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| **People and Communities Department** | | 4 | |
|  | PO Box 25, Riverside, Temple Street, Keynsham, Bristol BS31 1DN  Tel: 01225 395355 Fax: 01225 394011 E-mail: ellie\_weyman@bathnes.gov.uk | |

SCHOOLS FORUM

**Briefing on further changes to Early Year’s Entitlement (EYE) for 2, 3 and 4 year old children from April 2015**

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| **Lead Officer** | **Philip Frankland** |
| **Contact details** | [**philip\_frankland@bathnes.go.uk**](mailto:philip_frankland@bathnes.go.uk) **01225 394330** |
| **Forum asked to decide / steer / be informed** | **For Information ahead of 2015/16 budget** |
| **Time Needed** | **XX mins** |

**Background**

From April 2015 there will be further changes to the EYE for 2, 3 and 4 year old children which will also result in changes in the DSG funding. This is an update paper for Forum members ahead of the budget setting decisions for 2015/16.

**Places for 2 Year Old (2YO) children**

These are now established in legislation for up to 40% of children who meet a number of criteria who can access up to 570 hours of early education and childcare in a year. In Bath and North East Somerset 390 children have applied for a place in the autumn term which is close to the national average take up rate of around 80% of places that the DfE has recorded since the scheme expanded in September 2014.

To date the DfE have provided each Council with an annual lump sum in the DSG for the 2YO places they anticipated would be taken up. In Bath and North East Somerset this was £1,413,806 for 2014/15 which included funding to support any additional revenue expenditure needs for providers expanding their 2YO provision and creating extra places or considering taken this age range for the first time. From 2015/16 the budget within the DSG will be based on participation funding only.

Our forecast expenditure for this budget will be clearer following completion of the autumn headcount but we do anticipate that there will be headroom in the 2014/15 budget by the time that the Forum reaches budget setting decisions for the next financial year and further details will be brought to Forum at that time. A decision will need to be reached about the consequences of the DfE's decision to move to participation based funding from the 2015/16 financial year.

The amount of funding provided to each Council will be decided on the EY census which takes place in January 2015 and, as a “one-off”, an additional voluntary census for 2YO children in October 2015 which it is hoped will capture further growth in take up of the scheme and allow the DfE to allocate a more accurate budget to each Council for the 2015/16 financial year. Should the Council experience a higher take up than funding allocated in subsequent years any consequent adjustments will only be based on the annual census and funded retrospectively and therefore it would be prudent to consider carrying forward underspend from this financial year into at least the next one to cover growth in demand that will not be covered by the allocation within the DSG for 2015/16.

The 2014/15 DSG budget contained £438,905 brought forward from the 2013/14 2YO funding allocation. There is potential that based upon the take up rate for 2014/15 that once again the budget will be underspent. With the budget being driven by demand only and as outlined previously the Forum should consider a carry forward into 2015/16 in order to be prepared for take up exceeding allocated funding which would impact on other areas of the DSG in order to meet the statutory funding obligation.

**Demand for 3+ EYE provision**

Bath and North East Somerset Council continues to have one of the highest take up rates in England at 103% according to the DfE’s 2014 benchmarking tool (96% is the national average.) The annual census ensures that the Council does receive sufficient remuneration for providing these places as it is based on where the child attends, rather than where they live so unless a provider fails to notify us of a child(ren) attending in January of each year the Council will be funded at the per child rate allocated to Bath and North East Somerset by the DfE.

This is a demand driven budget as the EYE is a statutory duty for the Council to fund all children who want to take up a place (although it is not mandatory for any child to attend any early education should their family choose to do so.) The current budget is £4,975,666 which is the same as 2013/14 when the actual expenditure was £5,119,431 a 2.9% difference which has been reflected in a growth in the EY part of the DSG.

So far in the 2014/15 financial year spending on the 3+ EYE matches that in the last financial year and more details will emerge after the autumn headcount. It is anticipated that there will need to be a growth bid for this budget to draw down the additional funds allocated by the DfE in the DSG for EYE to meet demand, for example £143,765 which was the difference between 2013/14 budget and spend.

**Funding rates for 3+ EYE providers**

In 2009 all Councils in England were asked to establish and implement and funding formula for the EYE for children aged 3 and over. Since then the funding has remained the same, in line with how the DSG has flat lined as a result of Government spending freezes and/or reductions. Costs for providers have continued to rise.

The Forum has added more funding to the EYE budget over time in order to meet demand caused by increased take up. This is funding added to the DSG by the DfE as a result of the annual census so the impact to the total DSG budget is neutral. What has not been considered is any increase in the funding rate caused by inflationary pressures.

In the DfE’s “Fairer Schools Funding” publication in July 2014 the department outlined:

“We also want to look carefully at the distribution of funding between local authorities for government funded early education for three and four year olds. As we said in 2012, a fair distribution of early years funding would be best achieved by putting in place a national early years funding formula and we remain committed to achieving this.”

Funding formula

The hourly funding rate paid to providers by Bath and North East Somerset Council has 4 levels. All rates quoted are per child per funded hour.

* Basic hourly rate for all providers - £3.55. This accounted for 94.65% of the budget spend in 2013/14.
* Flexibility supplement for providers open for more than 5 ½ continuous hours a day, 5 days a week, for at least 38 weeks a year – additional 10p per hour. This accounted for 1.73% of the budget spend in 2013/14.
* Deprivation supplement for children in the top 20% deprived areas as ranked nationally – additional 34p per hour. In summer term 2014 194 children benefited from this supplement. This accounted for 0.50% of the budget spend in 2013/14.
* Quality of Leadership\* supplement for providers - 15p per hour for providers employing a Qualified Teacher (Early Years)or an EarlyYears Teacher (EYT) or 10p per hour for providers employing a member of staff who holds a full and relevant qualification at Level 5 or above who is studying for EYT Status.This accounted for 1.89% of the budget spend in 2013/14.

\*Quality of Leadership supplement is paid annually (in the Summer Term) based on the total funded hours for all children at the provider. There is a minimum payment through the supplement of £1,000 and maximum of £6,000 per financial year. Childminders who are eligible to receive the EYE will also be able to claim the supplement on exactly the same basis subject to a maximum payment of £250 a year for a QT (Early Years) or an EYT and £200 if they hold a full and relevant qualification of Level 5 or above and are studying for EYT Status.

Based on the total expenditure in 2013/14 of £5,119,431 the supplements made up 4.12% of the total budget spend.

Example of rising costs, the Minimum Wage

In 2009 when work started on the EYE funding formula the national minimum wage for anyone over the age of 22 was £5.80 and for the age of 18 to 21 £4.83. The table below shows subsequent changes which included changes to the age bands and the introduction of an apprentice rate.

| **Year** | **21 and over** | **18 to 20** |  | **Apprentice** |
| --- | --- | --- | --- | --- |
| **2014 (current rate)** | **£6.50** | **£5.13** |  | **£2.73** |
| 2013 | £6.31 | £5.03 |  | £2.68 |
| 2012 | £6.19 | £4.98 |  | £2.65 |
| 2011 | £6.08 | £4.98 |  | £2.60 |
| 2010 | £5.93 | £4.92 |  | £2.50 |

In the Private, Voluntary and Independent (PVI) sector in particular there are still many employers with staff on the minimum wage although this is not ideal for attracting quality qualified employees into the sector. The cost to their employer of meeting this basic salary has risen by 12% for those aged 21 and over since 2009 when the funding formula was calculated.

Request to Forum

Any inflationary award for school budgets discussed and allocated by the Forum as part of the 2015/16 budget setting process will also need to take into account the funding allocated to the EYE funding rate for 3 and 4 YO children. This is for parity across the whole DSG budget setting process which includes Early Years.

**EYE Pupil premium – new for April 2015**

The DfE published the outcome of their consultation on this premium for children aged 3+ at the end of October and will publish further details as to how the scheme will be rolled out from April 2015 later in the year. In all probability their guidance will follow these key points from the consultation document.

2.3 The EYPP will be introduced in April 2015 (confirmed 25/10/2014.) It will close the gap at ages 3 and 4 between the additional support disadvantaged children get at age 2 through the new free entitlement and the additional support they get in school through the school-age Pupil Premium.

2.4 It will pay early years providers an additional £300 per year for each eligible child that takes up the full 570 hours with them. This equates to an hourly rate of 53p per child per hour. We estimate that over 170,000 children could benefit from the EYPP in 2015-16. The funding will follow the child and go to all providers that are delivering the funded early education entitlement. (At reception the Pupil Premium rises to £1300 per pupil or £1900 if the child is adopted, left care or looked after)

2.5 The Government has allocated £50m in 2015-16 to fund this. Providers will be funded along with their existing early education funding. Local authorities will be required to pass on the full national rate to providers – they will not be able to hold any of it back, vary funding rates, or place conditions on the funding. Alongside this consultation we are publishing indicative local authority funding allocations for the EYPP, so that providers and local authorities can begin to plan for introduction next April.

2.6 The eligible groups for the EYPP will be children from low income families (defined as meeting the criteria for free school meals); children that have been looked after by the local authority for at least one day; have been adopted from care; have left care through special guardianship; and children subject to a child arrangement order setting out with whom the child is to live (formerly known as residence orders)

5.19 Local authorities are currently required to have a deprivation supplement as part of the early year’s single funding formula. We do not propose to change this requirement.

The eligible cohort for the new EYPP is smaller than those eligible for the 2 year old entitlement, approximately 20% across England rather than up to 40% who may get a 2 year old place. The DfE have confirmed their estimate that this will be 361 children in Bath and North East Somerset and will provide a budget of £109,157 to be added to the DSG for 2015/16. Subsequent budgets will be participation based on the basis of data returned in the Early Years census.