

Report subject	Early Years Funding Consultation
Meeting date	13 January 2022
Status	Public Report
Executive summary	This report sets out the proposed options for the early years single funding formula (EYSFF) for the financial year 2022/23 and a summary of responses to the consultation undertaken with the sector (to follow as Appendix 2). Central budgets for early years are also to be agreed. This is to ensure the council meets its statutory requirements set out in the Schools Forum regulations and School and Early Years Financial Regulations.
Recommendations	<p>It is RECOMMENDED that the Schools Forum:</p> <ol style="list-style-type: none"> 1. support proposals to implement option 1 from the consultation for the EYSFF as set out in table 1 of paragraph 17; 2. agree the central budgets supporting the early years free entitlements at £185,000, the same level as 2021/22.
Reason for recommendations	The LA must consult Schools Forum on the Local Funding Formulae for early years.

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Wards	All Wards
Classification	For consultation and decision

Background

1. Early years funding continues to be delivered through the Early Years Block of the Dedicated Schools Grant (DSG). As for 2021-22, each Local Authority (LA) area's allocation is determined using a National Funding Formula (NFF). The LA are responsible for distributing this funding between childcare providers through a local Early Years Single Funding Formula (EYSFF).
2. The DfE have announced a funding increase for 2022-23 of 17p per hour for 3 and 4 year olds and 21p per hour for eligible 2 year olds.
3. For the 3 and 4 year old entitlements, the local authority must allocate funding to providers through a base-rate, a mandatory deprivation supplement (other supplements are possible), support for children with SEND as well as contribute towards the cost of central functions (which include checking eligibility for the additional 15 hours for working parents and support provided by central SEND teams).
4. The funding rate for 2 year olds operates as a single basic rate for all providers and includes a contribution to the cost of central functions. These functions include checking the eligibility of children, marketing the early years entitlement and providing funding to support children with special educational needs and disability (SEND), although supporting SEND in this age group is not a mandatory requirement. There is also no requirement for a separate deprivation supplement as all hours delivered under this funding are targeted at disadvantaged children.
5. The Early Years sector is being consulted on how BCP Council propose to allocate that funding increase to the 2022-23 EYSFF (Appendix 1).
6. The consultation closes on 11 January and a summary outcome document will be provided for Schools Forum as a further appendix.

Proposed Options for BCP Early Years Single Funding Formula 2022-23

7. The government have provided an additional 17p for 3 and 4 year old rates and 21p for eligible 2 year old rates. This represents a year on year increase of 3.7% for both age categories, and it is proposed that a proportion of these increases should be used to increase the SEND Inclusion Fund paid to providers due to the growing demand.

8. Pressures within the Inclusion Fund reflect growth in the number of children accessing the fund. This level of growth is significant and has implications for the proposed Early Years funding formula. In 2019/20 a £500,00 budget was allocated for the Early Years SEND Inclusion Fund. Other SEND budgets for central expenditure are provided from the high needs block. The inclusion fund is paid to providers. Since the COVID-19 pandemic, the resource required to fund SEND increased to £738,000 in 2020-21 and is forecast to increase again for 2021-22 to approximately £900,000 (a forecast increase in budget terms of £400k which equates to 9p per hour for both 2 year olds and 3 and 4 year olds). It is proposed to recognise this growth and increase the allocation of EYSFF to the Inclusion Fund by 9p for 3 and 4 year olds (from 11p to 20p) and by 9p for 2 Year olds (from 7p to 16p).
9. The provider consultation presents the sector with three options for views regarding the mitigation of increased demand from the Inclusion Fund through the current SEND funding rate per hour, which is Tier 1: £2.00 and Tier 2: £6.30. Table 1 shares the impact of each option on the EYSFF.

Table 1 – Impact of three options presented under consultation (compared to the existing EYSFF)

	2 year olds	3 and 4 year olds	2, 3 and 4 year olds
	Base Rate	Base Rate	Tier 1 Tier 2
Option 1	£5.28 ▲ 12p	£4.26 ▲ 8p	£2.00 ◀▶ £6.30 ◀▶
Option 2	£5.32 ▲ 16p	£4.30 ▲ 12p	£1.60 ▼ 40p £5.04 ▼ £1.26
Option 3	£5.37 ▲ 21p	£4.35 ▲ 17p	£1.10 ▼ 90p £3.46 ▼ £2.84

10. **Option 1:** Under option 1, it is proposed to use 9p of the 17p increase per hour from the DfE (for 3 and 4 year olds) and 9p of the 21p increase (for 2 year olds) to increase the available allocation in the Inclusion Fund. Funding for 3 and 4 year old SEND inclusion supplement is proposed to continue at SEND tier 1 and 2 rates of £2.00 and £6.30 per hour respectively. The Deprivation supplement for 3 and 4 years olds, based on either 2 year old take up or early years pupil premium eligibility funding for providers, is proposed to remain unchanged at 53p per hour.
11. The provider consultation makes clear that the council’s preferred option is **option 1** - increase the 3 and 4 year old base rate by 8p to £4.26 per hour, and the 2 year old base rate by 12p to 5.20 per hour.
12. **Options 2 and 3:** Options 2 and 3 include a reduction in the existing Tier 1 and 2 funding rates paid to providers per funded hour for a child with SEND. These options are not recommended by BCP and are included to reflect the strength of feeling by the sector about the sufficiency of funding and the impact of this on the financial sustainability of settings. Providers report that they are under considerable financial pressure with wage, pensions, utility increases and business rates intensifying the strain. However, children with SEND are some of the most vulnerable children in the BCP area. A reduction in early years additional SEND payments could lead to settings being unable or unwilling to meet the needs of this group, leaving children more likely to be excluded from early education experiences, further widening the gap between themselves and their peers.

13. Early years additional SEND payments are paid to support a setting in meeting the requirements of the Graduated Response for children who have a SEND. These payments are a contribution towards the specialist training, enhances in staffing ratios, adjustment to environment and resources which a setting may put in place to meet the specific needs of a child with SEND. A reduction in the rate of these payments will place a higher financial burden on settings who will continue to be required to make reasonable adjustments to comply with their statutory duty under the SEND Code of Practice. It is clear that the challenges already faced by parents of children with SEND would be exacerbated and that options 2 and 3 are likely to adversely impact on the accessibility and affordability of childcare places.
14. The council considers that the impact of the proposed changes to the SEN Tier funding rates presented in options 2 and 3 are detrimental to the needs, progress and outcome of some the council's most vulnerable children. The council has a statutory duty to champion the needs of the most vulnerable and there is major high profile strategic priority to radically transform SEND services, promote inclusion and develop inclusive practice. Changes to the EYSFF proposed in these options fail to align with a planned sequence of actions that will enable children to reach their full potential and ensure that children with send experience inclusion at every stage of their lives.
15. **Central Retention:** Under all options, the total for central retention is proposed to remain unchanged. The retention covers centrally retained duties as a percentage proportion of the EYSFF. This is through a 0.4% retention of the 3 and 4 year old government funding rate (99.6% 'pass through'), and 2.9% retention of the two year old government funding rate. The LA can centrally retain up to 5% of the 3 and 4 year old funding rate (at least 95% 'pass through' required), with no limit on the 2 year old rate.
16. **Consultation:** The deadline for comments to the consultation was 11 January 2022. At the time of preparing this report, the consultation was still live and therefore it has not been possible to include a summary of responses received. It is planned that all responses will be available for the meeting for consideration (to be presented in **Appendix 2**). Additionally, the Council organised a number of sessions for providers to explain the proposed options and answer questions. A summary of issues raised in these sessions is as follows:
 - a. Providers expressed that the options represent a Hobson's choice – rightsizing the SEND funding is not beneficial since the low funding rate will threaten the sustainability of settings
 - b. Providers requested evidence that current SEND rates are sufficient to meet SEND need
 - c. Providers requested evidence that there is effective expenditure of the SEND inclusion fund and evidence of increased need of SEND
 - d. Providers asked whether the trends take account of falling births
 - e. Providers asked if the consultation is meaningful and questioned the extent to which comments would impact the option implemented
 - f. Providers asked for the Council to consider funding early years children with SEND in a way that reflects the delivery of SEND support in early years settings– for example
 - g. Providers asked if the council can consider again assistance to settings in respect of Business rate relief
 - h. Some questions were raised about the percentage increase in funding rates proposed and whether the council predicts a contingency to

account for any over or under spends at the end of the financial year and what happens in the event there is an underspend

- i. Questions were asked about how much of the High Needs element of the dedicated schools grant is spent supporting children aged 0-5
- j. Evidence of expenditure on marketing was requested to show how that part of the budget was spent
- k. A question was raised about the effectiveness of the council's approach reflected in take up of the free entitlements.

17. Recommendation: Contained within the Early Years Funding consultation is the council's explicit preference for Option 1. At this stage and on the basis of the impact of alternative options set out in this report, the preference for Option 1 remains unchanged. Subject to a review of the consultation responses received by the closing date and tabled in addition to those presented in this report, it is recommended to support the funding formula presented as Option 1.

Option 1 Increase the 3 and 4 year old base rate by 8p to £4.26 per hour, and the 2 year old base rate by 12p to 5.20 per hour as detailed in the table below.

Table to show Option 1

<u>3 and 4 Year Olds</u>	Government Rate	Provider Rate	
	£4.61		
Base Rate	£4.26	£4.26	Every Child
Deprivation Supplement	£0.13	£0.53	Per eligible child
SEND Inclusion Fund	£0.20	£2.00 or £6.30	Per eligible child
Central Functions	£0.02		

<u>2 Year Olds</u>	Government Rate	Provider Rate	
	£5.60		
Base Rate	£5.28	£5.28	Every Child
SEND Inclusion Fund	£0.16	£2.00 or £6.30	Per eligible child
Central Functions	£0.16		

Deprivation Eligibility is currently determined as follows: Children who have previously been funded as a 2 year old (at any BCP provider) or are currently eligible for EYPP as a 3 and 4 year old.*

Recommendations

18. The Schools Forum should:

- support proposals to implement option 1 for the EYSFF for the 2022/23 financial year subject to a review the consultation responses tabled separately (Appendix 2);
- agree the central budgets supporting the early years free entitlements, set at the same level as 2021/22 at £185,000, as shown in the draft budget in the separate report on the agenda.

Legal Implications

19. Schools Forum must be consulted by the LA on the Local Funding Formula. The recommendation to the LA is to be made by School Members only (includes early years representatives).

Financial Implications

20. Proposals in this report allow for a balanced forecast Early Years Block for 2022-23.

Background Papers

None

List of Appendices

Appendix A - Early years funding consultation 2022-23

Appendix B (to be added) – Summary outcome of the early years consultation 2022-23