


Agenda Item 3

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 12th December 2019
EARLY YEARS FUNDING	
Open	
Wards Affected: (All Wards); All	
Accountable Director: Jacqui Mc Shannon, Director of Children Services	
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Purpose of the report This report updates forum on the initial allocation of Early Years Block funding for 2020-21 based on January 2019 census and explains the impact of this on the participation model for all providers. The focus is on the funding for the 3 and 4 Year Old offer and the steps to setting 2020/21 Early Years budget.	

1. Early Years Funding 2020-21 Initial Allocation

- 1.1. There are six funding streams in the early years block of the DSG, as set out below. The focus of this paper, is the early years entitlement for 3 and 4 year olds (YO), which constitutes the bulk of the funding and which is also subject to pass through and other requirements.
- 1.2. Since its introduction in April 2017 the EYNFF (Early Years National Funding Formula) has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for 3 and 4 YO. There is a separate established formula that sets hourly funding rates for 2 YO.
Key points for 2020/21 - Local Authorities are required to;
 - Set a single funding rate (including the same base rate and supplements) for both entitlements for 3 and 4 YO
 - Must pass at least 95% of funding received to providers
 - Must use a universal base rate for all types of providers including maintained nursery schools

- Must use a deprivation supplement in their local 3 and 4 YO formula
- Must not channel more than 10% of funding to providers as supplements
- Must provide an SEN Inclusion Fund for 3 and 4 YO
- Compliance will be monitored through the S251 Budget and Outturn reporting process

1.3. Summary explanations including funding rates applicable in 2020/21

- Universal entitlement for 3 & 4 YO – 15 hours free childcare for all 3 and 4 YO available from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding will be received by LBHF at £8.00 per hour. (2019/20 £7.92)
- Additional entitlement working parents 3&4 YO – additional 15 hours free childcare for eligible 3 and 4 YO from the term after their 3rd birthday for a maximum of 38 weeks. Parents are required to obtain a 30-hour code. Funding is received by LBHF at £8.00 per hour (2019/20 £7.92)
- Disadvantaged 2 YO – 15 hours free childcare for eligible 2 YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £6.58 per hour (£6.50 in 2019/20) and in 2019/20 this was passed on at the same rate to providers. The rate to be paid in 2010/21 will need to be agreed by Schools Forum. There are some CP/CIN 2YO who are entitled to this funding and this is passed to providers in the normal way.
- Early Years (EY) Pupil Premium – additional funding for disadvantaged 3 and 4 YO paid as a top up of £0.53p per hour up to a maximum of £302.10 per year. Eligibility relates to benefits received by the family and must be confirmed by the provider and recorded on the termly head count.
- Disability Access Fund – additional per pupil funding for those receiving DLA to access the 3 and 4 YO offer. This is currently £615 per eligible pupil per annum.
- Maintained Nursery School Supplementary Funding – additional funding for maintained nurseries to reflect the higher running costs of a nursery outside a primary school setting. This has been calculated by the ESFA based on 2016/17 baseline data provided by the Local Authority (LA)/LBHF and is estimated to be £820k in 2020/21. This is also based on headcount data from the January census

1.4. Table 1 below shows the provisional Early Years allocations for the 2020/21 Financial Year. DFE funding for EY is based on Spring term headcount i.e. January. The initial allocation uses the January 2019 headcount. This will be

revised in July 2020 to take account of the January 2020 census and again in July 2021 to take account of the January 2021 census.

Table 1: Breakdown of Provisional Early Years Funding Allocations 2020/21

Element	Amount £m
3 and 4 YO universal offer	11.939
3 and 4 YO extended offer	1.922
Sub-total 3 and 4 Year Old Offer	13.861
2 YO Disadvantaged offer	1.145
EY Pupil Premium	0.106
Disability Access Fund	0.037
MNS supplementary funding	0.820
TOTAL	15.969

2. 3 & 4 YO Offer 2020/21 DRAFT budget model

2.1. The 2020/21 draft budget model is based on the initial allocation detailed above and summarised below for the first two elements of funding in table 1 (Universal 15 hours childcare and targeted additional 15 hours extended hours Childcare for 3 and 4 YO). This model assumes the same base rate and deprivation rates paid in 2019/20.

Table 2: DRAFT 2020/21 Early Years Budget – 3 & 4 YO Universal and Extended Offer

	20/21 Budget	19/20 Budget	Variance
	£000	£000	£000
Participation based on estimated hours - base rate	10,742	10,432	310

Participation based on estimated hours - deprivation	1,224	1,076	148
Central services expenditure - 5% maximum allowed	693	666	27
SEN Inclusion Fund	300	300	0
Child Protection and Child in Need provision	600	600	0
Contingency	302	252	50
TOTAL SPEND	13,861	13,326	535
DSG EY funding	-13,861	-13,326	-535
NET POSITION	nil	nil	nil

2.2. The breakdown of the hourly funding rate of £8.00 is shown in the table 3 below.

Table 3: Factors and Hourly Rates Applied (see paragraph 3.1 for full detail)

Factors	Rate per hour £	Rate per hour %
A. Basic hourly rate per child	£6.20	77.5%
B. Deprivation hourly rate (average)	£0.71	8.7%
C. SEN Inclusion Fund	£0.17	2.2%
D. Child Protection and Child in Need	£0.34	4.5%
E. Contingency	£0.18	1.3%
F. Central Support Expenditure	£0.40	5.0%
Total	£8.00	100.0%

3. Key Elements of the DRAFT Budget Model 2020/21

- 3.1. All providers, both schools, private & voluntary nursery providers and childminders to be funded according to the DFE regulations through a universal base rate and a supplement for deprivation based on IDACI bandings for individual children. Deprivation is a mandatory supplement. The value of supplements must not exceed 10% of the total amount of the payments made.
- 3.2. Factor A - Universal base rate. The base rate used is £6.20 per hour which is the same as 2019/20 (£6.10 in 2018/19.)
- 3.3. Factor B – Deprivation. The deprivation supplement was reduced in 2019/20 to ensure this element keeps within the 10% limit set by the grant regulations an also to ensure that the overall budget fits the funding envelop for 2020/21. Current deprivation rates paid are shown in Appendix 1 of this report.

- 3.4. Factor C - SEN Inclusion Fund. All providers at some stage may require additional funding to help them support the needs of individual children with lower level or emerging SEN in their settings.

The Early Years Inclusion Fund is to support 2, 3 & 4 year olds who get early education funding, and have a low level or emerging SEN. The funding is for use in the setting and is allocated to the provider. *(Note that Early Years Inclusion Funding for two year olds will be from the High Needs Block rather than Early Years Block of the DSG in line with the regulations of grant).*

- 3.5. Factor D – Childcare for Assessed Child Protection and Child in Need (CP/CIN). The model above shows funded childcare for Child Protection and Child in Need (CP/CIN) on a separate line for the first time. Previously CP/CiN was included in the school’s budget allocation.

In 2019/20 a £600k budget was included to support additional childcare for the most vulnerable Children in the borough.

- 3.6. Factor E – contingency funding. This has been increased by £50,000 in 2020/21 draft budget pending the ESFA’s operational guidance due in December 2019.

- 3.7. Factor F - Central services Expenditure. The model assumes a budget for central services of £693k which is the maximum amount allowed (5% of total 3 and 4 YO funding) under regulations. The proposed allocation of the central items is detailed in table 4 below.

4. Details of Provisional Early Years Central Budget

Table 4: Proposed Central Services Budget 2020/21

Item of Central Expenditure	Budget 2020/21 £000s	Budget 2019/20 £000s
i. Early Years Strategy, Advice and Curriculum Support	119	200
ii. Family Support Services	424	466
iii. CP/CIN spot purchases non MNS	70	
iv. Finance Team	80	
Total Central Spend from Early Years DSG	693	666

- 4.1. Note that:

- item ii. in table 4 is provided through the Family Support Services. Commissioning arrangements of Family Support Services for 2020/21 will be reviewed by the Local Authority. Officers will be able to report back on outcomes achieved and value for money for this allocation at a later Schools Forum

- item iii. This provides allowance within the central budget for CP/CiN provision outside of the maintained nursery sector in order to comply with grant funding regulations and per current levels of expenditure.
- Item iv. relates to existing finance expenditure previously met by central services dedicated schools grant. Appropriately funding early years finance functions from the Early Years block of the DSG, a corresponding amount of CSSB can be released.

5. Recommendations and next steps

- 5.1. Detailed budget estimate work with Maintained Nursery Schools for 2020/21 financial/academic year to ensure financial sustainability. Note that this will impact on proposals modelled in sections 3 & 4 of this report.
- 5.2. Updated Operational Guidance from the ESFA for Early Years Block DSG expected December 2019. Note that this will impact on proposals modelled in sections 3 & 4 of this report.
- 5.3. Following receipt of the updated operational guidance in December 2019 and conclusion of steps outlined in paragraph 5.1 and 5.2, a revised budget and proposed hourly rates will be presented to Schools Forum for consideration on 14th January 2020.
- 5.4. Budget consultation to Maintained Nursery Schools, primary schools, PVI providers and childminders in late January 2020 and early February 2020.
- 5.5. Final budget proposals to Schools Forum in March 2020.

Report ends

Appendix 1 – IDACI Sliding Scale of Rates 2019/20 – Proposed Early Years Deprivation Participation Rate

IDACI Bandings used for Deprivation Supplement to universal hourly rate

IDACI banding	Hourly rate 2018/19	Hourly rate 2019/20
1	£1.40	£1.25
2	£1.30	£1.15
3	£1.20	£1.05
4	£1.00	£0.85
5	£0.65	£0.50
6	£0.55	£0.40
7	£0.45	£0.30
8	£0.40	£0.25
9	£0.30	£0.15
10	£0.00	£0.00

DFE Regulations state that the total amount paid as a supplement to the universal hourly rate must not exceed 10% of the total payable.

In the current model this equates to £1.2m of the £13.9m budget.

Based on historic data the hourly rates payable equate to an average of £0.69p per hour. Changes to the level of deprivation in the borough would require further modelling to ensure that the 10% maximum still applied. It may be necessary at some point in the future to scale back the hourly rates for deprivation should overall deprivation attributable to the 3 and 4 YO attending settings within the borough increase significantly.