



## Schools Forum 26 February 2020

### Report from the Strategic Director of Children and Young People

## Early Years National Funding Formula – 2020/21

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
<b>No. of Appendices:</b>	None.
<b>Background Papers:</b>	Prior Financial reports to Schools Forum.
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Olufunke Adediran, Head of Finance – CYP Dena Aly, Senior Finance Analyst – CYP

### 1. Purpose of the Report

- 1.1. Following the confirmation of the provisional Early Years Block DSG funding for Brent, the local Early Years Funding Formula needs to be set for 2020/21.
- 1.2. There have been increases to the funding rates allocated to Brent for 2-year-old, and 3 and 4-year-old provision. The LA continues to retain 5% of the total allocated to Brent, with 95% allocated to providers.
- 1.3. The base funding rate to providers makes up 90% of allocated funding. The deprivation factor allocates the remaining 10%, based on the IDACI index, which was updated in 2019.

### 2. Recommendation

- 2.1. The Schools Forum is asked to endorse Brent's Early Years Funding Formula for 2020/21.

### 3. Summary

- 3.1. It is recommended that for 2020/21, the following are applied to the Early Years National Funding Formula:
  - a) A universal base rate for Brent providers for 3 and 4 year old funding of £4.53 per hour. This has increased from £4.46 in 2019/20
  - b) An allocation for deprivation for 3 and 4 year funding of 10%
  - c) A base rate for Brent providers for 2 year old funding of £6 per hour.

- d) A cap on centrally retained funding by the local authority to 5%
- e) The funding previously allocated under a disapplication for the 2017/18 academic year for additional 15 hour places for some 3 and 4 year old based on local eligibility continues to be allocated to the Under 5s' Nursery Panel, and both PVI and maintained providers can apply for this, to ensure the funding continues to be targeted at vulnerable children.

#### 4. Funding from central government to the local authority

4.1. The Early Years National Funding Formula hourly rate has increased from £5.37 in 2019-20 to £5.45 in 2020-21. Key figures are:

4.2. **Table 1** EYNFF funding rates

<b>3 and 4 year olds</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Universal 15 hours allocation	£16.4m	£15.5m	£15.0m
Additional 15 hours allocation	£3.14m	£3.42m	£3.78m
Hourly rate before central spend	£5.37	£5.37	£5.45
Maximum percentage for central spend	5%	5%	5%
Hourly rate after central spend removed	£5.10	£5.10	£5.18
Maximum percentage for deprivation	10%	10%	10%
Maintained Nursery Schools Supplementary Funding	£797k	£778k	£725k
<b>2 year olds</b>			
Hourly rate for 15 hours allocation	£5.92	£5.92	£6.00

#### 5. A universal base rate for Brent providers for 3 and 4 year old funding

5.1. After the 5% deduction for central resources, this funding will be distributed to providers as a universal base hourly rate plus the additional allocation for deprivation. The universal base rate to providers has increased from £4.46 in 2019-20 to £4.53 in 2020-21.

- a) Overall hourly rate received from DfE £5.45
- b) Remove central spend (5% of £18.17m) £5.18
- c) Reduce by allocation for deprivation (£5.18 x 90%) £4.66
- d) Allocate to Specialist Nursery Panel (0.13p) £4.53

5.2. Deprivation funding is allocated according to the Income Deprivation Affecting Children Index (IDACI), which allocates scores according to the postcodes of the children at each setting. The published IDACI scores had not been updated since 2015, therefore Early Years providers did not experience large annual changes in their funding rates. However, there was an update to the IDACI in 2019, which means that funding rates for some providers would change significantly in 2020/21 compared to 2019/20. We have therefore built in a protection to the deprivation

funding to ensure no individual provider rate drops by more than 1.5% compared to 2019/20. This protection will last for one year.

## 6. Specialist nursery panel

6.1. This is a multi-agency panel allocating funds for children with SEND or CIN based on eligibility criteria to assist with their successful inclusion in their setting

6.2. A disapplication to the single national funding formula regarding funding for additional 15 hour places for some 3 and 4 year olds based on local eligibility criteria was allowed by the DFE in January 2017 and applied until the summer term of 2018. This equated to 13p from the 3 & 4 year old funding rate. In January 2018, Schools Forum agreed to release this funding (approximately £400k in 2018/19) to this panel for allocation in order to ensure the most vulnerable children receive some additional support. The principle remains that children with the most complex needs will be supported to attend one of the specialist nurseries where appropriate. For 2020/21, the value of this funding is £450k.

### 6.3. Table 2 Specialist Nursery Panel Budget

<b>Proposed income 2020/21</b>	
DSG High Needs Block	£ 1,128,085
Early Years Block	£ 450,115
Disability Access Fund	£ 72,570
<b>Total</b>	<b>£ 1,650,770</b>
<b>Expenditure</b>	
Early Years Inclusion Fund for specialist nurseries	£724,988
CIN for specialist nurseries	£288,000
Inclusion fund for 3 & 4 year olds in non-specialist early years provision	£294,172
Transport	£40,172
Staff member for EY Inclusion team	£56,000
Disability Access Fund	£72,570
CIN/2 year olds in non-specialist early years provision	£94,753
Additional one off funding	£80,115
<b>Total</b>	<b>£ 1,650,770</b>

## 7. Additional resources for maintained nursery schools

7.1. The provisional allocation for maintained nursery school supplementary funding in 2020/21 is £725k, compared to £778k in 2019/20, based on a reduced headcount in January 2019 compared to January 2018.

7.2. This funding is split between the council's four maintained nursery schools on an agreed local formula.

## **8. Centrally retained funding by the local authority**

- 8.1. The DfE mandated that 95% of the early years funding for 3 and 4 years olds is passed through to providers.
- 8.2. The central spend budget is based upon the DfE estimates for the take-up of provision and is then fixed for the year. The actual income received in year is dependent upon the number of 3 and 4 year olds who take up places in Brent and are counted in the January census.
- 8.3. The central spend will support early years services that are provided for and support Brent settings:

**The Early Years Quality Improvement team** – Early Years Quality Improvement provides specialist early years advice and guidance to nursery schools, early years' settings and children's centres to improve the quality of early learning.

**The Early Years Inclusion Support team** - works with early years settings including supporting the inclusion of young children who have a range of special educational needs and disabilities (SEND) that may be affecting their learning and progress

**The Early Years Sufficiency and Funding team** - leads work to secure expanded supply and take-up of good quality early learning and childcare opportunities for all 3 and 4 year olds and increasing numbers of 2 year olds. The funding team administers NEG and related projects for the whole Early Years sector across Brent.

**The Early Years Learning and Development function** - Learning and development opportunities are provided for practitioners from all parts of the sector including single and multi-day courses, projects and annual conferences. This support is designed to complement in-setting support provided by the Quality Improvement team.

- 8.4. The maximum 5% of early years funding is retained in 2020/21.

## **9. A base rate for Brent providers for 2 year old funding**

- 9.1. In recent years, the DfE allocation for 2 year old funding was £5.92 per hour, and providers have been funded at £6 an hour, with the gap funded from reserves. For 2020-21, the funding rate has been increased to £6 per hour
- 9.2. Funding at £6 per hour does not take into account the use of a proportion of 2-year-old funding for central spend. Allocating 5% of this budget for central spend would be the equivalent of reducing funding to £5.70 per hour. This gap has previously been funded from DSG reserves, which are no longer available.
- 9.3. It is proposed to pass on the full £6 to providers, which would mean a funding gap of £158k. However, since the DfE provisional funding figures estimates are based on January 19 data, it is expected that the funding will be increased in line with

increased take up in January 2020 when DfE allocations are confirmed in July 2020, therefore increasing the funding available for central spend.

## 10. Early years funding based on DfE provisional allocations

10.1. The following table outlines an early years budget based on draft allocations from the DfE and the recommendations from this paper.

10.2. **Table 4** Proposed Early Years block budget

Expenditure	2019/20 £(000)	2020/21 £(000)	Part of high pass through requirement
Distribute to providers for 3-4 year old universal offer	14,358	13,975	Yes
Distribute to providers for 3-4 year old children with working parents (additional 15 hours)	3,169	3,501	Yes
Supplementary funding distributed to maintained nursery schools	778	725	No
Early Years Pupil Premium	74	67	No
Disability Access Fund	84	73	No
Distribute to providers for 2 year olds	3,593	3,166	No
Central Spend	1,124	1,102	No
Additional Panel Funding	458	450	Yes
<b>Total Expenditure</b>	<b>23,639</b>	<b>22,901</b>	
<b>Income</b>			
Universal allocation for 3-4 year olds	15,509	15,090	Yes
Additional hours for 3-4 years from September 2017	3,423	3,781	Yes
Supplementary funding for maintained nursery schools	778	725	No
Disability Access Fund	84	73	No
Early Years Pupil Premium	74	67	No
Allocation for 2 year olds	3,545	3,166	No
<b>Total Income</b>	<b>23,414</b>	<b>22,901</b>	
<b>Balance to be funded from reserves</b>	<b>225</b>	<b>0</b>	
<b>Breakdown of balance:</b>			
Funding gap for 2 year olds	48	158	
Central spend for 2 year olds	177		
<b>Balance</b>	<b>225</b>	<b>158</b>	

## 11. Financial Implications

11.1. The financial implications have been detailed in the body of this paper.

## 12. Legal Implications

12.1. There are no legal implications for this report.

## 13. Equality Implications

13.1. Not applicable.

## 14. Consultation with Ward Members and Stakeholders

14.1. Not applicable.

## **15. Human Resources/Property Implications (if appropriate)**

15.1. Not applicable.

**Report sign off:**

***Gail Tolley***

Strategic Director of Children and Young People