

## EARLY YEARS FUNDING REFORM

**Purpose of report:** For information/discussion

**Background:** The third element of the government's funding reform relates to the funding allocated to Maintained, Private, Voluntary and Independent pre-schools, nurseries and childminders to enable 3 and 4 year olds to access their entitlement to 15 hours per week free early education. The Early years Block of funding also meets the cost of the early years support services provided by the council.

The funding for the free early education entitlement is allocated to providers through the Early Years Single Funding Formula (EYSFF) and it is this element of the funding which local authorities are required to review and simplify.

In addition to the funding for three and four year olds, the government will adjust the level of funding received for the Early Years Block to include the funding which enables disadvantaged two year olds to access early education places. From September 2013, the 20% most disadvantaged 2 year olds will be eligible for 15 hours of free entitlement and from September 2014, this will be extended to the 40% most disadvantaged 2 year olds. Target numbers of 2 year olds have been issued to each local authority and the Isle of Wight will be required to provide places for 300 2 year olds in the 2013-14 academic year, and 600 in 2014-15. The level of funding which will be transferred from the local authority budget to the DSG will be based on these target numbers and not actual take up and because the DSG is ring-fenced for Education purposes this may create pressures within the local authority budget as the level of funding required for the expanded 2 year old offer far exceeds the budget allocated for this purpose under the new arrangements.

**Early Years Single Funding Formula:** Work is currently being carried out to review the EYSFF and prepare some options for implementation from 2013. The current EYSFF uses both IDACI and IMD to calculate deprivation and the authority is likely to propose that from 2013 only IDACI is used, and that a 6-layer banding system is introduced to mirror the way in which this data is utilised in the school funding formula.

PVI settings which occupy premises on school sites currently receive a transitional budget supplement for the rates charges which were currently borne by the schools but from 2013, the EYSFF cannot contain any premises-related factors and so this will be discontinued. However, from 2013 a Minimum Funding Guarantee will operate with the EYSFF in the same way that schools receive a guarantee in order to minimise the effect of any funding changes. The Early Years MFG will be set at the same level as the school MFG – negative 1.5% in 2013-14 and 2014-15. The MFG will only be applied to the EYSFF base rates so all other funding such as supplements and lump sums would be allocated in addition to the MFG budget.

The authority will also be preparing a proposal which introduces a lump sum into the EYSFF, in the same way that schools receive a basic lump sum in their delegated budgets.

The proposed changes will be consulted on with all Early Years providers before a final option is presented to the Forum for recommendation to the Cabinet in January 2013.

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