

Early Years Funding Jan 2025

Background

- a) Over recent years there has been problems within the sector as a result of National Funding Settlements that have not kept pace with increasing costs
 - a. NLW –
 - i. 40% inc since 2021
 - ii. 6.7% inc for April 2025
 - b. Workplace Pensions
 - c. Utility Costs
 - d. Employer payment of Statutory Sick Pay
 - e. Inflation
 - f. Impact of COVID
- b) Over the last 5yrs the Torbay EY Budget has contributed >£500k in underspends to reduce the overall DSG Budget deficit, some £266k from the Early Years Retained element to cover the LA services and £249k from the Pupil Premium and DAF funding grants.
- c) SENIF (SEN Inclusion Fund) known in Torbay as ALFI Funding - each year Schools Forum has allocated £100k to support early years SEN.
 - a. The SENIF / ALFI budget purpose is identified in the ESFA Guidance to LAs re Early Years funding as,
 - i. for use to support children with low level or emerging SEN.
 - ii. Children (not eligible for the entitlements or) with more complex needs and with an EHCP continue to be eligible for funding from the HNB of the DSG
 - b. ALFI is currently split into 3 funding rates. To qualify for level 3 funding (the highest) the child has to have an EHCP. It would be reasonable to assume that levels 1 and 2 would be considered low level or emerging.
 - c. There are also cases where ALFI is used to support a child with medical needs, which should be covered by the Health Contributions to the HNB
 - d. It should be noted that ESFA guidance to LAs also includes that LAs should consider the right balance to strike in drawing from these 2 blocks of funding (EY & HNB) taking into account the particular pressures on the high needs and EY budgets locally

Current position

- 1) At the December meeting of Schools Forum the decision was taken to clawback the £100k contribution out of a £175k underspend c/fwd from 2023.
- 2) The current proposed Early Years Budget and funding rates allow for,
 - a. A %based approach to the calculation of the LA retained element, ALFI, Deprivation and Grants for Pupil Premium and DAF Funding
 - b. No HNB contribution for complex needs and EHCP or medical cases
- 3) The overall Early Years Budget allocation has seen and will see a significant increase due to the introduction of extended funded hours for 2yr olds and under 2's from working families.

Proposal for consideration,

- 1) Schools Forum continue to allocate £100k from the HNB to Early Years until such time as the level of funding to support children with more complex needs and with an EHCP (inc medical needs) is more accurately calculated - any underspend from this allocation to be returned to the HNB, any overspend to be added to the deficit position
- 2) The allocation for the LA retained element of the Early Years Budget is revisited to better reflect actual need as opposed to a simple % calculation.
- 3) The Provider Rates are re-calculated to reflect the revised approach
- 4) Any net underspends in other areas of the Early Years Budget are redistributed to the sector in Summer Term following the end of the Financial Year in which the underspends occurred

These proposals seek to ensure the funding allocated for use within the early years is retained for that purpose and helps address financial pressures within the sector and strikes a balance in the funding of SEN from both the Early Years and HNB funding blocks, reflecting the pressures on the 2 budgets locally.