

BRIEFING	TO:	Schools Forum
	DATE:	15 th January 2021
	LEAD OFFICER:	Aileen Chambers Head of Service – Early Years and Childcare
	TITLE:	Early Education Funding Proposals 2021-22

1. Background

- 1.1 The purpose of this report is to detail the statutory guidance in place for the allocation of early education funding; the current position and proposals for the 2021/22 allocation.
- 1.2 Following the outcome of the Department for Education's (DfE) Early Years national funding formula consultation in 2016 a national single funding formula was introduced by the DfE in 2017/18 for the allocation of the Dedicated Schools Grant Early Years Block early education funding to all schools and providers. Local Authorities (LAs) are required to allocate the funding to early education providers based on a local funding formula made up of a single base rate and a mandatory deprivation supplement (for 3/4 year old early education). LAs can retain 5% of the 3 / 4 year old early years funding allocation to fund central services.
- 1.3 Local authorities are required to consult providers on annual changes to their local formula. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February, although the final decision rests with the local authority.
- 1.4 The Early Years Block funding for 2021/22 will be allocated initially as an 'indicative' allocation in December 2020. The usual process is for the ESFA to allocate an indicative funding allocation based on the previous January Census data with two further adjustments - one during the year (July) based on the January 2021 Census data and further adjusted in July 2022 based on 5/12ths of January 2021 Census and 7/12ths of January 2022 Census. The process was amended for the 2020/21 budget due to Covid.
- 1.5 The rate that the Local Authority receives from the DfE will increase in 2021/22 from £4.38 per hour to £4.44 for 3 / 4 year olds and from £5.28 per hour to £5.36 for 2 year olds. Prior to an increase in 2020/21, the funding rate had remained static for 3 years.
- 1.6 The current local formula, as detailed below, was consulted on prior to introduction in 2017/18 and the deprivation supplement was reviewed again in January 2018.
- 3 / 4 year olds & 30 Hour Budgets:**
- 5% Centrally Retained to contribute to Early Years and Childcare Service running costs
 - 2% Deprivation Supplement
 - 93% Early Education Base Rate

The deprivation supplement is allocated as follows:

- High deprivation – providers with an average Index of Multiple Deprivation score (based on postcode of children accessing) in top 10% deprivation level
- Medium deprivation - providers with an average Index of Multiple Deprivation score (based on postcode of children accessing) in between the top 11 – 30% deprivation levels

The deprivation supplement is allocated as an addition to the hourly rate. The deprivation supplements in 2020/21 were 15p / hour (High) and 10p / hour (Medium).

Two year old Budget:

- 100% passported to providers

1.7

2020/21 Budget Projections

The Early Years block typically generates a reserve due to the way in which the funding is calculated and distributed. The reserve amount has been used since 2018/19 to fund the Inclusion Support Grant and prior to Covid, it was projected that the EY Block would generate a reserve in 2020/21.

This year the DfE amended the funding allocation and distribution requirements due to the pandemic. The annual funding will be based on 9/12^{ths} of January 2020 census and 3/12ths of January 2021 census. Local authorities were also required to fund all early education providers in the Autumn term 2020 at Autumn 2019 take-up levels as a minimum. This requirement has had a significant impact on the overall budget. Due to changes in take-up patterns, whilst a number of providers received top-up funding to last year's levels, a significant number of providers had higher take-up levels than last year and received an increased level of funding. This resulted in an increased cost of delivery for Autumn 2020 and it is projected that there will be no contribution to reserves from the this years funding allocation. Depending on January 21 take-up levels there could be an in-year deficit budget of £50/£100k. This could be offset by utilising the reserve detailed below. The DfE have confirmed that funding should be distributed to providers in January 2021 at actual take up levels.

The Disability Access Fund (DAF) had a reserve of £67k carried forward from 2019/20 into 2020/2, which is anticipated to increase in 2020/21 to £98k (see details below).

The Early Years block (excluding DAF) has a reserve of £705k carried forward from 2019/20 into 2020/21 it is anticipated that this reserve will reduce to £360k in 2020/21.

1.8

Disability Access Fund: the DfE introduced a Disability Access Fund (DAF) in 2017/18. The funding is to be passported to childcare / early education providers for the purpose of aiding access to early years places. The funding allocated to each LA is calculated on the number of children in the area claiming Disability Living Allowance. Providers are responsible for claiming the funding from the LA. Funding is awarded to providers in a lump sum of £615 per year for each eligible 3 / 4 year old. Nationally the take-up of this funding by childcare providers is low leaving LA's with budget surpluses. The DfE have not clawed back underspend in this budget but have advised that LA's are expected to:

spend any additional funding over and above DAF actually paid out on services in line with the principles and aims of DAF

1.9

A decision was approved in 2018/19 that previous surplus funding could be used to provide a DAF award for eligible 2 year olds as well as delivery of training

Inclusion Support Grant: Statutory guidance required each local authority to have an Inclusion Support grant (ISG) to support providers to secure better outcomes for children with lower level or emerging SEN. In Rotherham children with more complex needs are also funded through the ISG. A budget was allocated for the ISG in Rotherham from the High Needs block until 2018/19 and since then from Early Years block reserves.

A review of Rotherham’s inclusion support grant was carried out in 2019 with the outcomes presented to DLT in December 2019 to inform the funding approval for 2020/21. It was acknowledged that the £410k spend was value for money and the review evidenced that usage of the grant contributed to positive outcomes for children with SEND.

Changes to the Early Years Foundation Stage assessment requirements which come into force in September 2021 will affect the criteria currently used to assess needs and award the grant. The new requirements are being trialled by Early Adopter schools currently and work is underway to determine the most appropriate measure to replace the current criteria.

2. Proposals

2.1 It is proposed to retain the current local funding formula in 2021/22 as follows:

Retention for Central Spend	5% of 3 / 4 year old and 30 hour budgets
3 / 4 year old hourly rate	£4.14 plus deprivation supplement if eligible (increase of 6p per hour)
3 / 4 year old Deprivation Supplements	Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as an additional hourly rate as detailed above, maintaining the 10p / 15p supplement
2 year old hourly rate	£5.36 (increase of 8p per hour)
Nursery Stability Funding*	Lump sum to be passported to 3 nursery schools as required by guidance.

*The Department for Education has confirmed the maintained nursery school supplementary funding allocations for April – August 2021 but highlighted that September 2021 to March 2022 allocations are conditional and they may be subject to change. Confirmation has been received that the government’s commitment to the long-term funding of maintained nursery schools is unchanged and that further information will be available in early 2021

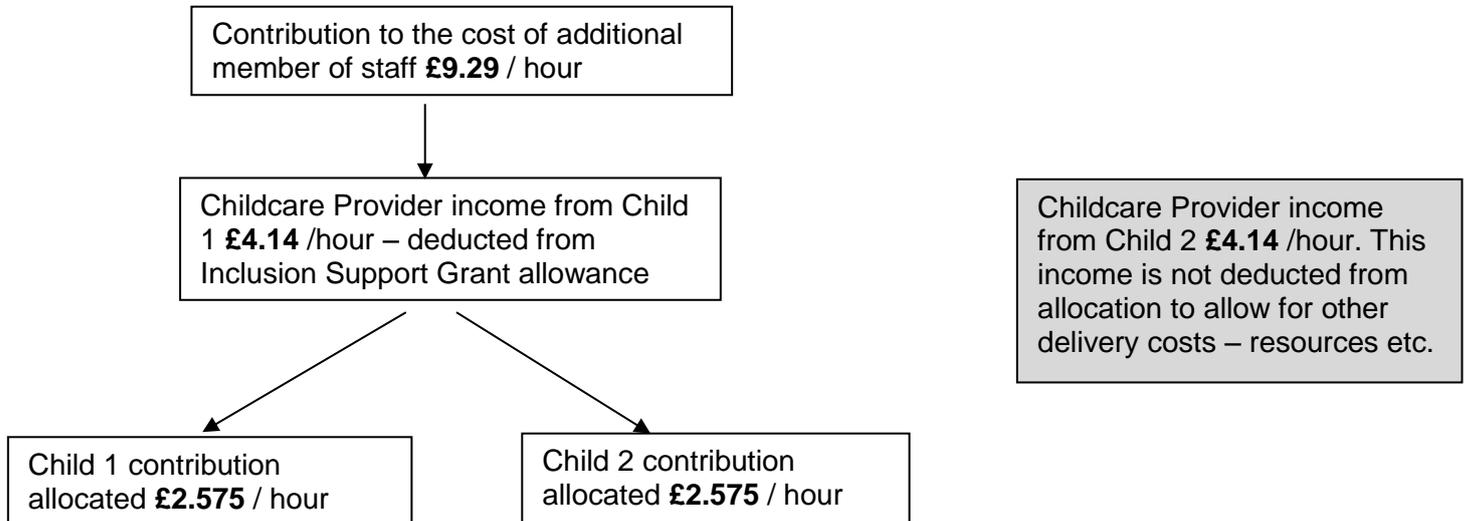
2.2 The 2021/22 increases in hourly rate for early education providers will only be the second increase they have received in 4 years. This increase is essential for ongoing sustainability as the cost of delivery has increased significantly over the last four years with increases in minimum wage, business rates and running costs. In addition, the increases in delivery costs and reduced take-up due to Covid have had a significant impact on sustainability of the childcare sector.

2.3 **Disability Access Fund:** There is an anticipated DAF reserve of £98k by the end of

	<p>this year. It is proposed to cease the 2 year old DAF award and allocate the surplus to the Inclusion Support Grant budget in 2021/22.</p>
2.4	<p>Inclusion Support Grant: It is proposed to maintain the current Inclusion Support Grant formula 2021/22 (see Appendix 1 for details). The Inclusion support grant currently tops up the hourly rate paid to £9.23. Due to planned increase in the early education funding hourly rate from April 2021, it is proposed that from April 2021 the inclusion support grant tops up the hourly rate paid to £9.29 per hour. This is an increase of 6p/hour; the hourly rate for two year olds is being increased by 8p / hour therefore Inclusion Support contributions for two year olds will reduce by 2p/hour to maintain the same top up rate across both age ranges. The budget is needs led but is anticipated that spend will remain consistent at £410k.</p>
2.5	<p>Should there be a shortfall of carry forward funding / in year EY Block to cover ISG spend it is proposed to carry deficit forward to EY Block in 2022/23.</p>
<p>3. Key Actions and Timelines</p>	
3.1	<p>January 2021: proposals presented to DLT January 2021: proposals presented to Early Education Working Group January 2021: proposals presented to Schools Forum February 2021: 2021/22 funding rates confirmed to early education providers</p>
<p>4. Recommendations</p>	
4.1	<p>It is recommended that schools forum note the content of this report and approve the 5% central retention of the Early Years Block to cover Early Years and Childcare Service delivery costs.</p>

Appendix 1

Inclusion Support Grant Allocation Methodology – 3 / 4 year olds children (Proposed 2021/22 rates)



Inclusion Support Grant Allocation Methodology - 2 year olds children

