

	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">SCHOOLS FORUM</p> <p align="center">Tuesday, 12th January 2021</p>
<p align="center">EARLY YEARS FUNDING 2021/22</p>	
<p>Open</p>	
<p>Wards Affected: (All Wards); All</p>	
<p>Accountable Director: Jacqui Mc Shannon, Director of Children's Services</p>	
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Purpose of the report

This report updates forum on the Initial Allocation of Early Years Block funding for 2021/22 based on January 2020 census numbers 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 (YO) offer and the steps required to set the 2021/22 Early Years budget.

This report also outlines the additional funding received in 2020/21 as a result of the July 2020 grant funding adjustment notified by the Education and Skills Funding Agency following January 2020 census positively impacting both the 2019/20 and 2020/21 financial years.

1. Early Years Budget 2020-21

- 1.1. There are some outstanding decisions that need to be made regarding the 2020-21 budget. These relate to:
 - (i) An additional allocation of funding that has arisen from more funded hours being taken up than predicted in 2019/20 financial year
 - (ii) An allowance made for contingency funding that was held back whilst decisions were made about spending and until the impact of the move to the National Funding Formula was better understood across all early years providers.
- 1.2. In the current year the DFE has provided updated guidance for Early Years funding during the Covid-19 pandemic. This guidance allowed flexibility for the Summer Term in order to have enough provision for vulnerable and key worker children. It also allowed for funding to be allocated on estimated pre

Covid-19 hours. In July, the DFE also confirmed that the Autumn term funding for 2020/21 will be based on January 2020 census numbers rather than January 2021 census numbers. This allows for certainty in the sector.

- 1.3. The DFE has now confirmed the intention to use January 2021 census data as the basis for the 2021 Spring Term funding allocation. They recognise that take up of places is not back to normal levels so there will be an opportunity to submit additional pupil numbers for children taking up a place after the head count date where overall take up for early years entitlements is less than 85% of the January 2020 position. In order to maximise funding for spring Term 2021 it is essential that the relevant data is collected and submitted if applicable.

Table 1: Revised 2020/21 Early Years Budget – 3 & 4 YO Universal and Extended Offer

	20/21 Budget Original	20/21 Budget Revised	Change in year
	£000	£000	£000
Participation based on estimated hours – base rate	10,742	11,431	689
Participation based on estimated hours – deprivation.	1,224	1,302	78
Central services expenditure – 5% maximum allowed	693	737	44
SEN Inclusion Fund	300	300	0
Provision for Vulnerable & Additional Needs Children	600	600	0
Contingency	302	379	77
TOTAL SPEND	13,861	14,749	888
DSG EY funding	-13,861	-14,749	-888
NET POSITION	nil	nil	nil

- 1.4. Taking these in order, the additional 2019/20 allocation amounts to £412,300. It is recommended that 5% (£20,600) of this is allocated to a fund for training provision for early years providers as allowed under the Early Years Funding Guidance. As part of this, the borough will organise training for all providers in how to identify and support children with autism as well as offering other relevant training courses. There has not been any training provided for some time so it is thought that this is much needed and will be well received.
- 1.5. It is also recommended that £90,000 is used to set up a one-off project to provide catch-up support for children impacted by the Covid-19 pandemic. This will be commissioned in accordance with the Early Years Funding Guidance.
- 1.6. The remaining amount of £301,700 will be added to the contingency pot outlined below.

- 1.7. The contingency budget remaining for the 2020/21 financial year is £246,000. Taking this together with the £301,700 outlined above, this gives us an unallocated sum of £547,700. It is our recommendation that this sum is allocated to settings as a one-off uplift payment during the Spring Term 2021. This will be allocated using a formula based on allocated funded hours for Spring Term 2020.
- 1.8. Settings will be advised that this is to provide additional support during this difficult term when Covid-19 restrictions remain in place. We anticipate that take-up will increase in the summer term and this funding will act as a bridge helping settings to remain viable during this period. Our Provider Survey has just closed and this shows that whilst most settings feel confident that they will remain open in the long-term, almost half are at 75% or less capacity currently with 25% having 50% or less.
- 1.9. The funding available will allow for a Spring supplementary rate of £0.90 per hour based on Spring 2020 actual activity of 608,900 hours across all early Years providers.

2. Early Years Funding 2021-22 Initial Allocation

- 2.1. 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.
- 2.2. 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 2021/22 are that 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
 - Monitored compliance through the S251 Budget and Outturn reporting process
- 2.3. Summary explanations including funding rates applicable in 2021/22 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 £8.06 per hour (2020/21 £8.00).
- 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 £8.06 per hour (2020/21 £8.00).
- 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 £6.66 per hour (£6.58 in 2020/21) and in 2020/21 this was passed on at the same rate to providers. The rate to be paid in 2021/22 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 £850,104 in 2021/22. This is also based on headcount data from the January census. ESFA have made a separate statement concerning the continuation of this supplement which is reproduced below:

“For 2021 to 2022, part of the supplementary funding allocations are published as indicative, and part as conditional. The allocations for April 2021 to August 2021 are indicative and will be updated on the same basis as the universal entitlements (more information on funding arrangements in this period will follow). That is the only adjustment that will be made to those figures. However, the maintained nursery school supplementary funding allocations for September 2021 to March 2022 are conditional: they may be subject to change and local authorities should therefore treat them as unconfirmed.”

The funding allocated for April 2021 to August 2021 is £354,210 and will be subject to adjustment based on the Spring 2021 census. This means that the balance of the 2021/22 allocation £495,894 is not

confirmed. This will directly affect the funding of the 4 maintained nurseries.

- 2.4. Table 2 below shows the Initial Early Years allocations for the 2021/22 Financial Year. DFE funding for Early Years is based on the Spring term headcount i.e. January. The initial allocation uses the January 2020 headcount. This will be revised in July 2021 to take account of the January 2021 census and again in July 2022 to take account of the January 2022 census.

Table 2: Breakdown of Initial Early Years Funding Allocations 2021/22

Element	Amount £m
3- and 4-YO universal offer	12.109
3- and 4-YO extended offer	2.751
Sub-total 3- and 4-Year Old Offer	14.860
2-YO Disadvantaged offer	1.161
EY Pupil Premium	0.089
Disability Access Fund	0.048
MNS supplementary funding	0.850
TOTAL	17.008

3. 3- & 4-YO Offer 2021/22 DRAFT budget model

- 3.1. The 2021/22 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 2020/21.

Table 3: 2021/22 Early Years Budget – 3- & 4-YO Universal and Extended Offer

	20/21 Budget Revised	21/22 Budget	Change year on year

	£000	£000	£000
Participation based on estimated hours - base rate	11,431	11,542	111
Participation based on estimated hours – deprivation.	1,302	1,302	0
Central services expenditure - 5% maximum allowed	737	743	6
SEN Inclusion Fund	300	500	200
Provision for Vulnerable & Additional Needs Children	600	550	-50
Best Practice, Training and Network Building	0	150	150
Contingency	379	73	-306
TOTAL SPEND	14,749	14,860	111
DSG EY funding	-14,749	-14,860	-111
NET POSITION	nil	nil	nil

3.2. The breakdown of the hourly funding rate of £8.06 is shown in the table 4 below.

Table 4: 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	£6.26	77.7%
B. Deprivation hourly rate (average)	£0.71	8.8%
C. SEN Inclusion Fund	£0.27	3.3%
D. Vulnerable & Additional Needs	£0.30	3.7%
E. Contingency	£0.04	0.5%
F. Central Support Expenditure	£0.40	5.0%
G. Best Practice Training and Networks	£0.08	1.0%
Total	£8.06	100.0%

4. Key Elements of the Proposed Budget Model 2021/22

- 4.1. 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.
- 4.2. Factor A - Universal base rate. The base rate used is £6.26 per hour which is an increase of £0.06 per hour versus 2020/21 (£6.20). The rate has been increased by the additional £0.06p reflected in the 2021/22 hourly rate to be paid by the DFE.

- 4.3. Factor B – Deprivation. The deprivation supplement must remain within the 10% limit set by the grant regulations. Current deprivation rates paid are shown in Appendix 1 of this report.
- 4.4. 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 has been set up 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 funding allocated from the 3- and 4-year old allocation was £300,000 in 2020/21 financial year. This is proposed to increase to £500,000 in 2021/22 financial year.

- 4.5. Factor D – Provision for Vulnerable & Additional Needs children (Previously referred to as EY CP/CiN). 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 2020/21 to support these children. This element has been reduced by £50,000 in 2021/22 to reflect actual spend in 2020/21 and the significant increase in SEN Inclusion.
- 4.6. Factor E – contingency funding. This has been reduced to £73,000 in the 2021/22 draft budget. A small contingency has been retained to deal with risk in the funding environment going forwards.
- 4.7. Factor F - Central Services Expenditure. The model assumes a budget for central services of £743,000 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 5 below.
- 4.8. Factor G - Best Practice Training and Networks. This has been introduced at £150,000 in order to set aside funding to commission Maintained Nursery Schools to provide training, network building and best practice support for the wider early years sector. The aim is to build capability in the sector and provide additional training and support.

5. Details of Proposed Early Years Central Budget

Table 5: Proposed Central Services Budget 2021/22

Item of Central Expenditure	Budget 2020/21 Revised	Budget 2021/22	Change year on year
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		£000s	£000s	£000s
i.	Early Years Strategy and oversight, Business Support, SEN Support, Advice and Curriculum Support Support to drive take-up of funded hours	400	391	-9
ii.	Children's Centres outreach, early identification and family support	187	187	0
iii.	Vulnerable & Additional Needs spot purchases non maintained nursery schools	70	70	0
iv.	Finance Team	80	86	6
v.	Business Intelligence for the termly census, EY Census and EYFS Assessments	0	9	9
Total Central Spend from Early Years DSG		737	743	6

5.1. Note that: all the figures for 2021/22 are subject to further discussion. Changes in the arrangements for early years funding officer and development officer mean that funding allocated to family support services is now required within the local authority:

- item iii. 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.

6. Recommendations and next steps

- 6.1. Schools Forum to agree draft 2021/22 Early Year budget including an increase to the base rate from £6.20 to £6.26 and proposed hourly rates for deprivation detailed in Appendix 1 subject to consultation. Detailed work will be done with the Maintained Nursery Schools to set up Service Level Agreements in order to commission work to provide training, build networks and disseminate best practice to the early years sector. This will also include work to ensure their ongoing financial sustainability.
- 6.2. The uncertainty of the numbers in January 2021 means that there is a potential to overspend in 2020/21 and this would need to be met from the 2020/21 allocation, contingency budget or carried forward to 2021/22 as a deficit.
- 6.3. Proposed timescale for Budget Consultation to Maintained Nursery Schools, Primary Schools with Nurseries, PVI providers and Childminders and the approval of final budget for Early Years Block is set out in table 6.

Table 6: Budget consultation timescales

Date	Description
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Week beginning 18 th January 2021	Circulation of consultation
Friday 5 th February 2021	Final date for responses
Tuesday 2 nd March 2021	Schools Forum papers issued
Tuesday 9 th March 2021	Schools Forum
By 31 st March 2021	Providers notified of approved budget

Report ends

Appendix 1 – IDACI Sliding Scale of Rates 2021/22 –Early Years Deprivation Participation Rate Proposed

IDACI Bandings used for Deprivation Supplement to universal hourly rate

IDACI banding	Hourly rate 2021/22 proposed	Hourly rate 2020/21
1	£1.30	£1.25
2	£1.20	£1.15
3	£1.10	£1.05
4	£1.00	£0.85
5	£0.90	£0.50
6	£0.70	£0.40
7	£0.50	£0.30
8	£0.30	£0.25
9	£0.10	£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.

The IDACI bands used as this measure of deprivation have been updated. The hourly rates set for 2020/21 were based on 2015 IDACI data. 2019 IDACI data is now in use and this requires a change to the hourly rates to ensure that the total of the 10% of funding allowed is allocated to Early Years providers across the borough. A review of the latest census data indicates a downward shift between bands and the proposed rates have been set accordingly. The rates will be reviewed in year to ensure sufficient funding is being allocated to providers