

## **Early Years Development Group 19 December 2019**

### **Paper on Early Years Indicative Funding 2020/21**

#### **1. Background**

- 1.1 At the last meeting of the EY development Group, held on 24 October 2019, Kevin McBlain, from Finance, informed the Group that there would likely be an announcement by the DfE on Early Years funding for 2020/21 sometime around early December, in line with previous years. However, the DfE made an earlier announcement, on 31 October 2019, of an increase to the Hourly rates payable to Local Authorities for the 2-Year-old Offer, and the 3-4-Year-old universal and additional hours of childcare next year. This is part of an extra £66m funding nationally being put into Early Years in 2020/21.
- 1.2 Sefton will receive a Base funding rate increase from £5.22 p hour to £5.30 p hr for 2-Year-Old provision; and for 3-4-Year-old provision, an increase from £4.30 p hr to £4.38 p hr. This is an increase of £0.08p p hr for each age group (See table below). Note that these rates and the details shown below, exclude other specific funding awarded separately, for Early Years Pupil Premium; Disability Access Funding; and the Maintained Nursery Schools transitional protection funding. These three, separately identified funding elements, will continue to be funded in 2020/21, including the Maintained Nursery protection, which has now been extended to 31.3.21.

<b><u>EY FORMULA BASE FUNDING RATES PAYABLE TO SEFTON</u></b>	<b><u>2 YO Offer</u></b>	<b><u>3-4YO Entitlement</u></b>
Rates of funding 2017/18 to 2019/20	£5.22 P hr	£4.30 P hr
Indicative Rates of funding 2020/21	£5.30 P hr	£4.38 P hr
Increase to funding Per Hour	£0.08 P hr	£0.08 P hr
% Increase	+1.53%	+1.86%
TOTAL INDICATIVE EY FUNDING INCREASE based on Jan 2019 Headcount and Hours	+£36K	+£257K

#### **2. Funding proposals for Early Years 2020/21**

- 2.1 The Local Authority would wish to pass on the whole of this funding increase to Providers in 2020/21 through the Base Hourly Rates payable for childcare. It is further proposed, that an element of the Early Years contingency budget should be taken from the 3-4-Year-Old funding, to enable an hourly Base rate increase of £0.10p per hour to be applied to the

Basic Rate for the 3-4 Year Old provision, taking it to £4.10 p hr; and that a transfer of £0.02 p hr from the 2 Year Old central support/training budget be made, to similarly increase the Basic Hourly rate by £0.10 p hr to £5.00 p hr from April 2020.

- 2.2 Members of Schools Forum were made aware, in early November, that the Local Authority intend to take £200k from the Early Years Block funding in 2020/21, towards High Needs budget pressures, similar to 2018/19 and 2019/20. This funding is added into the Early Years Inclusion budgets within High Needs and is spent across the Early Years providers to support children with SEND in Early Years settings; and top-up funding for SEN nursery children, and so, in essence, recirculates back to Early Years provision. This contribution does not impact on the base hourly rates paid to providers above and is met out of the Early Years contingency budget, which was originally set aside for training and other EY issues.
- 2.3 An appendix is provided (attached) to show the existing 2019/20 allocations and proposed allocation of Early Years funding for 2020/21. This is broken down and analysed for information and discussion. The proposal is expected to go to Schools Forum on 13 January, along with the Schools and High Needs funding budgets, for formal approval.
- 2.4 In the appendix, Members will note, that there are two contingency funding elements within the 3-4-Year-old provision totalling £202k in 2019/20 and £138k in 2020/21. One of these was set aside, originally, as a prudent measure to be used towards unforeseen costs across the sector, and towards Provider training needs, and also, towards the cost of financial checks and audits of Providers, to ensure correct application of public funding (£27k); and to meet the costs of Capita and Egress licences associated with Early Years provision (£25k pa). The other contingency element is an amount of c. £56k funding, formerly held within the Council's core (Schools and Families) budgets, and used for supporting vulnerable families with children in need, who would benefit from some wrap-around early years childcare, subject to an eligibility criterion. This funding has not been applied in recent years, but the EY development group may wish to recommend its future application, based on similar criteria, or just to agree to subsume it into the general contingency funding for the sector.
- 2.5 In addition to these, a contribution of £200k has been made from EY funding towards High Needs budget pressures over the last two years and continuing into 2020/21. This funding has been taken out of, what the DfE referred to, as transitional formula protection funding, which funding was meant to be reducing annually, but has remained. This was never allocated to Providers on the basis of it tapering out.
- 2.6 Given the proposal to take some element of the contingency funding towards increasing the Hourly rate in 2020/21 by a further £0.02 p p hr, the balance next year would be around £138k including the former wrap-around support grant mentioned above. Taking the above costs into account including the audit of Providers and Capita costs (£52k), the balance available for use would be around c.£86k. Should the Group suggest the revised

application of the £56k towards supporting wrap-around childcare for vulnerable families, the amount available for use on training initiatives across Early Years etc would reduce to around £30k.

- 2.7 Notwithstanding, there are also Early Years Centrally Retained DSG balances brought forward from 2018/19 and ongoing, for use on Early Years issues and this may be a further source of available one-off funding in the year.

### **3. Recommendations**

- 3.1 The Early Years Development Group are asked to discuss the LA proposal to increase the Base Hourly Funding Rate paid to all providers for the 2-Year-Old Offer and the 3-4-Year-Old funding by £0.10p p hr from 1 April 2020, and to note that Deprivation funding will continue to be paid on the current scale, ranging from £0.05p p hr to £0.15 p p hr.
- 3.2 To agree to the LA proposal to recommend to Schools Forum, an increase to the base hourly rate for all Early Years providers by £0.10p p hr from 1 April 2020, and to consider any proposals for potential areas of spending which may affect all Providers e.g Training and support etc out of the available Early Years contingency budget in 2020/21, as referred to above, and including use of the Early Years inclusion funding towards wrap around care for vulnerable families.
- 3.3 To note the DfE's announcement as regards the ongoing transitional protection funding for Maintained Nursery Schools being extended to March 2021 (funding level yet to be determined by the DfE); and to note the ongoing availability of funding for the Early Years Pupil Premium Grant and Disability Access Funding for those parents/children eligible in 2020/21, paid at the same rates as 2019/20.
- 3.4 To note the intention of the Local Authority to transfer £200k Early Years funding to High Needs in 2020/21. This allocation would be reviewed for 2021/22, subject to a review of High Needs spending processes.