**Solihull Council Consultation on a Solihull Early Years Funding Formula**

**This consultation will close on Monday 5th December at 12.00 noon**

**Consultation survey is on-line and can be accessed here:** [**https://www.surveymonkey.co.uk/r/RLDG6VD**](https://www.surveymonkey.co.uk/r/RLDG6VD)

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The government has recently consulted on significant changes to the funding of early years. The consultation can be found here: <https://consult.education.gov.uk/early-years-funding/eynff>

At the time of this document, the government has not published their response to the consultation; however we anticipate that whilst the government may amend proposals in the light of consultation responses, the main thrust of the proposals will be unchanged.

The proposals require Solihull to construct a new early years local funding formula (EYFF) for 1 April 2017. There is likely to be a two year period whereby the new EYFF can be phased in to minimise disruption to existing funding of providers.

This only applies to funding for 3&4 year olds in nursery settings (falling within the 15 hour universal entitlement); the funding for 2 year olds will be unchanged, at a current rate of £5.00 per hour.

Solihull will benefit significantly from additional funding, from these proposals, however it does not look as if the funding for PVI settings will increase as much as we all hoped for. Solihull will gain an additional £2,400,000, but modelling on the proposals set out in this consultation suggest that the bulk of the extra funding will go to schools, £1,800,000, to schools £300,000 to PVI providers.

This is wholly because the government proposal is that there is a single hourly rate for every setting, regardless of size or type of setting.

***The proposals for this consultation have been derived from “soundings” with stakeholders, and are proposed with a genuine sense of “this feels the right approach”. However, if the consultation reveals significant disagreement or generates approaches or consequences we have not thought of, then we would seek a more interim solution for 2017-18, whilst we engaged to develop a different proposal – so the consultation is genuine, even if the timescale of the consultation is very unsatisfactory. Proposals may also have to be modified if the government depart significantly from their consultation when they finally publish their response.***

**Impact of government proposals on Solihull:**

Overall, Solihull will gain significantly.

Solihull currently receives the lowest amount for early years of any local authority, at a rate of £3.20 per hour, which equates to £6,781,000 in 2016-17. The highest funded authority (Camden) receives £9.46, nearly 3 times as much. On a like-for-like basis, Solihull will ultimately receive £4.36 per hour, £9,252,000 in total, an increase of £2,471,000 or 36%. The national average rate will be £4.88.

Under the transition proposals, this would be scaled back for two years, so Solihull would actually receive £8,331,405 (£3.93 per hour) in 2017-18.

Funding for the 30 hours from September 2017, plus the new Disability Living Allowance pupil funding would be in addition to these amounts.

**Key questions in developing the new Solihull EYLFF**

* Phasing of the new single rate – we have to move to a single rate – but how to do that – who gets what?
* The pros and cons of using a local supplement to incentivise 30 hours.
* Deprivation element – weighted at 8% in the NFF, currently 2.5% in LFF – what should it be in the new LFF?
* An element for special needs – should we have/ create an inclusion fund? How much?
* There are some risks here – we don’t have a contingency fund – Do we need to create one? If we don’t have some contingency, overspends in a year might have to be recovered by reducing the hourly rate in the following year.

These questions were put to Solihull School Forum at their meeting on 17th October 2014

Report available here: <http://socialsolihull.org.uk/schools/forum/schools-forum/>)

**School Forum considered that:**

* In 2015-16 the Council created a provision form a source of funding called “the High Needs block” to fund SEND pupils in nursery settings - £30,000 budget, spent £40,000 September to March. Budget £90,000 in 2016-17. This will continue with any Inclusion fund being in addition to this funding.
* The current basic hourly rate is £3.60 for PVI settings, and a variable rate by size, £2.60 to £2.70 for school settings.
* The only supplement used in the current founding is deprivation, using the IDACI measure (a post code measure of deprivation).
* No supplements for “quality” or to incentivise flexibility are used in the present funding formula.
* With the new funding of £4.36 per hour, every £100,000 equates to 5p to the hourly rate
* In Solihull the most significant impact will be on schools because there must be a single hourly rate, AND PVI settings critical to 30 hour delivery.

**School Forum recommended that the initial formula for consultation should be designed as follows:**

* The priority is to maximise the basic hourly rate.
* Clear agreement that SEND needs some solutions and that an inclusion fund should be created. An inclusion fund of £250,000 feels appropriate (much less, little impact, much more – too big impact on basic rate). Details to be worked out later.
* A contingency fund of £100,000 feels appropriate.
* Prioritise PVI settings for maximum hourly rate as soon as possible – phase increases for schools as funding increases from government permit.
* No 30 hour incentive supplement, no other supplements except deprivation
* Deprivation – drop IDACI and use same measure as EYPP, largely keep existing cash -PVI funding projected to increase to match primary schools.

**In making these recommendations, Forum members were advised on the impact:**

* Initial calculations suggest that after all transitional arrangements have been worked through; the hourly rate for providers in Solihull would be in the region of £3.90 to £3.95.
* This suggests funding for schools would rise by around £1,816,000 (55% increase) and by £300,000 (11% increase) for PVI settings.
* **For 2017-18** - schools get a £894,000 increase, hourly rate increases to £3.24. PVI settings would get £300,000 increase at full £3.90 in the first year (including the increase in deprivation).

**For 2018-19 the breakdown of the hourly rate Solihull receives would be: -**

 £4.36 per hour which equates to £9,252,000.00 per annum

 - 0.22p for Solihull Central Services = £632,000.00 per annum

 - 0.05p for Contingency Fund = £100,000.00 per annum

 - 0.12p for the Inclusion Fund = £250,000.00 per annum

 - 0.10p for Deprivation Fund = £180,000.00 per annum (=£1.50 p.h. per eligible child)

 = - 0.49p Which leaves:-

 **£3.87 = £3.90 per hour for every provider**

 + 0.52p if funded at National Average of £4.88

 = £4.39 kind of rate providers could expect if funded at national average

In addition to the headline £3.90 per hour, settings would get a share of the deprivation funding based on number of eligible children (£1.50 per hour per eligible child), plus EYPP grant plus the new Disability Grant per eligible child.

**Timetable:**

* The new early years funding formula has to be in place for 1 April 2017
* School budgets have to be submitted to the education Funding Agency on 20 January 2017
* School forum meets on 7 December to sign off formula changes and other key matters relating to 2017-18 school and PVI funding.
* This consultation will close on Monday 5th December at 12.00 noon.
* I will take a snapshot of responses at Wednesday 30 November to report to Finance Group at their meeting on 1 December 2016.