Early Years Providers consultation on the EYSFF 2017

The consultation on the early year’s national funding formula has now concluded. The allocation from central government for EYE places is now:

- £4.30 per child per hour for 3 and 4 year olds, from £3.77
- £5.20 per child per hour for eligible 2 year olds, from £4.85

This increase is a positive outcome for our county, and therefore the local authority is keen to pass the increases on to the sector as soon as possible. To do this, we need to carry out a consultation on our funding formula so that it can be applied on the 1st April 2017. Please review the information, and complete the survey to indicate which option you would prefer to be applied.

The information below explains the current formula, the proposals, and also the impacts on hourly rates for Somerset providers. The information cannot confirm your individual rate, as these will vary depending on circumstances. Please contact CWilson@somerset.gov.uk if you have any questions when reviewing the information.

Please review the information below carefully before voting on your preferred decision.

**Guidance notes:**

Every year, the government allocated funding to pay for the Early Years Entitlement based on the number of children counted on census. 98% of this is passed on to providers through the Early Years Single Funding Formula (EYSFF) for the free entitlement.

Each Local Authority allocates money to providers through the EYSFF which is made up of a base rate and a mandatory supplement for deprivation; any further supplements are at the LA’s discretion and should reflect the costs to providers in delivering the free entitlement. In Somerset the supplements have been agreed in consultation with our Early Years providers. The current Somerset Early Years Single Funding Formula (EYSFF) is:

<table>
<thead>
<tr>
<th>EYSFF factor</th>
<th>2016/17 values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic rate</strong></td>
<td>£3.67</td>
</tr>
<tr>
<td><strong>Supplements:</strong></td>
<td></td>
</tr>
<tr>
<td>LA Maintained School and Academy Teacher</td>
<td>£0.50</td>
</tr>
<tr>
<td>Early Years Professional</td>
<td>£0.25</td>
</tr>
<tr>
<td>Childminder with an appropriate level 3 qualification</td>
<td>£0.60</td>
</tr>
<tr>
<td>Early Years Teacher</td>
<td>£0.25</td>
</tr>
<tr>
<td>Offering 40 or more hours per week</td>
<td>£0.07</td>
</tr>
<tr>
<td>Deprivation (value multiplied by % of deprivation)</td>
<td>£0.36</td>
</tr>
</tbody>
</table>
Schools Forum approved the pass through of 97% to providers from the increased allocation given in the National Funding Formula. The remaining 3% will be used to cover:

- EY Clusters
- Raising Achievement Plan
- Services to support setting with EAL families
- EY Entitlements team services – including new checks for 30 hours providers
- EY Safeguarding Advisor
- Contribution towards EY action plus funding for children with SEND
- EYSFF contingency to cover Summer term where numbers often exceed the numbers recorded on the January census

**The new EYSFF for Somerset**

**Option 1**: Increase base rate to £3.87 and keep all current supplements

**Option 2**: Increase base rate to £3.91 by removing the flexibility supplement, keep the other supplements, and increase in deprivation value to £0.40 for 100% deprivation

**Option 3**: Increase base rate to £3.88 by removing flexibility supplement, keep the other supplements, and increase in deprivation value to £0.50 for 100% deprivation

**Option 4**: Increase base rate to £3.95, removal of flexibility supplement, increase in deprivation value to £0.50 for 100% deprivation, 40% reduction on all other supplements.

**Option 5**: Increase base rate to £4.04 and remove all supplements, increase in deprivation value to £0.50 for 100% deprivation.
How will the options impact providers?

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Rate increase</th>
<th>Rate decrease/ no change</th>
<th>Rate increase</th>
<th>Rate decrease/ no change</th>
<th>Rate increase</th>
<th>Rate decrease/ no change</th>
<th>Rate increase</th>
<th>Rate decrease/ no change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childminders</td>
<td>145</td>
<td>11</td>
<td>145</td>
<td>11</td>
<td>145</td>
<td>11</td>
<td>52</td>
<td>104</td>
</tr>
<tr>
<td>Independent</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Maintained</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursery</td>
<td>16</td>
<td>2</td>
<td>16</td>
<td>2</td>
<td>16</td>
<td>2</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Private</td>
<td>114</td>
<td>1</td>
<td>110</td>
<td>5</td>
<td>111</td>
<td>4</td>
<td>114</td>
<td>1</td>
</tr>
<tr>
<td>Voluntary</td>
<td>174</td>
<td>2</td>
<td>173</td>
<td>3</td>
<td>172</td>
<td>4</td>
<td>172</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>463</td>
<td>16</td>
<td>458</td>
<td>21</td>
<td>458</td>
<td>21</td>
<td>367</td>
<td>112</td>
</tr>
<tr>
<td>Percentage</td>
<td>96.7%</td>
<td>3.3%</td>
<td>95.6%</td>
<td>4.4%</td>
<td>95.6%</td>
<td>4.4%</td>
<td>76.6%</td>
<td>23.4%</td>
</tr>
</tbody>
</table>

Option 1
Increase base rate to £3.87 and keep all current supplements

Option 2
Increase base rate to £3.91 by removing the flexibility supplement, keep the other supplements, and increase in deprivation value to £0.40 for 100% deprivation

Option 3
Increase base rate to £3.88 by removing flexibility supplement, keep the other supplements, and increase in deprivation value to £0.50 for 100% deprivation

Option 4
Increase base rate to £3.95, removal of flexibility supplement, increase in deprivation value to £0.50 for 100% deprivation, 40% reduction on all other supplements.

Option 5
Increase base rate to £4.04 and remove all supplements, increase in deprivation value to £0.50 for 100% deprivation
Points to consider

Currently 60% of providers receive flexibility supplement.

Option 1-

Modelling showed that the highest provider hourly rate = approx. £4.69, and the lowest provider hourly rate = £3.87

Positives

- Benefits the most providers, easy to understand and process
- No providers would lose; those not gaining is because they are currently being protected on the MFG

Negatives

- This option is risky: this may only be a short term gain for some. If there is an increase in the number of providers eligible for flexibility and or the provider factor, the overall cost will go up, putting pressure on the budget. There is no option to source money from other budgets; therefore we might then need to reduce the base rate in 2018 onwards.
- Retains the disparity between providers with qualified teaching staff and those without.

Option 2-

Modelling showed that the highest provider hourly rate = approx. £4.70, and the lowest provider hourly rate = £3.91

Positives

- By removing the flexibility supplement, and moving the saving to the base rate, it increases the value and removes the risk of the overall cost increasing in the future. The rate is more sustainable.
- The rate moves to support providers with the most disadvantaged children in their care.
- This option benefits a high number of providers across their different types.
Negatives

- Very small number of private and voluntary providers will receive less than present, whereas option 1 gave them a slight increase
- Retains the disparity between providers with qualified teaching staff and those without.

Option 3

Modelling showed that the highest provider hourly rate = approx. £4.78 and the lowest would be approx. £3.88

Positives

- This option benefits a high number of providers across their different types.
- A greater proportion of the money is targeted at providers who support our most vulnerable children.

Negatives

- A very small number of private and voluntary providers will receive less than present
- Retains the disparity between providers with qualified teaching staff and those without.

Option 4

Modelling showed that the highest provider hourly rate = approx. £4.69 and the lowest would be approx. £3.95

Positives
• By removing the flexibility supplement, and moving the saving to the base rate, it increases the value and removes the risk of the overall cost increasing in the future
• Greater proportion of the money is targeted at providers who support our most vulnerable children.
• levels the variation between the highest and lowest funded providers

Negatives
• The majority of childminders would receive a lower hourly rate
• Providers employing an Early Years Professional or that have to employ a qualified teacher may receive a lower hourly rate, but not be able to change their staffing.

Option 5

Modelling showed that the highest provider hourly rate = approx. £4.69 and £4.04

Positives
• Simple to understand, and changes to provider factors would not affect the budget
• The base rate rises the most in this option.

Negatives
• The majority of childminders would receive a lower hourly rate
• Providers employing an Early Years Professional or that have to employ a qualified teacher receive a lower hourly rate, but not able to change their staffing.
• Does not allow consideration of individual provider’s differences, and the costs to employ more qualified staff.
• This option creates the greatest number of providers that will get less than they currently do.