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| **AGENDA ITEM**  |

**Title of report: Early Years Block Funding 2021-22**

**Author of the paper: Pauline Hoare**

**Officer to present the paper to Schools Forum:** Christine McInnes

**Details on who has been consulted with on this paper to date:**

Christine McInnes, Kay Goodacre, Nikki Parsons

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| **Executive Summary.**This report updates Schools Forum on the possible 2021-22 DFE funding arrangements for early years and presents proposals for the possible use of such funds for the 2021-22 early years centrally retained budget. |

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| **Recommendations.**Forum is asked to:1. Note the contents of the report.
2. Note the current developing financial situation for early years settings including schools with nursery provision.
3. Agree the continuation of the Early Years centrally retained funding for 2021-22.
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1. **Background.**

1.1 The Early Years National Funding Formula (EYNFF) was introduced in 2017-18 and in general the principles remain the same. The main items are outlined below and comprise:

* A mandatory 95% ‘pass through’ of funding to schools and early years providers;
* A 5% central retention;
* A universal hourly base rate for eligible three and four year olds, currently £7.16; and
* A 30p deprivation supplement for eligible children based on the child’s post code using the Income Deprivation Affecting Children Index (IDACI).

1.2 The 2020-21 EYNFF Guidance for local authorities states that centrally retained early years funds could be used “…for central services or services in-kind, including specialist SEND services.” In addition, the Guidance states that Schools Forums must be consulted on changes to the local early years funding formula (i.e. calculating the payment of the hourly rate for the universal offer for three and four year olds), including agreeing the total centrally retained sum, by the end of February 2020. Locally, central services currently include:

* Staffing for the quality improvement of childcare;
* Early Years Foundation Stage Profile (EYFSP) moderation;
* Inclusion support for childcare settings in line with the SEND Code of Practice; and
* Subsidised training for all early education settings.

1.4 The above central services will be partly funded (2020-21) from the retained sum with a contribution from the Council through the General Fund.

## 2020-21 update

2.1 Table 1 below shows the 2020-21 budget expenditure for the Early Years retained funding.

**Table 1: Forum Agreed Centrally Retained Budgets 2020-21**

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| **Item** | **Description** | **Budget 2020-2021** |
|  |  | **£m** |
|  | **Contribution to Service Management** | **0.06** |
|  | **Business Support: sufficiency of childcare places (PVI) and QA of criterion referenced entitlements (PVI)** | **0.34** |
|  | **Quality Assurance team (PVI quality improvement)** | **0.34** |
|  | **Area Inclusion Co-Ordinators (SEND support in PVI settings) and EYFSP moderation**  | **0.43** |
|  | **Workforce Development**  | **0.1** |
|  | **TOTAL** | **1.29** |

## Budget update (2020-22)

* 1. Due to the Covid-19 pandemic in 2020-21, the DFE required all LAs to change their early education funding for the Spring and Autumn terms 2020. Instead of “following the child” by being based on the censuses, the DFE advised all LAs to calculate early education funding based on the equivalent term in financial year 2019-20 with funding for places in excess made separately. The rationale was to ensure that early education and childcare settings were able to cope with the fluctuations in numbers caused by the pandemic and the national tier system.
	2. On December 17th 2020 the DFE informed LAs that from 1st January 2021 early education and care funding would return to being based on the January census. All London LAs, including Tower Hamlets, have contacted the DFE in the light of the introduction of tier 4 on 20 December 2020 and of tier 5 on 6 January 2021 asking that early education funding follows the model for the Spring and Autumn terms 2020. If it does not, Heads of Early Years have reported to the DFE that there will be severe financial difficulties for early education settings (including schools with nursery provision) in financial year 2020-21 as only vulnerable children and the children of key workers may be attending on EY census day. Early education settings (including schools with nursery provision) may wish to make their views known to the relevant Minister, in this case Vicky Ford, the Minister for Children.
	3. Given the current unprecedented financial situation, it is difficult to predict available budgets for the LA and for early years settings (including schools with nursery provision) for 2021-22. We await further guidance from the DFE. This was originally promised for the 4th of January 2021 but due to the Covid-19 announcement on 5th January 2021, the circulation of this information by the DFE has yet to take place.

## 4. Items for Discussion 2021-2022

4.1 Quality improvement across all early years provision:

The percentage of childcare settings achieving a “Good” and “Outstanding” rating from Ofsted has increased from 49% in 2013 to 99% in 2020 as a result of everyone’s work with childcare settings. This now matches the level of “Good” and “Outstanding” ratings from Ofsted for school nursery provision. Research indicates that such Ofsted gradings contribute positively to children’s outcomes. One childcare setting has been closed by Ofsted as inadequate. One has ceased trading due to financial problems. Four new settings with new management and staff have opened.

4.2 Contingency fund:

It is good practice for an LA to operate a contingency fund to cover in year movement and place creation. As notified previously, this LA intends to create a contingency fund. This will enable the authority to address concerns raised by providers over payment for places created after the EY census date. Forum is asked to note that the creation of this contingency fund is now a priority for both the IEYS and Schools Finance.

4.3 Deprivation supplement:

It is proposed that the council complies with national financial regulations with reference to the deprivation supplement. The outcome of this compliance will be that provision for pupils in school nursery classes and in maintained nursery schools are supported in the same way as children attending childcare settings.

## Conclusions

This paper updates and consults with Schools Forum on the proposed funding arrangements for early years for 2021-22 and seeks agreement on the overall central spend. When this is known to the LA, information will be circulated to Forum..

## Contact Details of Early Years Lead Officer/Author

If you have any queries or comments in advance of the Schools Forum meeting about this report, please contact:

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