of charge. Parent/guardians/carers are not being consulted as they are not impacted by any change.		
Signed (Assistant Director or equivalent)	Sally Dunn		
Date	02/12/2019		