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Report title:	Outcome of Consultation on 2015-16 Early Years Single Funding Formula Changes	
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Executive Summary

This report provides the Schools Forum with the results of the consultation on the proposed change to the Early Years Funding Formula for 2015-16 and seeks the Schools Forum views on the responses received and agreement of the change proposed.

Schools Forum Actions

The Schools Forum is asked to:

- Consider the responses received to the consultation document;
- Agree the proposal that from April 2015 (backdated to April 2014) the rate for provision in academies is the same as that for maintained primary schools and to implement the move to a consistent deprivation formula from April 2016.

1.0 Background

- 1.1 The Local Authority (LA) has conducted a review of the Early Years Single Funding Formula (EYSFF) which funds early years providers for the free entitlement for 3 and 4-year olds in England of 570 hours of free early education or childcare a year.
- 1.2 Proposals for the consultation had been presented to the December 2014 Schools Forum meeting,
- 1.3 It was agreed to consult with schools and early years providers on the following changes:
- Review the approach to the allocation of deprivation funding, making this consistent across all settings over the next two years;
 - The introduction of a new additional differential rate for schools that are academies.
- In addition, providers were asked for any general comments on early years funding in Southwark.

2.0 Outcome of the consultation process

- 2.1 The consultation closed on 6 March 2015. A breakdown of the responses received by type of respondent is below:

Respondent type	Number of respondents	Percentage of overall number of responses
Academies	2	17%
Maintained nursery schools	3	25%
Maintained primary schools	1	8%
PVI's	6	50%
Total	12	100%

2.2 The consultation questions were based around the following topics:

- Funding of deprivation;
- Funding of early years provision in academies;
- Funding arrangements for two year olds;
- Funding of early years provision in Southwark.

A summary of the consultation responses for each topic is given below:

3.0 Consultation responses

3.1 There was a low response rate to the consultation, with only twelve responses received. This represents approximately 7% of the early years providers in Southwark.

3.2 The majority of the responses to the consultation were in favour of the changes proposed. A summary of the responses is provided below:

Question	Yes	No
<i>1. Do you support the idea that a consistent approach is applied to the allocation of deprivation funding to all providers, based on the six IDACI bandings applicable to schools?</i>	100%	0%
<i>2. Do you agree that the move to a consistent approach to deprivation funding should be implemented based on an incremental approach?</i>	92%	8%
<i>3. Do you support the move of PVI's to using the IDACI deprivation indicator from September 2015 or April 2016?</i>	92%	8%
<i>4. Do you support the longer term position that similar children with similar levels of deprivation should attract the same additional funding, whatever provider they attend?</i>	67%	33%
<i>5. Do you support the introduction of a new differential funding category for academy providers?</i>	82%	18%
<i>6. Do you support academy early years providers being funded on the same basis as maintained schools?</i>	75%	25%

3.3 A detailed analysis of the consultation responses is provided in Appendix B.

3.4 The LA considered the responses to the consultation and proposes to implement the changes outlined in sections 4 and 5 in 2015-16.

4.0 Proposed formula changes – funding of early years provision in academies

4.1 The majority of respondents to the consultation were in support of the proposed changes to the funding of early years provision in academies. The LA therefore proposes to go ahead with introducing a new differential funding category for academy providers, putting them on the same basis as maintained schools. This will be from April 2015 (backdated until April 2014).

5.0 Deprivation funding – incremental approach

- 5.1 In addition, the LA consulted on moving to a consistent approach to deprivation funding based on an incremental approach over the next two years. No changes were proposed for April 2015 as there was not sufficient time to implement and meet the regulation requirements to have these changes in place in advance of the financial year. The first step proposed in the incremental approach was to move PVI providers from using the IMD deprivation indicator to IDACI. Proposals for this change were to be either implemented in-year from September 2015 or April 2016, responsive to consultation feedback from providers.
- 5.2 All respondents to the consultation were in support of the idea that a consistent approach was applied to deprivation funding and 92% supported the implementation being based on an incremental approach.
- 5.3 The consultation responses did not however provide strong support in regards to implementing the first stage of the changes from September 2015. The LA therefore has decided not to make any changes to the deprivation funding in 2015-16; this approach will allow providers additional time to plan for the change.
- 5.4 Further work will be undertaken during 2015-16 as planned to review the deprivation funding levels across sectors and assess the potential impact for providers. Further details on proposals and modelling will be communicated to providers in 2015-16, with the intention of implementing changes from April 2016.

6.0 Proposed Southwark Early Years Single Funding Formula

- 6.1 The proposed Southwark Early Years Single Funding Formula for 2015-16 and 2016-17 is outlined in Appendix A.

7.0 Financial implications

- 7.1 The changes will be managed within existing Dedicated Schools Grant resources, as part of the updated 2015-16 budget setting process.

8.0 Action for the Schools Forum

Schools Forum is asked to:

- agree the introduction of a new differential funding rate for academy providers, on the same basis as maintained schools from April 2015 (backdated until April 2014);
- note the ongoing work in regards to moving to a consistent approach to deprivation funding from April 2016.

Appendix A
Summary of proposals

Element of formula	Background	Proposed changes	Proposed implementation dates
Base rates	<p>There is significant difference between the hourly base funding rates for the different types of providers:</p> <ul style="list-style-type: none"> • Primary schools - £4.95; • Nursery Schools - £6.43; • PVI - £4.10. 	No change proposed for 2015-16, awaiting outcome of national review.	Not set, dependent on outcome of national review
Deprivation – move to consistent approach for all providers using IDACI	<p>Two different deprivation indicators are currently used to target deprivation funding to early years providers:</p> <ul style="list-style-type: none"> • Primary and nursery schools – IDACI, based on 4 different bandings with all children attracting funding; • PVI – IMD with funding allocated to 30% most deprived (nationally). 	<p>Move incrementally to a consistent methodology for all providers.</p> <p>Steps needed:</p> <ul style="list-style-type: none"> • Move PVI from IMD to IDACI; • Move PVI to 6 IDACI bandings; • Move primary and nursery schools to 6 IDACI bandings. 	<p>April 2016</p> <p>April 2016</p> <p>April 2016</p>
Deprivation – review funding rates	<p>There is significant difference between the funding levels for the different types of providers, for example the 30% least deprived children attract the following hourly rates:</p> <ul style="list-style-type: none"> • Primary schools - £0.39; • Nursery schools - £0.65; • PVI - £0.00 	Carry out further work to review the deprivation funding levels across sectors and assess the potential impact for providers.	TBC
Funding of academy providers	Academies are funded as PVI, however the inspection regime and operating model is the same as maintained schools.	Implement a new funding formula, consistent with schools with effect from 1 April 2015 (backdated from April 2014).	April 2015

Appendix B
Detailed analysis of consultation responses

Question 1

Do you support the idea that a consistent approach is applied to the allocation of deprivation funding to all providers, based on the six IDACI bandings applicable to schools?

	Total	Percent
Yes	12	100%
No	0	0%

Respondents were overwhelmingly supportive of the principle of applying a consistent approach to the allocation of deprivation funding, based on the six IDACI bandings applicable with schools. 100% of those answering this question were in support of these proposals.

In their written responses, some respondents noted the impact of the changes on individual settings and potential for funding reductions, issues around funding for families with no recourse to public funds, potential issues with using postcodes and reasons for the different approaches. Some respondents noted their support for the use of the IDACI measure and bandings and for all children being treated equally.

Question 2

Do you agree that the move to a consistent approach to deprivation funding should be implemented based on an incremental approach?

	Total	Percent
Yes	11	92%
No	1	8%

Respondents were overwhelmingly supportive of applying an incremental approach to the deprivation changes. 100% of those answering this question were in support of the proposed approach.

In their written responses, individual respondents commented on the need for settings to make adjustments as a result of the impact of any change on individual settings and that the current difference is not justifiable for academies. It was also suggested that the incremental approach supported was useful in supporting forward planning.

Question 3

Do you support the move of PVI's to using the IDACI deprivation indicator from September 2015 or April 2016?

	Total	Percent
Yes	11	92%
No	1	8%

Respondents were supportive of the changes to PVI's being implemented from either September 2015 or April 2016. There was however, no clear steer from the responses in regards to which implementation date was preferred with two respondents confirming April 2016 and one respondent in favour of the sooner the better.

Question 4

Do you support the longer term position that similar children with similar levels of deprivation should attract the same additional funding, whatever provider they attend?

	Total	Percent
Yes	8	67%
No	4	33%

Respondents were supportive of the proposed longer term position of similar children with similar levels of deprivation attracting the same additional funding. 67% of those answering this question were in support of this position.

In their written responses, individual respondents commented on the differences between different providers including the differences in cost structures, staffing requirements, outcomes, drivers for public and private providers and benefits of provision being part of a school. It was also noted that it was hard to justify the current funding differences. Support for proposals with children being treated equally and an inclusive approach being applied was also commented on.

Question 5

Do you support the introduction of a new differential funding category for academy providers?

	Total	Percent
Yes	9	82%
No	2	18%

Respondents were supportive of the introduction of a new differential funding category for academy providers, with 82% of those answering this question in support of this proposal.

In their written responses, individual respondents commented on children should receive the same funding regardless of the setting they attend and the need for parity between academy and maintained schools. It was also commented on that evidence had not been seen to justify that academies needed additional funding in comparison to PVI's.

Question 6

Do you support academy early years providers being funded on the same basis as maintained schools?

	Total	Percent
Yes	9	75%
No	3	25%

Respondents were supportive of academy early years providers being funded on the same basis as maintained schools, with 75% of those answering this question in support of this proposal.

In their written responses, individual respondents commented on the financial structure and funding of academies as well as that all providers should have the same benefits and opportunities. It was also commented on that the proposed change should apply to both the hourly rate and deprivation funding.

Question 7

Do you have any general comments on the funding arrangements for two year olds?

	Total	Percent
Yes	8	67%
No	4	33%

In their written responses, individual respondents commented on the differences between ratios in different settings, need to reflect the national minimum wage and need for providers to subsidise funding due to additional opening hours and the challenges of having different rates for two years and covering costs. Respondents also commented on the funding arrangements for additional needs.

Question 8

Do you have any general comments in relation to the funding arrangements for early years provision in Southwark?

	Total	Percent
Yes	9	75%
No	3	25%

In their written responses, individual respondents commented on the difference in funding between the different types of providers, need to treat all children equally, need to invest in early years and the PVI sector, and funding and support arrangements for children with additional needs. Individual respondents also suggested that the funding of full time places should be reviewed.

Individual respondents also confirmed that the current arrangements work well.

Appendix C
Southwark Early Years Funding Formula

From April 2015

2015-16 Southwark EYSFF	Unit	Maintained Nursery School	Nursery Class in Maintained Primary School	Academies	PVI's
Base Rate – 3 year olds	Per hour	£6.43	£4.95	£4.95	£4.10
Base Rate – 2 year olds	Per hour	£6.00	£6.00	£6.00	£6.00
Deprivation supplement:					
<i>IDACI band 1</i>	Per hour	£0.39	£0.23	£0.23	N/A
<i>IDACI band 2</i>	Per hour	£0.78	£0.47	£0.47	N/A
<i>IDACI band 3</i>	Per hour	£1.17	£0.70	£0.70	N/A
<i>IDACI band 4</i>	Per hour	£1.56	£0.94	£0.94	N/A
<i>IMD band 1 (based on 30% most deprived nationally)</i>	Per hour	N/A	N/A	N/A	£0.40
Lump Sum	Lump sum	£200,000	(part of the overall school funding)	(part of the overall school funding)	£0
English Additional Language (EAL)	Per eligible child	£299.72	£0	£0	£0
NNDR/rates	Lump Sum	Actual	(part of the overall school funding)	(part of the overall school funding)	£0