



Bournemouth, Christchurch and Poole

**Proposed Changes to the Early Years Single Funding
Formula for the Free Early Entitlement for 2, 3 and 4
Year Olds for April 2022 – March 2023**

Tuesday 14 December 2021

Consultation closes 12pm Tuesday 11 January 2022

1. Purpose

1.1 The Council is required to operate an annual Early Years Single Funding Formula (EYSFF) for Bournemouth, Christchurch and Poole Council (BCP). Any changes in the Funding Formula impact the funding rates paid to early years providers and therefore require consultation. This document sets out options for the proposed funding formula for the free early entitlement for 2, 3 and 4 year-olds for the period from April 2022 – 31 March 2023. It also includes funding arrangements for children requiring additional support.

2. Background

2.1 As part of the Spending Review in October 2021, the Chancellor announced increases in funding for the 2,3 and 4 year old early years entitlements including £160 million in 2022-23, £180 million in 2023-24 and £170 million in 2024-25, compared to 2021-22.

2.2 Increases in funding enables local authorities to increase the hourly rates paid to childcare providers for the government's early years entitlements and is intended to reflect cost pressures as well as anticipated changes in the number of eligible children. In November 2021, the Department for Education published the early years entitlements [funding rates](#) paid to local authorities for 2022-23:

- 2-year-olds: funding rates will increase by 21p from £5.39 to £5.60
- 3 and 4-year-olds: funding rates will increase by 17p from £4.44 to £4.61

2.3 Details of how these rates apply in line with the operational guidance are explored below.

3. Funding for 2 Year Olds

3.1 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). There is no requirement for a separate deprivation supplement as all hours delivered under this funding are targeted at disadvantaged children.

4. Funding for 3 and 4 Year Olds

4.1 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. The hourly funding rate for BCP from central government for the 3 and 4 year old early entitlements are to cover a range of services.

4.2 The operational guidance places requirements on local authorities, some of which are below:

- Deprivation supplement is a mandatory requirement.
- Establishment of a SEND inclusion fund for allocation to providers.
- The total value of supplements used must not be more than 10% of the total value of planned funding to be passed through to providers.
- A minimum amount of 95% funding to be passed through to providers. BCP may retain up to 5% of 3 and 4 year old funding for central functions supporting the early entitlement.

5. Current Funding Rates in 2021-22

5.1 BCP's current funding rates for 2021-22 are set out in the table below. Explanatory notes below help explain how the funding through the EYSFF is currently distributed by the LA.

Table 1: Current government and provider Hourly Funding Rates across BCP

<u>3 and 4 Year Olds</u>	Government Rate	Provider Rate	
	£4.44		
Base Rate	£4.18	£4.18	Every Child
Deprivation Supplement	£0.13	£0.53	Per eligible child*
SEND Inclusion Fund	£0.11	£2.00 or £6.30	Per eligible child
Central Functions	£0.02		

<u>2 Year Olds</u>	Government Rate	Provider Rate	
	£5.39		
Base Rate	£5.16	£5.16	Every Child
SEND Inclusion Fund	£0.07	£2.00 or £6.30	Per eligible child
Central Functions	£0.16		

5.2 Explanatory notes are as follows:

- **3 and 4 year Olds:** Of the £4.44 funding rate available, BCP retained 2p per hour for central functions. This represents 0.5% of a potential 5%. This provided a total of £4.42 for distribution to providers. Taking into account 13p for the Deprivation Supplement and 11p for the SEND Inclusion Fund (i.e., 11p from every government funded 3 and 4 year old hour) the funding rate to providers for the 2021-22 financial year was equal to £4.18 per child.
- **2 Year Olds:** Of the £5.39 funding rate, the amount retained for central functions in 2021-22 was 16p per hour, leaving £5.16 for distribution to providers. Allowing 7p from every funded 2 year old hour for the SEND Inclusion fund, the funding rate to providers for the 2021-22 financial year was £5.16 per child.
- **SEND Inclusion Fund:** The SEND Inclusion Fund allocated and 7p from every funded 2 year old hour and 11p from every 3 and 4 year old hour. This was equal to approximately £500k towards Early Years SEND.
- **Deprivation Eligibility:** is currently determined as 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.

6. Summary of Options for Consultation

6.1 In allocating the increase in funding from the DfE (equal to 17p per hour for 3 and 4 year olds and 21p per hour for eligible 2 year olds), providers are presented with three options for consideration as follows:

- **Option 1** - Raise the provider base rate by 8p per hour for 3 and 4 year olds and 12p per hour for eligible 2 year olds. The remainder of the increase in funding from the DfE to fund the pressures within the Inclusion Fund which is equal to an increase of 9p towards SEND Inclusion for 3 and 4 year olds and 9p increase towards SEND Inclusion for 2 Year Olds (equivalent to growth in the budget of £400k). No change to the existing Deprivation Supplement and Central Spend allocations and no change to the value of Tier funding per hour received by providers which will continue to be paid at current rates of £2.00 per hour for eligible children (Tier 1) and £6.30 per hour for eligible children (Tier 2).
- **Option 2** - Raise the provider base rate by 12p per hour for 3 and 4 year olds and 16p per hour for eligible 2 year olds. To maintain affordability with the Early Years Budget, SEND rates would need to be reduced. Tier 1 would be funded at **£1.60** per hour, Tier 2 would be funded at **£5.04** per hour. No change to the existing Deprivation Supplement and Central Spend allocations.
- **Option 3** - Raise the provider base rate by 17p per hour for 3 and 4 year olds and 21p per hour for eligible 2 year olds. To maintain affordability, SEND rates would need to be reduced due to more children accessing the fund, which would not be increased in this option. Tier 1 would be funded at **£1.10** per hour, Tier 2 would be funded at **£3.46** per hour. No change to the existing Deprivation Supplement and Central Spend allocations.

6.2 **The Council's Preferred Option:** It is acknowledged that providers continue to face significant funding pressures and that central government funding is largely considered insufficient by many operating across the sector. To this end, it is recognised that there is no one perfect option. Nonetheless, it is important to clarify that the Council's preferred option seeks to achieve a balance between increasing the basic rate and meeting the needs of vulnerable children through increasing the SEND Inclusion Fund. This is most achieved with **Option 1** which is the Council's preferred option.

6.3 **Concerns Raised by Sub-Group:** The two further options presented in this consultation, Options 2 and 3, help to respond to the initial concerns raised by the Early Years Sub Group about the impact of a smaller increase [in the base rate] on the sustainability of settings (as proposed in Option 1). Options 2 and 3 therefore account for the anticipated pressures within the Inclusion Fund (equivalent to growth in the budget of £400k) by means of a proposed reduction of the Tier 1 and Tier 2 rates per hour paid to providers for every funded hour per eligible SEND child. In either option, the Council considers that any reduction in the Tier 1 and 2 rates would undermine efforts to support inclusive practice and would be to the detriment of improving outcomes for our most vulnerable children.

6.4 **Deprivation Supplement:** In all options, the Council proposes that it will continue to be paid at a rate of £0.53 per hour for eligible children. Deprivation will remain the only supplement within the formula and will be allocated in the same way as at present: for 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.

6.5 A balanced budget is achieved in each of the options and is considered affordable within the current funding settlement. Details of each of the options including a summary of the pressures within the Inclusion Fund and implications for the SEND rates are set out below.

7. Detailed Presentation of Options for the EYSFF 2022-23

OPTION 1 – Using the increase in funding from the DfE to raise the provider base rate by 8p per hour for 3 and 4 year olds and 12p per hour for eligible 2 year olds.
 The remainder of the increase in funding from the DfE to fund the pressures within the Inclusion Fund
 No change to the existing Deprivation Supplement and Central Spend allocations and no change to the value of Tier funding per hour received by providers.

Option 1- proposed government and provider Hourly Funding Rates across BCP

3 and 4 Year Olds	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		

2 Year Olds	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		

Pressures within the Inclusion Fund reflect growth in the number of children accessing the fund. This level of growth is significant has implications for the proposed Early Years funding formula. In 2019/20 a £500k budget was allocated toward Early Years SEND. Since the COVID-19 pandemic, the resource required to fund SEND has 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). Under this option, it is proposed to right size/fund 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). This means that:

- of the 17p increase paid to BCP for 3 and 4 year olds, 9p is allocated to the Inclusion Fund;
- of the 21p increase paid to BCP for 2 year olds, 9p is allocated to the Inclusion Fund.

Allocating an additional 9p to the Inclusion Fund will not change the Tier 1 (£2) and Tier 2 (£6.30) funding rates per hour received by providers but will fund the projected £400,000 growth in the SEND Inclusion Fund for 2022-23.

Option 1 is the Council's preferred option. This reflects the Council's duty to champion the needs of the most vulnerable children and families. Importantly too, the Council is undertaking a major transformation programme to promote inclusion and encourage inclusive practices necessary to improve outcomes for children with additional needs.

OPTION 2 – Using the increase in funding from the DfE to raise the provider base rate by 12p per hour for 3 and 4 year olds and 16p per hour for eligible 2 year olds.
 To maintain affordability, SEND rates would need to be reduced due to more children accessing the fund. Tier 1 would be funded at **£1.60** per hour, Tier 2 would be funded at **£5.04** per hour
 No change to the existing Deprivation Supplement and Central Spend allocations.

Option 2- proposed government and provider Hourly Funding Rates across BCP

3 and 4 Year Olds	Government Rate	Provider Rate	
	£4.61		
Base Rate	£4.30	£4.30	Every Child
Deprivation Supplement	£0.13	£0.53	Per eligible child
SEND Inclusion Fund	£0.16	£1.60 or £5.04	Per eligible child
Central Functions	£0.02		

2 Year Olds	Government Rate	Provider Rate	
	£5.60		
Base Rate	£5.32	£5.32	Every Child
SEND Inclusion Fund	£0.12	£1.60 or £5.04	Per eligible child
Central Functions	£0.16		

Children with SEND are some of the most vulnerable children in the BCP area. A reduction in EY 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. The challenges already faced by parents of children with SEND would be enhanced greater with the potential for less accessibility to childcare places and any additional costs to parents, due to changes in the EYSFF, is to be avoided.

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 still be required to make reasonable adjustments to comply with their statutory duty under the [SEND Code of Practice](#).

This is not the preferred option of BCP Council.

OPTION 3 – Using the increase in funding from the DfE to raise the provider base rate by 17p per hour for 3 and 4 year olds and 21p per hour for eligible 2 year olds.

To maintain affordability, SEND rates would need to be reduced due to more children accessing the fund, which would not be increased in this option. Tier 1 would be funded at **£1.10** per hour, Tier 2 would be funded at **£3.46** per hour

No change to the existing Deprivation Supplement and Central Spend allocations.

Option 3- proposed government and provider Hourly Funding Rates across BCP

<u>3 and 4 Year Olds</u>	Government Rate	Provider Rate	
	£4.61		
Base Rate	£4.35	£4.35	Every Child
Deprivation Supplement	£0.13	£0.53	Per eligible child
SEND Inclusion Fund	£0.11	£1.10 or £3.46	Per eligible child
Central Functions	£0.02		

<u>2 Year Olds</u>	Government Rate	Provider Rate	
	£5.60		
Base Rate	£5.37	£5.37	Every Child
SEND Inclusion Fund	£0.07	£1.10 or £3.46	Per eligible child
Central Functions	£0.16		

Children with SEND are some of the most vulnerable children in the BCP area. A reduction in EY 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. The challenges already faced by parents of children with SEND would be enhanced greater with the potential for less accessibility to childcare places and any additional costs to parents, due to changes in the EYSFF, is to be avoided.

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This is not the preferred option of BCP Council.

8. Consultation Questions

This is an online consultation. Please follow [this link](#) to make your contribution. The questions asked online are presented below, **for your reference**. If you require a paper version please contact us in the first instance, sending your name and address to the following: earlyeducation.fundingteam@bcpcouncil.gov.uk

Question 1

Please indicate your support for your preferred option presented in this consultation

		Yes/No	Rationale
a	Option 1: Using the increase in funding from the DfE to raise the provider base rate by 8p per hour for 3 and 4 year olds and 12p per hour for eligible 2 year olds. SEND rates to be maintained at £2.00 per hour for Tier 1 and £6.30 per hour for Tier 2		
b	Option 2: Using the increase in funding from the DfE to raise the provider base rate by 12p per hour for 3 and 4 year olds and 16p per hour for eligible 2 year olds and reducing SEND rates to £1.60 per hour for Tier 1 and £5.04 per hour for Tier 2		
c	Option 3: Using the increase in funding from the DfE to raise the provider base rate by 17p per hour for 3 and 4 year olds and 21p per hour for eligible 2 year olds and reducing SEND rates to £1.10 per hour for Tier 1 and £3.46 per hour for Tier 2		

Question 2

Please indicate your support for the various options considered in this consultation

		Yes/No	Rationale
	Do you support the proposal to make no other changes from 2021-22 to the EYSFF for 2022-23 (no change to the existing allocation to Deprivation Supplement and Central Spend)?		

Question 3

Please use this section to provide any additional comments you wish to make.

Responses to the consultation should be made online via the survey link provided above. If you wish to contribute to this consultation, you should complete [the online form](#) by **12pm Tuesday 11 January 2022**.

9. Next Steps

We will review and share the outcome of this consultation with provider representatives of the BCP Early Years Sub Group and develop final proposals to be considered by BCP's Schools Forum on **13 January 2022**. This body will then make a recommendation to the Council. The final decision will be made by the BCP Council **22 February 2022** with providers notified of the 2022-23 EYSFF as soon as possible thereafter.

10. Timeline

14 December 2022	Consultation papers emailed to the sector
15 December 2022	MS Teams Consultation Event 12:30-14:00 Click here to join the meeting
15 December 2022	MS Teams Consultation Event 18:30-20:00 Click here to join the meeting
6 January 2022	MS Teams Consultation Event 9:30-11:00 Click here to join the meeting
7 January 2022	MS Teams Consultation Event 10.00-11:30 Click here to join the meeting
12pm 11 January 2022	Consultation closes
13 January 2022	Consultation outcome discussed at Schools Forum
22 February 2022	Council Members decide EYSFF
1 April 2022	Changes are implemented

If you would like to discuss any of this information there is an opportunity for you to attend an informal consultation online briefing for which details will be provided separately. Every provider is welcome to attend any briefing with*:

- Tanya Smith, Head of Service - School Places, Funding & Admissions
- Steve Ellis, Management Accountant - Children
- Iwona Onik, Early Years Funding Team Manager
- Darren Buckley, Senior Childcare Sufficiency and Funding Officer

*Please note the above named LA officers may not all be present at every consultation briefing event, although the LA will ensure sufficient representation is available to answer any questions regarding this consultation and the EYSFF that you may have.

You are all urged to attend a briefing session and each session is open to any BCP provider.

Please note the closing date for the consultation is **12pm Tuesday 11 January 2022**. Any responses received after this time cannot be used as part of the reported feedback from the consultation.

Provider representatives have established an Early Years Sub-Group to support the Early Years representatives on the School Forum. During the consultation you may like to contact your Early Years Funding Sub Group representatives, a list of which can be found in Appendix 1.

Day Nursery

Cuddles Day Nursery

Linda Duly *Schools Forum Rep*
linda@cuddlesnursery.co.uk

Tops Day Nursery

Stacey Nash
Stacey.Nash@topsdaynurseries.co.uk

Jingle Bell House Day Nursery

Kaaren Paget
jinglebellhouse@gmail.com

Pre-school

East Cliff Pre-school

Beckie Capewell
eastcliffpre-school@outlook.com

Jack in the Box Pre-school

Sue Johnson *Schools Forum Rep*
info@jackintheboxbournemouth.co.uk

Pre-school on the Marsh

Angela Miller
manager@preschoolonthemarsh.co.uk

School Nursery Class

Bishop Aldhelm's CE Primary School

Richard Sharp
r.sharp@bishopaldhelms.poole.sch.uk