


Agenda Item 2

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 16th June 2020
EARLY YEARS FUNDING	
Open	
Wards Affected: (All Wards); All	
Accountable Director: Jacqui Mc Shannon, Director of Children's Services	
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Purpose of the report This report updates forum on the 2020-21 Early Years Block funding numbers and gives details of the current issues and spend for the Summer term.	

1. Early Years Funding 2020-21

- 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. 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 a 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 are set out below:

- 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 for 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.
- 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 and is estimated to be £820,000 in 2020/21. This is also based on headcount data from the January census. ESFA have confirmed the continuation of the supplement for the whole of the 2020/21 financial year.

1.4. Table 1 below shows the Initial Early Years allocations for the 2020/21 financial year based on the January 2019 census. This will be revised in July 2020 to take account of the January 2020 census. There will be a further revision in July 2021 to take account of the January 2021 census. The final allocation is calculated by using of 5/12 of the January 2020 numbers and 7/12 of the January 2021 numbers.

- 1.5. There is a budget risk in relation to the allocations identified in Table 1. Should the January 2021 census return fewer hours eligible for government funding, the budget would reduce accordingly.

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

Element	Amount £m (Jan 2019)
3 and 4 YO universal offer	11.939
3 and 4 YO extended offer	1.922
Sub-total 3 and 4 YO Offer	13.861
2 YO Disadvantaged offer	1.145
EY Pupil Premium	0.106
Disability Access Fund	0.047
MNS supplementary funding	0.820
TOTAL	15.979

Preliminary calculations using the January 2020 census numbers submitted to the ESFA indicate a small increase in funding due for the Summer term as a result of continuing increased up take of the 30 hour extended offer.

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

- 2.1. The 2020/21 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: 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
Provision for Vulnerable & Additional Needs Children	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. Vulnerable & Additional Needs	£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 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 and 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).*

The currently budgeted level of the fund is £300,000 and this will be reviewed in light of estimated levels of take up.

- 3.5. Factor D – Provision for Vulnerable & Additional Needs children. The model above shows funded childcare for vulnerable children & children with additional needs as a separate line; this includes funding for additional hours above entitlement and other costs associated with the provision. This is at the same level as the funding set aside in 2019/20 to support these children.
- 3.6. Factor E – contingency funding. This has been increased by £50,000 in the 2020/21 draft budget. The contingency has been set at this level pending the results of the SEN Inclusion Fund policy consultation and associated funding requirements to ensure some additional resources are available to enable some flexibility. The majority of the £0.08 per hour additional funding is held in contingency pending this work.
- 3.7. Factor F - Central Services Expenditure. The model assumes a budget for central services of £693,000 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 Early Years Central Budget

Table 4: Proposed Central Services Budget 2020/21

Item of Central Expenditure		Budget 2020/21 £000s
i.	Early Years Strategy, Advice and Curriculum Support	119
ii.	Family Support Services – Early Help	209
iii.	Family Support Services – Children’s Centres	215
iv.	Vulnerable & Additional Needs – spot purchases non Maintained Nursery Schools	70
v.	Finance Team – Early Years support	80
Total Central Spend from Early Years DSG		693

4.1. Note that:

- items ii and iii 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 iv provides allowance within the central budget for Vulnerable & Additional Needs provision outside of the maintained nursery sector in order to comply with grant funding regulations and per current levels of expenditure.

- item v. relates to existing finance team expenditure previously met by Central Services Block dedicated schools grant. In appropriately funding early years finance functions from the Early Years block of the DSG, a corresponding amount of CSSB can be released.

5. In year update

- 5.1. The 2019-20 provisional outturn on the DSG Early Years block reported in the Council's accounts is an in-year surplus of £293,000. This is offset by the brought forward deficit of £206,000 and the ESFA in-year clawback of £21,000 leaving a carry forward surplus of £66,000 into 2020/21. This is provisional until ESFA announces the final allocation for 2019/20 in July 2020. The numbers submitted for the January 2020 Early Years census indicate that further funding will be due to add to the calculated surplus.
- 5.2. Spring term adjustments for Early Years entitlements (Actual less estimate) for schools (maintained and academies) were calculated before the end of March 2020 and have been paid/recovered in full.
- 5.3. Spring term adjustments for PVI's and Childminders were calculated later at the beginning of April due to issues with the IT system used to collect the required data. In light of the current Covid-19 pandemic situation, with the majority of settings closed from the end of March it was agreed to pay providers any additional funding due but to delay any clawbacks for the present. The value of clawbacks accounted for in 2019/20 but not yet collected is a total of £152,000:
- 2 year old offer £31,000
 - 3 and 4 year old offer £121,000
- Any decision not to collect these overpayments of funding will reduce the amount of funding available to the whole Early Years sector in 2020/21.
- 5.4. Spring term adjustments have been made to maintained and academy primary and nursery schools in full.
- 5.5. Summer term estimate payments of £4.4m have been made to all current Early Years providers for both the 2 year old offer and the 3 and 4 year old offer. These payments were made either on the basis of estimates submitted by providers or the Spring Actual plus 20% where estimates from providers were not available.
- 5.6. Summer term estimates have been paid to maintained and academy primary and nursery schools based on Spring term actuals.
- 5.7. As previously explained, funding for the Summer term is based on the January 2020 census and the ESFA will announce a revised 2020/21 funding allocation in July.

Report ends

Appendix 1 – IDACI Sliding Scale of Rates 2020/21 –Early Years Deprivation Participation Rate

IDACI Bandings used for Deprivation Supplement to universal hourly rate

IDACI banding	Hourly rate 2018/19	Hourly rate 2020/21
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.