The local authority (LA) is proposing changes to the Early Years Single Funded Formula (EYSFF) for the 2015/16 financial year for the delivery of 3 and 4 year old places. This is because there is a predicted shortfall in the funding available for the EYSFF and also we want to make the formula fairer, more transparent and simpler to understand.

There is a gap of £1.2m between the current budget and the projected annual costs. **The shortfall in funding will not be addressed by these proposals alone;** the local authority (LA) has further recommendations for the Schools Forum. These proposals will either be part of a separate consultation or discussions later in the year.

Somerset currently receives £3.77 per hour, per child from the Department for Education (DfE), but pays providers an average of £4.07 per hour per child. The cost has risen because more providers are employing qualified staff and offering longer hours, so hence they have become entitled to more supplements. While this has improved choice of high quality provision for parents, the money from the Government has not increased.

**The proposals:**

The options are:

- reduce the value of the base rate and supplements to achieve the saving target of 2.5% from the overall budget
- keep the base rate at the present value of £3.61 and reduce the value of the supplements
- keep the base rate the same but reduce the number of supplements
- increase the base rate and remove all the supplements apart from the mandatory deprivation supplement, or
- none of the above, with providers offering an alternative approach or a combination of the options being proposed.

The option preferred by the local authority and supported by Early Years sub group is to increase the base rate for all providers and reduce the value and number of supplements.

Potentially, the base rate could be increased from £3.61 to £3.75 per hour and still achieve the required savings if there were significant reductions in the value and number of supplements.

The deprivation supplement is mandatory and must be kept, however the amount to be paid is not.

The LA preferred option is to reduce the value of the qualification supplement and reduce the difference between LA nursery teachers and other teachers / EYPS.

The LA preferred option is to remove the flexibility supplement altogether for providers open 30 hours or more and providers open 40 hours or more.

The LA preferred option is to retain the sparsity supplement, but refine it to include a factor which looks at the number of eligible children in the area where the next provision is 5km away.

The LA preferred option is to remove the premises supplement altogether.

Inevitably, some settings will gain and some settings will lose regardless of the option chosen. In the short term the local authority intends to limit the maximum loss for each setting per hour to 5% of the previous year's hourly rate.

The LA will continue to offer information, advice and guidance to providers who are concerned about the viability of their setting with less funding being received per hour.