

Background Information Early Years Single Funding Formula (EYSFF)

This paper provides some additional background information to assist with considering the proposed changes to the EYSFF in the consultation for 2016/17 budget setting round.

On the 5 February 2015 and 4 June 2015 reports were presented to the Schools Forum outlining the need for a review of the Early Years block funding arrangements due to the lack of any such review since 2009/10. The latter report also included a request to a temporary increase in the 3-4 year old base hourly rate to £4.00 for Public, Voluntary and Independent (PVI) sector and £3.90 for maintained schools for 2015/16 to be funded from underspends on the 2 year old funding subject to EFA approval. The request has been submitted to the Education Funding Agency (EFA) but the response hasn't been received yet.

The Early Years block is part of the Dedicated Schools grant and it is funded on a per pupil basis. Every LA in the country is paid at a different per pupil amount and has a different EYSFF. The funding is distributed to child care providers via the EYSFF which, for Nottinghamshire, consists of the 5 factors below with a small element being retained for central early years' services.

1. 3 & 4 year olds base hourly rate £3.77 for PVI providers for 38 weeks/£3.67 for maintained schools 39 weeks. This equates to an annual amount of £2,149 per sector.
2. Deprivation supplement base hourly rate £0.55p for eligible children only.
3. Deprivation supplement meal allowance £1.53 (eligible children and PVI providers only).
4. Sustainability supplement £10,360 per annum for 19 specific maintained primary schools.
5. 2 year olds base hourly rate.*

*This is an additional factor introduced when the government extended the free entitlement to 2 year olds in September 2013. This element is now funded on a per pupil basis.

The LA is consulting on the EYSFF for the first time and PVI providers are hoping for an increase in the base hourly rate for 3 & 4 year olds. The difficulty for the authority is that the Early Years block per pupil amount is fully allocated each financial year and there is no scope to fund any increase within it. The block is already over committed due to the increasing cost of the deprivation supplement and sustainability supplement, therefore any increase in the base hourly rate/annual amount would have to be met from either the:

- Schools Block or,
- Schools (Non ISB) Reserve

However, In view of the potential impact on the Schools Block and individual schools budgets it has been assumed that this option would not be acceptable to the Forum. The proposal therefore is to fund any agreed increase from the Schools (Non ISB) Reserve on the understanding that as this is a **temporary source of funds it cannot form part of a long term solution as it will not be sustainable**. If the government do not increase the per pupil amount paid to the authority, any increase over and above the grant funding will have to be met from the Schools Block at some point in the future. In order to keep the affordability of this arrangement under review the EYSFF will form part of the annual consultation process from now on.

There is further uncertainty around funding arrangements for childcare due to the government's intention to roll out the increase in free entitlement to child care to 30 hours per week with effect from September 2016. The government has pledged to increase the average funding rates paid to

providers but it is not known when this will be, what the basis for any increase will be or how it will impact on Nottinghamshire.

Table A – Indicative Cost of Increasing the annual rate for 3 & 4 Year Olds.

	Hourly Rate			
	Annual Rate	PVI's	Maintained	Additional Cost
	£	£	£	£000
Current	2,148.90	3.77	3.67	-
Proposed	2,280.00	4.00	3.90	1,596

Table B – Per pupil amount and hourly rates currently paid by Nottinghamshire compared to its statistical and East Midlands neighbours

	2 Year Olds		3 & 4 Year Olds				
	Per Pupil Amount	Base Hourly Rate Paid	Per Pupil Amount	Base Hourly Rate - PVI	Average Hourly Rate Deprivation + Other Supplements - PVI	Total Average Hourly Rate - PVI	Average Hourly Rate All Providers
	£	£	£	£	£	£	£
East Midlands							
Derby City	4,607.50	4.85	4,291.24	3.61	0.31	3.92	4.51
Derbyshire	4,607.50	4.85	4,294.88	3.79	0.08	3.87	4.40
Leicester City	4,607.50	4.90	3,664.23	3.50	0.12	3.62	3.55
Leicestershire	4,607.50	4.85	3,363.36	3.46	0.09	3.55	3.56
Nottingham City	4,636.00	5.00	3,966.95	4.00	0.22	4.22	4.14
Northamptonshire	4,655.00	4.80	4,047.19	3.57	0.40	3.97	4.09
Lincolnshire	4,607.50	4.85	3,974.07	3.52	0.13	3.65	3.85
Rutland	4,607.50	4.85	4,105.57	4.00	0.00	4.00	4.00
Nottinghamshire	4,636.00	5.09	3,674.28	3.77	0.01	3.78	3.77
Average	4,619.11	4.89	3,931.31	3.69	0.15	3.84	3.99
Statistical Neighbours							
Derbyshire	4,607.50	4.85	4,294.88	3.79	0.08	3.87	4.40
Staffordshire	4,607.50	4.85	3,515.06	3.39	0.16	3.55	3.44
Lancashire	4,607.50	4.47	4,351.74	3.91	0.08	3.99	4.57
Worcestershire	4,607.50	5.00	3,229.56	3.56	0.04	3.60	3.52
Cumbria	4,607.50	4.85	3,670.69	3.00	0.58	3.58	3.72
Northamptonshire	4,655.00	4.80	4,047.19	3.57	0.40	3.97	4.09
Essex	4,769.00	5.00	3,486.65	3.92	0.11	4.03	4.10
Kent	4,683.50	4.94	4,307.32	3.90	0.23	4.13	4.25
Cheshire West	4,683.50	4.85	4,349.91	3.40	0.40	3.80	3.90
Warwickshire	4,693.00	4.95	4,166.08	3.55	0.13	3.68	4.03
Nottinghamshire	4,636.00	5.09	3,674.28	3.77	0.01	3.78	3.77
Average	4,655.00	4.88	3,879.85	3.60	0.21	3.81	3.94

The funding for 2 year olds is different in that it is a set hourly rate and Nottinghamshire has received £4.88 per hour since the funding was introduced in 2013. Up until 14/15 the funding was allocated to LAs on the basis of 100% take up but this was under achieved and significant underspends were made. Some of the underspend has been used to pay providers an enhanced hourly rate, £5.09 per hour with the agreement of the Schools Forum. For 15/16 onwards the funding LAs receive is based on participation and there will be no underspends accruing to continue to fund an enhanced hourly rate to providers. The consultation, therefore, seeks to reduce the current hourly rate of £5.09 per hour to match the funding received from the government, currently, £4.88 on the basis of affordability.