



## **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 2023 – March 2024**

Monday 14 November 2022

**Consultation closes 11pm Friday 9 December 2022**

# 1. Executive Summary

- 1.1 The Council is required to operate an annual Early Years Single Funding Formula (EYSFF) for Bournemouth, Christchurch and Poole Council (BCP). The formula is annually reviewed in line with updated funding rates announced by government. Any changes in the Funding Formula impact the hourly funding rates paid to early years providers and the Council is required to consult with providers on any proposed changes.
- 1.2 This document sets out options for the proposed funding formula for the funded early years entitlement for 2, 3 and 4 year-olds for the period from 1 April 2023 – 31 March 2024.
- 1.3 The local authority must allocate funding to providers through a base-rate, a mandatory deprivation supplement for 3 and 4 year olds (other supplements are possible), support for pupils with SEND and, contribute towards the cost of central functions (i.e. checking eligibility for the additional 15 hours for working parents, and central SEN teams and support).
- 1.4 It is forecast that entitlement for SEND children will continue to grow and require a fund of c £1.3 million, at current rates, in 2023-24. This means that there would be **a funding shortfall of £400,000 for 2023-24.**
- 1.5 This consultation document presents three options for providers to consider and each have been developed to address that £400,000 shortfall. Options for consultation are summarised below.

## Proposed Funding Rates 2023-24: Summary of Options for Consultation

	Option 1 Provider Rate		Option 2 Provider Rate		Option 3 Provider Rate	
	3&4 YO	2YO	3&4 YO	2YO	3&4 YO	2YO
Draft Govt Rate tbc*	4.86	5.76	4.86	5.76	4.86	5.76
Base Rate	4.46	5.45	4.48	5.45	4.43	5.45
Deprivation Supplement	0.40	-	0.33	-	0.53	-
SEN Inclusion Fund	6.30	6.30	6.30	6.30	6.30	6.30

*\*The government rate remains unconfirmed at this stage. Rate to be confirmed in December 2022*

- 1.6 The main changes under each option are described as follows:
- **Option 1:** Under Option 1, it is proposed to reduce the Deprivation Supplement by 13p and remove Tier 1 SEN Inclusion Funding. Increase 2 year old funding paid to providers by 8p and increase 3 and 4 year old funding by 11p.
  - **Option 2:** Under Option 2, it is proposed to Reduce the Deprivation Supplement by 20p and remove Tier 1 SEN Inclusion Funding. Increase 2 year old funding paid to providers by 8p and increase 3 and 4 year old funding by 13p.
  - **Option 3:** Under Option 3, it is proposed to Remove Tier 1 SEN Inclusion Funding. Increase 2 year old funding paid to providers by 8p and increase 3 and 4 year old funding by 8p.
- 1.7 Further detail on the impact of changes to the EYSFF are contained in this paper. Providers are encouraged to respond to the consultation by the closing date on **Friday 9 December 2022 by 11pm**. Providers can make their comments known online [here](#).

## 2. Why are we consulting?

- 2.1 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 hourly funding rates paid to early years providers and the Council is required to consult with providers on any proposed changes. This document sets out options for the proposed funding formula for the funded early years entitlement for 2, 3 and 4 year-olds for the period from 1 April 2023 – 31 March 2024.
- 2.2 The hourly funding rate for BCP from central government is to cover a range of services. The local authority must allocate funding to providers through a base-rate, a mandatory deprivation supplement for 3 and 4 year olds (other supplements are possible), support for pupils with SEND as well as contribute towards the cost of central functions. These include checking eligibility for the additional 15 hours for working parents, and central SEN teams and support.
- 2.3 It is forecast that entitlement for SEND children will continue to grow and require a fund of c£1.3 million, at current rates, in 2023-24. This means that there would be **a funding shortfall of £400,000 for 2023-24**
- 2.4 This consultation document presents three options for providers to consider. A summary of the proposed options for the proposed funding formula is provided below with further detail on the impact of changes to the EYSFF contained in Appendix 1.

## 3. What are the current funding rates in 2022-23?

- 3.1 Details of the current funding rates for 2022-23 are summarised as follows:

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

  

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

<sup>^</sup> **One-off funding:** Importantly, providers will be aware that following representation from the Sub Group, the Schools Forum exceptionally agreed to support a £400k increase required by the SEND inclusion fund from BCP schools funding. This allowed additional base-rate payments to early years providers equating to £0.09 per hour for both 3 and 4 year olds and 2-year-olds. This additional payment was a one-year arrangement, for 2022-23, outside of the early years funding block and is not part of the EYSFF, hence the official base rates currently paid to providers is £4.26 for 3 and 4 year olds and £5.28 for

2 year olds, not the £4.35 and £5.37 which providers currently receive. See Appendix 1 for further details.

#### 4. What are the illustrative funding rates for 2023-24?

4.1 In July 2022, the DfE released an illustrative funding rate for local authorities for 2023-24. The illustrative funding rate is used for the purposes of this consultation though providers should note that final funding settlement figures issued by government may be subject to change. A further announcement is expected in December 2022. Illustrative funding rates are as follows:

- 3 and 4-year-olds: funding rates **potentially** to increase by 25p from £4.61 to £4.86
- 2-year-olds: funding rates **potentially** to increase by 16p from £5.60 to £5.76

4.2 Details of how these rates apply in line with the operational guidance are explored further in Appendix 1. The illustrative rates have been used to inform the options presented for consultation.

#### 5. What are the options for 2023-24?

5.1 The options within this paper consider how the potential 25p funding increase for 3 and 4 year olds is utilised and how to fund increased demand for SENIF inclusion funding. The Council has modelled the impact on providers for several changes using the levers mentioned below. The extent to which the lever is 'pulled' is modelled to balance a projected shortfall in the SENIF.

5.2 We currently estimate that entitlement for SENIF will continue to grow year on year and will require a fund of c £1.3 million, at current rates, in 2023-24. With this forecast in mind, if all the uplift in funding from the DfE were applied immediately to the provider base rate, there would be a **funding shortfall of £400,000 for 2023-24.**

5.3 **Levers:** To pay for any increase in SENIF there are 3 'levers' available.

- **Reduce Deprivation Rate:** Reducing the deprivation rate to release sufficient funding to cover the increase of eligible hours expected in SENIF, again allowing any increase in the funding rate to be passed on to the provider base rate but allowing SENIF rates to be maintained.
- **Reduce SENIF Rates:** Remove the need to increase the size of the SENIF, either by reducing rates or changing the criteria so that fewer hours are eligible for the supplement. This would allow any funding increase rate to be put into the provider base rate.
- **Limit increase to Base Rate:** Limiting the increase in the provider base rate by utilising some of the funding increase to cover the increase of eligible hours expected in SENIF whilst maintaining the current SENIF rates.

5.4 After discussions with Early Years Sub-Group, 3 options are presented for consultation as follows:

- **Option 1:** Reduce the Deprivation Supplement by 13p and remove Tier 1 SEN Inclusion Funding
- **Option 2:** Reduce the Deprivation Supplement by 20p and remove Tier 1 SEN Inclusion Funding
- **Option 3 :** Remove Tier 1 SEN Inclusion Funding

Each option is presented below in more detail. **Note: The figures below are dependent on the DfE funding rates which are announced in December.**

## Option 1

### Reduce the Deprivation Supplement by 13p and remove Tier 1 SEN Inclusion Funding

Under this option, the deprivation supplement paid to providers per hour would be reduced by 13p, to 40p per hour compared to the current year and SEND T1 funding would be removed completely from the SENIF.

The funding formula 3 and 4 year old base rate is increased by 20p to £4.46 and the 2 year old rate is increased by 17p to £5.45.

Bearing in mind the extraordinary base rates for 2022-23, funded as described in 3.1 above, the base rate increase providers would find with this option is 11p for 3 and 4 year olds and 8p for 2 year olds.

<b><u>3 and 4 Year Olds</u></b>	<b>Potential Government Rate (tbc)</b>	<b>Provider Rate</b>	
		<b>£4.86</b>	
Base Rate	<b>£4.46</b>	<b>£4.46</b>	Every Child
Deprivation Supplement	<b>£0.102</b>	<b>£0.40</b>	Per eligible child
SEND Inclusion Fund	<b>£0.274</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.024</b>		

<b><u>2 Year Olds</u></b>	<b>Potential Government Rate (tbc)</b>	<b>Provider Rate</b>	
		<b>£5.76</b>	
Base Rate	<b>£5.45</b>	<b>£5.45</b>	Every Child
SEND Inclusion Fund	<b>£0.15</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.16</b>		

**Losses/Gains:** Under this option the largest annual funded income gain for a provider is 4.8% and the largest loss is -3.7%, year on year. Across the sector, 98.7% of providers gain overall with this option, with 21 forecast to receive less funding using this option.

**Impact on Provider Types:** This table shows how the annual income for types of provider may be impacted year on year:

	<b>Biggest gain</b>	<b>Smallest gain</b>	<b>% of providers that gain</b>
Childminder	4.8%	-3.7%	97.8%
Day Nursery	4.8%	-0.1%	98.7%
Independent School	4.8%	4.5%	100%
Pre-School	4.6%	0.6%	100%
School Nursery	3.8%	1.3%	100%

## Option 2

### Reduce the Deprivation Supplement by 20p and remove Tier 1 SEN Inclusion Funding

Under this option, the deprivation supplement paid per hour would be reduced by 20p, to 33p per hour compared to the current year and SEND T1 funding would be removed completely from the SENIF.

The funding formula 3 and 4 year old base rate is increased by 22p to £4.48 and the 2 year old rate is increased by 17p to £5.45.

Bearing in mind the extraordinary base rates for 2022-23, funded as described in 3.1 above, the base rate increase providers would find with this option is 13p for 3 and 4 year olds and 8p for 2 year olds.

<u>3 and 4 Year Olds</u>	Potential Government Rate (tbc)	Provider Rate	
	<b>£4.86</b>		
Base Rate	<b>£4.48</b>	<b>£4.48</b>	Every Child
Deprivation Supplement	<b>£0.08</b>	<b>£0.33</b>	Per eligible child
SEND Inclusion Fund	<b>£0.28</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.02</b>		

<u>2 Year Olds</u>	Potential Government Rate (tbc)	Provider Rate	
	<b>£5.76</b>		
Base Rate	<b>£5.45</b>	<b>£5.45</b>	Every Child
SEND Inclusion Fund	<b>£0.15</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.16</b>		

**Losses/Gains:** Under this option the largest annual funded income gain for a provider is 5.2% and the largest loss is -3.3%, year on year. Across the sector, 98.7% of providers gain overall with this option, with 33 forecast to receive less funding than the current year.

**Impact on Provider Types:** This table shows how the income for types of provider may be impacted year on year:

	Biggest gain	Smallest gain	% of providers that gain
Childminder	5.2%	-3.3%	97.8%
Day Nursery	5.1%	-0.4%	98.7%
Independent School	5.2%	4.8%	100%
Pre-School	4.9%	0.3%	100%
School Nursery	3.8%	0.8%	100%

### Option 3

#### Remove Tier 1 SEN Inclusion Funding

Under this option, SEND T1 funding would be removed from the SENIF but there would be no changes to deprivation. The funding formula 3 and 4 year old base rate is increased by 17p to £4.43 and the 2 year old rate is increased to £5.45.

Bearing in mind the extraordinary base rates for 2022-23, funded as described in 3.1 above, the base rate increase providers would find with this option is 8p for 3 and 4 year olds and 8p for 2 year olds.

<u>3 and 4 Year Olds</u>	Potential Government Rate (tbc)	Provider Rate	
	<b>£4.86</b>		
Base Rate	<b>£4.43</b>	<b>£4.43</b>	Every Child
Deprivation Supplement	<b>£0.133</b>	<b>£0.53</b>	Per eligible child
SEND Inclusion Fund	<b>£0.274</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.024</b>		

<u>2 Year Olds</u>	Potential Government Rate (tbc)	Provider Rate	
	<b>£5.76</b>		
Base Rate	<b>£5.45</b>	<b>£5.45</b>	Every Child
SEND Inclusion Fund	<b>£0.31</b>	<b>£6.30</b>	Per eligible child
Central Functions	<b>£0.16</b>		

**Losses/Gains:** Under this option the largest annual funded income gain for a provider is 4.0% and the largest loss is -4.4%, year on year. Across the sector, 99% of providers gain overall with this option, with 12 forecast to receive less funding than the current year

**Impact on Provider Types:** This table shows how the income for types of provider may be impacted year on year:

	Biggest gain	Smallest gain	% of providers that gain
Childminder	4.0%	-4.4%	97.8%
Day Nursery	4.0%	0.4%	100%
Independent School	4.0%	3.9%	100%
Pre-School	3.9%	1.2%	100%
School Nursery	3.8%	2.2%	100%

## 6 What other options were considered and discounted?

6.1 Following discussion about the principles which underpin the work of both the Council and the sector to promote fair access and assist the LA in championing the needs of vulnerable children and families, several options were explored and discounted as undeliverable. Options discounted were found to have a negative impact either, financially for some provider groups or, individually, for SEND children. Examples of options that will not be taken forward include:

- Changing the eligibility criteria for the Deprivation Supplement from following individual children to payments for every child attending a provider within a deprived area postcode.
- Lowering the mandatory Deprivation Supplement value to a nominal amount (e.g. 1p per hour)
- Removing all SEND Tier funding from 2 year olds (currently the Council do not have to support children with SEND for this age group).
- Lowering SEND funding rates from the current level.
- Requesting additional funding from High Needs Block (HNB) to cover the anticipated £400,000 SEND shortfall. This was discounted on the grounds that pressure on the Council's HNB deficit is already significant and any decision to commit further HNB funds to early years SEND runs counter to the Council's efforts to reduce the deficit as part of the High Needs Recovery Plan.

6.2 It is very clear that local providers and providers across England are facing increasing financial pressure and challenging times. There is widespread agreement across the sector that government funding is insufficient. The Council is therefore mindful that there is no one perfect option presented. In either of the options put forward in this consultation paper, the Council, working jointly with the sector, has sought to achieve a balance between increasing the basic rate and meeting the needs of vulnerable children [through the deprivation supplement and through support for children with SEND].

6.3 Note: The Council used funding data from 2021-22 to model the impact of the following options per provider. A provider's circumstance will almost always be different today to that modelled from 2021-22, but if providers would like sight of how individual settings at that time would have been affected by these options please email [earlyeducation.fundingteam@bcpcouncil.gov.uk](mailto:earlyeducation.fundingteam@bcpcouncil.gov.uk)

As part of your request, you must confirm the email address that you would like to be used for response, as the information returned to you may be sensitive to your business and should only be viewed by the appropriate persons. The following is an example of what you will receive:

	Modelled income 2021-22	Potential Change					
		Option 1	+ / -	Option 2	+ / -	Option 3	+ / -
<b>Silver Day Nursery Ltd</b>	£38,656	£39,810	2.9%	£39,933	3.2%	£39,485	2.1%



## 7 How can I make my views known?

- 7.1 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](mailto:earlyeducation.fundingteam@bcpcouncil.gov.uk)

### Question 1

Please indicate your support for your preferred option presented in this consultation. In selecting your preferred option, you may wish to consider the impact of the proposed change in rates on your sustainability and your capacity to meet the demands of children currently eligible for Tier 1 SEND funding and Deprivation funding.

	Yes/No	Rationale
<b>a</b>		
<b>b</b>		
<b>c</b>		

### Question 2

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

	Yes/No	Rationale
We propose to make no change the current eligibility criteria for the Deprivation Supplement or SEND Tier 2 funding. Also, we do not intend to change the 0.4% retained for Central Services or introduce any further elements into the funding formula. Do you agree with this proposal?		

### Question 3

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

- 7.2 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 **11pm Friday 9 December 2022**.

## 8 Consultation Events

8.1 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
- Amanda Gridley, Service Manager, Early Help
- 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.

## 9 Timeline

14 November 2022	Consultation papers emailed to the sector
21 November 2022	Consultation Event 4.30pm – 6pm, Queens Park Learning Centre, book your place <a href="#">here</a>
21 November 2022	Consultation Event 7pm – 8.30pm, Queens Park Learning Centre, book your place <a href="#">here</a>
23 November 2022	MS Teams Consultation Event 6.30pm – 8pm book your place <a href="#">here</a>
9 December 2022 (11pm)	Consultation closes
16 January 2023	Consultation outcome discussed at Schools Forum
21 February 2023	Council Members decide EYSFF
1 April 2023	Changes are implemented

## 10 Next Steps

10.1 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 **16 January 2023**. This body will then make a recommendation to the Council. The final decision will be made by the BCP Council **21 February 2023** with providers notified of the 2023-24 EYSFF as soon as possible thereafter.

Please note the closing date for the consultation is **11pm Friday 9 December 2022**. Any responses received after this time cannot be used as part of the reported feedback from the consultation.

10.2 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 below:

## **Day Nursery**

Broadstone Christian Day Nursery  
Penny Vaughan-Pipe  
[broadstonechristiannursery@aol.co.uk](mailto:broadstonechristiannursery@aol.co.uk)

Cuddles Day Nursery  
Linda Duly *Schools Forum Rep*  
[linda@cuddlesnursery.co.uk](mailto:linda@cuddlesnursery.co.uk)

Jingle Bell House Day Nursery  
Kaaren Paget  
[jinglebellhouse@gmail.com](mailto:jinglebellhouse@gmail.com)

## **Pre-school**

Jack in the Box Pre-school  
Sue Johnson *Schools Forum Rep*  
[info@jackintheboxbournemouth.co.uk](mailto:info@jackintheboxbournemouth.co.uk)

Pre-school on the Marsh  
Angela Miller  
[manager@preschoolonthemarsh.co.uk](mailto:manager@preschoolonthemarsh.co.uk)

Priory View Pre-school  
Vicky Peters  
[vicky.peters@prioryviewpreschool.co.uk](mailto:vicky.peters@prioryviewpreschool.co.uk)

## A1 Allocations announced by Government

As part of the Spending Review in October 2021, the government 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. Increases in funding enables local authorities to uplift 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.

The Department for Education (DfE) have yet to publish the early years entitlements funding rates to be paid to local authorities for 2022-23. Following feedback from the sector on the timing of the consultation held in 2022-23, the Council agreed with the Sub-Group to consult on changes to the formula using the DfE's illustrative funding rate.

## A2 Operational Guidance

The current operational guidance places some mandatory requirements on local authorities as follows:

- The inclusion of a deprivation supplement
- The 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. up to 5% of 3- and 4-year-old funding can be retained by the Council to cover costs of central functions supporting the early entitlement.

**Funding - 2 Year Olds:** 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.

**Funding 3 and 4 Year Olds:** 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 providing online eligibility checking systems for EYPP, validating eligibility for the additional 15 hours for working parents and support provided by central SEND teams.

## A3 Explanatory Notes

### Current Funding Rates 2023-24

- **3 and 4 year Olds:** Of the £4.61 funding rate currently received from the DfE, BCP Council retains 2p for central functions. This leaves a total of £4.59 for distribution to providers. Considering 13p for the Deprivation Supplement and 20p for the SEND Inclusion Fund (i.e., 20p from every government funded 3 and 4 year old hour) the funding rate to providers for the 2022-23 financial year was equal to **£4.26<sup>^</sup>** per child.

- **2 Year Olds:** Of the £5.60 funding rate, the amount retained for central functions in 2022-23 was 16p per hour, leaving £5.44 for distribution to providers. Allowing 16p from every funded 2 year old hour for the SEND Inclusion fund, the funding rate to providers for the 2022-23 financial year was **£5.28<sup>^</sup>** per child.
- **SEND Inclusion Fund:** The SEND Inclusion Fund allocated 16p from every funded 2 year old hour and 20p from every 3 and 4 year old hour. This was equal to approximately £900k towards Early Years SEND in 2022-23, which was a £400k increase in demand on the previous year. At the end of the summer term, more than half of this budget had been used. It is expected this budget will overspend in 2022-23 with continuing growth throughout 2023-24. This is made worse by the number of funded hours reducing year on year (due to the declining population), generating less for the fund (i.e. based on the hours paid to providers in 2022-23, a SENIF fund of £809,000 would be generated in 2022-23, despite a budget of £900,000).
- **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.
- **Central functions** have not changed from the 2p retained from 3 and 4 year old funding and 16p from 2 year olds, per Table 1 since the commencement of BCP Council in 2019. This means that as the funding rate from the DfE increases year on year, the percentage retained by BCP Council has effectively lowered each year. The current 0.4% retention from a possible 5% (2p from a possible 23p with respect to 3 and 4 year olds that the Council could keep if it chose to) demonstrates the Council's commitment to pass as much funding as possible to providers, however it is likely that this level of retention is reviewed for the 2024 consultation.

## A4 Further detail regarding the movement of levers to achieve a balanced EYSFF

### Lever 1 – Reduce SENIF Rates

There are several ways this could be achieved, as shown in in the table below.

**Table A1 – Reducing SENIF Rates**

	Shortfall	Contribution	Rate reduction required to balance
All 2023 potential uplift goes into Base Rate	£388k	-	-
Reduce both T1 and T2 rates	£0k	£388k	32%
Remove T1 funding	£306k	£82k	27%
Remove T1 and T2 funding for 2 yo	£261k	£127k	24%

Removing Tier 1 funding and / or removing SEND funding for 2 year olds would not be enough to on its own to generate funds to clear the shortfall of £400k. All existing SENIF rates would need to be reduced by 32% to avoid the need to reduce other elements of the EYFF and changing criteria.

## Lever 2 – Reduce Deprivation Supplement/Rates

The deprivation supplement is currently paid at a rate of £0.53 per hour for any child previously in receipt of 2-year-old funding or currently in receipt of early years pupil premium. This was 24.6% of all 3 and 4 year old hours funded in 2021-22.

To generate sufficient funding within the early years block to cover the shortfall on SENIF, the deprivation rate would need to reduce by 76.6%, to around 12p per funded hour.

**Table A2 – Reducing deprivation**

	Reduced to	Contribution	base rate reduction required to balance
23% Deprivation	£0.12	£388k	-
30% Deprivation	£0.16	£355k	1p
50% Deprivation	£0.27	£253k	4p
70% Deprivation	£0.37	£152k	6p

Pupils meeting the deprivation supplement criteria are overrepresented in pre-school settings and school nurseries. Reducing the deprivation supplement would have a bigger impact on these providers.

BCP Council has sustained a high take-up rate for eligible 2 year olds, currently at 89%, and higher than that of pre-pandemic. This is thanks to all our providers but also the incentive to link a 3 and 4 year old deprivation supplement with children formerly funded as a 2 year old. Changes to the local eligibility criteria for deprivation supplement had been reviewed and discounted by Council officers and the Early Years Sub-Group. Potential changes were to either fund children living at a postcode from a deprived area, or fund only providers that themselves were operating from a postcode in a deprived area. These alternative options negatively impacted some providers by up to 25% of their funding, therefore it was not considered to be a viable option in this consultation.

## Lever 3 – Limit Increases to Base Rate

Depending on how the reduction is focused, 3 and 4 year old rates would need to reduce by 10p, or 2 year old rates would have to be reduced by 84p. Alternatively, both rates could be reduced by 9p to generate the funds needed to cover the shortfall on the SENIF.