



West Sussex County Council: Early Years National Funding Formula

Briefing and consultation document

January 2021

National Funding to Local Authorities

Introduction

This document relates to the Free Entitlement (FE) funding for children in West Sussex. This includes universal funding of 15 hours for all three and four year olds, extended funding of 15 hours for eligible three and four year olds and 15 hours of funding for eligible two year olds.

This funding is calculated based on the Early Years Single Funding Formula (EYSFF). The EYSFF consists of the base rate, and a mandatory deprivation supplement. In the financial year 2020 – 21 West Sussex Private, Voluntary and Independent (PVI) settings received an **average** rate of £4.73 for universal 3 and 4 YO FE, including supplements:

What are we consulting on?

WSCC are changing the amount of funding that is passed through to early years providers for children in receipt of three- and four-year FE. We are consulting with providers to find how they want this change to be delivered in order to minimise the impact on their businesses and to ensure that we maintain our focus on improving outcomes for children.

We would like your views on whether we keep the base rate as high as possible and make changes to the way we deliver the deprivation supplement, or we keep the deprivation supplement the same as it currently is delivered and make the adjustments by changes to the base rate, which could mean a reduction or a minimal increase to the base rate in financial year 2021-22.

Please consider the options outlined in this briefing and consider the impact on children in your setting, based on how you currently use funding to improve outcomes for all children as well as how you target support to children who are the most disadvantaged and at risk of falling behind their peers in their learning and development.

Following the consultation, WSCC will consider the responses and amend the funding formula to inform the base rate for three and four year old children accessing FE places and how the Deprivation Funding supplement is delivered from April 2021.

Local Authority Funding to Providers

There are a number of requirements on how West Sussex County Council (WSCC) is able to allocate funding to providers. These requirements are intended to ensure that funding provided by the Education and Skills Funding Agency (ESFA) is fairly distributed to providers.

These requirements include:

- A minimum amount of funding to be passed through to providers.
- A local universal base rate for all types of provider, to be set by WSCC.
- Supplementary funding for maintained nursery schools
- The administration of a Disability Access Fund.
- A requirement for authorities to establish a special educational needs Inclusion Fund.

High pass-through requirement

There are requirements on the amount of funding for three- and four-year-olds that local authorities must pass to providers. This pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the ESFA reaches providers.

The minimum pass-through funding level is nationally set at 95%. In the current financial year, 2020-21, the pass-through rate in West Sussex was 96%. This consultation is to gain provider feedback on how we allocate funding based on the 95% pass-through rate proposed by WSCC Cabinet members for 2021/22 in November 2020.

While Maintained Nursery Schools (MNS) supplementary funding is not considered in the determination of the high pass-through, WSCC is expected to use this to maintain MNS provision.

Local universal base rate

WSCC is required to set a universal base rate in our local single funding formulae, meaning there must be a base rate the same for all types of provider. In 2020-21 this was set at £4.50 for 3 and 4 year olds and £5.18 for 2 year olds.

Use of supplements

WSCC will continue to have the ability to use funding supplements. Supplements are amounts of funding which are given in addition to the base rate to reflect local needs or policy objectives.

Supplement cap

The total value of supplements used in any authority must not be more than 10% of the total value of planned funding to be passed through to providers.

Funding supplements (3 and 4 year olds only)

Supplements are broken down into mandatory and discretionary. Any additional funding passed to providers must fall within one of these categories. For all categories, WSCC has the freedom to choose the appropriate measure for allocating funding and should be open and transparent with the measure chosen. Following consultation with providers in 2017, it was universally agreed that providers would prefer a higher base rate and no supplements, other than the mandatory deprivation supplement.

Deprivation Funding (DF)

WSCC must use this supplement to recognise deprivation in our county.

We can choose the amount of funding to channel through this supplement as long as the total value of all supplements used does not exceed the 10% cap. We have included a deprivation supplement since the introduction of the single funding formula and this has represented around 3% of the total budget and allocation is based on the home location of the child.

Currently within WSCC, the DF is organised in five bands:

Band	1	2	3	4	5
Pence per FE hour	23p	35p	69p	115p	161p
Percentage of children in receipt of funding in each band	43%	37%	14%	5%	1%

Band 1 relates to the lowest deprivation levels within the funded groups and Band 5 relates to the highest levels of deprivation within West Sussex based on the Income Deprivation Affecting Children Index (IDACI).

From the data of children we have funded in previous years, 26% of children in receipt of FE are also in receipt of DF and 35% of children are in receipt of both Early Years Pupil Premium (EYPP) [see below] and DF. Approximately 25% of children in receipt of DF access Extended FE places.

Numbers of children in receipt of EYPP and DF:

	Autumn 2018	Autumn 2019	Autumn 2020
EYPP	759	812	1031
Deprivation	2279	2143	2003

The measure used in schools as a proxy indicator for children who are disadvantaged, is eligibility for Free School Meals, which is most closely related to EYPP.

Proposed Options

We are interested in your views on the way we calculate and distribute DF as part of the proposed changes to the funding formula.

The proposed options include:

- Continuing to use the child's postcode as an indicator of disadvantage, either using the IDACI or the Index of Multiple Deprivation (IMD)
- Linking the DF to EYPP, which would mean an increased amount for children eligible for EYPP

If we continue to fund the DF linked to children's postcodes, but reduce the overall spend on DF, we could:

- Reduce the number of bands and target the funding to the children in the most disadvantaged areas of the county
- Keep the bands as they are, but reduce the rates for some or all of the bands
- A combination of both – reduce the bands and the hourly rates, but the rates would reduce by a smaller amount

Disability Access Fund (DAF)

The settings of three- and four-year-olds eligible for the DAF will continue to be entitled to receive a one-off payment of £615 per year. This fund is not part of the proposed changes to the funding formula.

Early Years Pupil Premium (EYPP)

The settings of eligible three- and four-year-olds will continue to be entitled to receive an additional 0.53p per hour for each universal FE hour accessed by the child. Any changes to the way the deprivation supplement is managed will not impact on the delivery of EYPP.

SEN Inclusion Fund

The SEN inclusion fund is not included as part of the proposed changes to the funding formula as this was part of a separate consultation which has concluded.