

**TO: SCHOOLS FORUM
16 DECEMBER 2019**

2020-21 PROPOSALS FOR THE EARLY YEARS BLOCK BUDGET

**Executive Director:
People**

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to seek agreement from the Schools Forum to proposals for 2020-21 Early Years budgets, including the values to be attributed to the Bracknell Forest Council Early Years Funding Formula (EYFF). There is also a decision to consider in line with the statutory funding framework.

2 EXECUTIVE SUMMARY

- 2.1 **Bracknell Forest Council receives funding for the early years free entitlements, which includes funding for some two year olds and the universal and extended entitlements for 3 and 4 year olds, as part of the dedicated schools grant. This funding is allocated locally to early years providers via the Early Years Funding Formula.**
- 2.2 **In October 2019 the government announced a £66m increase in early years funding nationally, which equates to an increase in early years funding to Bracknell Forest of £0.08 per hour.**
- 2.3 **In line with consultation feedback from providers changes are proposed to the Early Years Funding Formula which will maximise the funding allocated to providers.**
- 2.4 **Changes to the Early Years DSG income budget for 2020/21 include additional funding for the SEN Inclusion Fund to address a forecast overspend and BFC Service costs which are currently subsidised by the LA.**

3 RECOMMENDATIONS

That Schools Forum AGREES:

- 3.1 **That for the 2020-21 financial year**
1. **The Early Years DSG income budget be set at £7.560m (Table 2)**
 2. **The funding rates in the Early Years Funding Formula are as set out in Table 4**
 3. **The relevant budgets are as set out in Annex 1**
- 3.2 **That there are appropriate arrangements in place for administration of the Early Years free entitlement funding.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 The proposals have taken account of local priorities, provider responses to the consultation and estimated levels of available resources.

5 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None. The proposals reflect the views of providers from the most recent consultations and overall affordability within the financial settlement allocated by the government.

6 SUPPORTING INFORMATION

Background

- 6.1 This report presents proposals on the Early Years Block (EYB) element of Dedicated Schools Grant (DSG) that the Department for Education (DfE) allocates to Local Authorities (LAs) to fund provisions and support for children up to the age of 5. It covers:
1. the 15 hours free entitlement to education and childcare for disadvantaged 2 year olds
 2. the universal 15 hours free entitlement to education and childcare for all 3 and 4 year olds
 3. the additional 15 hours free entitlement to education and childcare for eligible working parents of 3 and 4 year olds
 4. the early years pupil premium (EYPP)
 5. the disability access fund (DAF)
 6. the Special Educational Needs Inclusion Fund (SENIF)
 7. other specialist and general support services
- 6.2 The statutory regulatory framework necessitates that the Council decide on the arrangements to be put in place to meet the requirements for children up to the age of 5 and associated resources, and for Schools Forum to comment on their appropriateness. Final decisions are expected to be taken by the Executive Member for Children, Young People and Learning in January.

National Funding Framework

- 6.3 The DfE uses an Early Years National Funding Formula (EYNFF) to distribute DSG income to LAs. This funding framework sets out key requirements on LAs in setting their EYB budgets for **3 and 4 year olds**, these are:
1. To develop and maintain a local EYFF in accordance with parameters set by the DfE, undertaking consultation with providers and the Schools Forum when any changes are proposed, where the EYFF:
 - a. should include a single funding rate (including the same base rate and supplements) for both entitlements (that is, both the universal 15 hours, and the additional 15 hours for working parents)
 - b. must plan to pass on at least 95% of funding directly to providers – the “pass through rate”
 - c. must use a universal base rate, paid at the same value to all providers
 - d. must use a deprivation supplement to target additional funds to the providers admitting the most disadvantaged children

Unrestricted

- e. can include other, discretionary supplements, which the DfE restricts to rurality / sparsity, flexibility of provision, English as an additional language (EAL) or quality of provision
- f. supplements selected by an LA can generally use any measure of eligibility, provided it is applied equally to all providers in a transparent and fair way
- g. must not allocate more than 10% of funding through supplements
- h. That a Special Educational Needs Inclusion Fund (SENIF) must be created to support children with lower level or emerging SEN
- i. required to pass on the EYPP to providers to support eligible disadvantaged children
- j. required to pass on DAF funding to providers to support disabled children's access to the entitlements

6.4 Requirements on funding providers for **the most disadvantaged 2 year olds** is more straightforward than for 3 and 4 year olds, with no "pass through rate" or payment of additional funding supplements with the DfE encouraging LAs to pay a single flat rate amount. Neither is there a requirement for the SENIF to apply to 2 years, although this is permitted and included in arrangements in the BF SENIF.

Provisional estimate of Early Years Block DSG income

6.5 To reflect potential fluctuations in take-up of the entitlements, and therefore costs, the DfE uses 2 census points to calculate each LAs Early Years Block DSG income. January 2020 part-time equivalent actual head count data of eligible children age 2, 3 or 4 for 15 or 30 hours are used to calculate funds the first 5 months of the financial year from April to August 2020; with the equivalent January 2021 data used to fund the 7 months from September 2020 to March 2021.

6.6 At this stage, neither of the data sets used for funding purposes have been validated and therefore the likely DSG income will need to be estimated. The approach taken is to use the January 2019 census data as a proxy and assume the January 2020 and January 2021 headcounts are at a similar level. There is one exception to this approach. The DWP provides a list of potentially eligible 2 year olds in advance of the start of each term. The list for January 2020 is available and has been used to estimate the January 2020 head count based on current levels of uptake. It is assumed that the January 2021 headcount will remain at similar levels.

6.7 In October 2019 the government announced an additional £66m in early years funding nationally. Details of the increase were published on 10 November 2019; Bracknell Forest will receive an £0.08 increase to the hourly funding rate for 2, 3 and 4 year olds with effect from April 2020. Table 1 sets out the resulting change in funding rates.

Table 1: Changes to Early Years Funding

	2019/20 hourly rate	2020/21 hourly rate
2 year old's	£5.88	£5.96
3 & 4 year old's	£4.93	£5.01

Unrestricted

- 6.8 Table 2 below provides a summary of the £7.560m anticipated EYB DSG income for 2020-21. Annex 1 provides a more detailed breakdown of the calculation.

Item	Estimated amount
Funding for 3 & 4 year olds: universal 15 hours	£4,829,380
Funding for 3 & 4 year olds: additional 15 hours for working parents	£2,089,040
Sub total: 3 & 4 year olds	£6,918,420
Funding for 2 year olds	£587,720
Funding for Early Years Pupil Premium	£31,700
Funding for Disability Access Fund	£22,750
Total	£7,560,590

Funding decisions previously taken by the Forum

- 6.9 To gather views from providers on appropriate funding arrangements for BF, provider consultations were undertaken in both December 2016, December 2017 and December 2018. Reflecting on the outcomes, and the DfE requirements on LAs relating to the EY Funding Framework (paragraphs 5.3 **Error! Reference source not found.** and 5.4), Schools Forum has previously agreed parameters for setting the EYB budget as follows:
1. Funding to be managed centrally by the council will be capped at 3% of income compared to the 5% maximum
 2. The SENIF should be set at 1.4%
 3. The provider contingency should be set at 1.5%
 4. The EYFF should allocate 94.1% with:
 - a. The uniform base rate set at around 93% compared to the minimum of 90%
 - b. The deprivation supplement set at around 5%
 - c. The quality supplement set at around 2%
 - d. No supplements to be paid for rurality / sparsity, EAL or provider flexibility
 5. The DAF and EYPP funding allocation should be allocated to providers at the same funding rate as received from the DfE
- 6.10 The current EYFF and funding rates are set out in Annex 2.
- 6.11 A consultation with providers was undertaken in October 2019 and a paper presented to Schools Forum on 21 November which proposed that:
1. The calculation of the IDACI measure of the deprivation supplement is changed to an average score per child
 2. The threshold scores for the IDACI measure are changed to account for the new calculation method
 3. Restrictions on childminders qualifying for the IDACI measure are removed

Unrestricted

4. Retain the percentage of funding paid in the forecast payment at the current rate of 60%
- 6.12 Schools Forum was also advised that providers had overwhelmingly indicated that the announced increase in funding should be applied to the universal base rate for 3 and 4 year olds.

Performance of the EYFF

- 6.13 In July 2019 expenditure through the EYFF was analysed and compared to the agreed budget allocations. This analysis indicated that:
1. the formula underspent by 3.4%
 2. the deprivation supplement underspent by 27%
 3. the SENIF overspent by 17%
 4. the allocation for BFC Services did not cover costs
- 6.14 Further analysis indicates the underspend in the formula is primarily due to the difference in how funding paid to BFC is calculated and how funding paid to providers is calculated. As set out in paragraph 6.5, funding is calculated using the spring term headcount. Funding is paid to providers based on actual attendance, with providers submitting their claims to BFC each term
- 6.15 The number of 3 and 4 year olds claiming funding fluctuates across the year, with numbers at their lowest in autumn after the school intake of 4 year olds and increasing across spring to the highest numbers in summer. The DfE calculation of the LAs Early Years Block DSG income assumes that the spring term headcount is roughly halfway between the autumn and summer term headcounts. However, data from the previous 5 years indicates that the spring term headcount is closer to the summer term headcount; on average the headcount increases by 340 between autumn and spring and only 190 from spring to summer.
- 6.16 In addition to the overspend on the SENIF, the introduction of the extended entitlement has placed pressures on providers supporting children accessing in excess of the universal hours. To accommodate these pressures the budget allocation paid for SEN to providers will need to be increased.

Proposals for 2020-21

- 6.17 In line with providers responses to the October consultation, it is proposed the increase in funding for 3 and 4 year olds is applied in full to the uniform base rate. The increase for 2 year olds will be applied in full to the hourly rate paid to providers. The proposed changes will:
1. Increase the base rate for 3 and 4 year olds by 8p from £4.31 to £4.39 per hour
 2. Increase the rate for 2 year olds by 8p from £5.46 to £5.54 per hour
- 6.18 A series of interdependent proposals are required to address the issues identified in paragraph 5.13. **These proposals do not change funding rates paid to providers, with proposed changes only affecting the allocation of the budget across the formula.**
1. Reduce the allocation through the EYFF funding formula to 90.5% of total available funds to address the underspend in the EYFF.

Unrestricted

2. Reduce the deprivation supplement to 4.5% of the EYFF allocation
 3. Increase the quality supplement to 2.4% of the EYFF allocation
 4. Increase the base rate to 93.1% of the EYFF allocation
 5. Increase the allocation for the SEN Inclusion Fund to 3% of total available funds
- 6.19 To date the Council has subsidised the costs of managing the Early Years support functions in respect of funded childcare in the borough by around £0.140m. This has included the cost of professional and business support to providers and some IT costs. The Early Education and Childcare statutory guidance for local authorities – June 2018 set out by the DfE allows the LA to retain up to 5% of budget and to date the LA has only retained 3.0%. The Government has recently announced an increase in EY provision and the bulk of this will be passported to providers resulting in an increase in the budget allocated to providers of 6p per hour.
- 6.20 The overall budget proposals are expected to result in 90.5% of anticipated funding received by the council paid directly to providers, 4.5% set aside for allocations to providers in-year through the SENIF and contingency and 5% retained by the LA to fund central services and activities that support providers. The proposed EYB budget for 2020-21 is set out in Annex 1.
- 6.21 The proposed EYFF for 3 and 4 year olds for 2020-21 is summarised in Table 4. This summary includes the proposals agreed in the paper presented to Schools Forum on 21 November.

Table 4: Summary of the proposed BF Early Years Funding Formula

EYFF Element	Weighting	Proposed hourly funding rate	% total EY funding
Deprivation Supplement	2.2 % of EYFF via IDACI scores Average IDACI score of children attending setting Top 20% - Band 3 Next 10% - Band 2 Next 10% - Band 3	£0.13, £0.26 & £0.39	
	2.3% of EYFF via child eligibility to EYPP	£1.54	
Quality Supplement	2.4% of EYFF via setting leadership qualification Level 5 and above	£0.14	
Uniform Base Rate	93% of EYFF	£4.39	
	Indicative EYFF average provider rate	£4.70	90.5%
	Average SEN funding	£0.15	3.0%
	Average contingency funding	£0.08	1.5%
	Subtotal to providers	£4.93	95.0%
	Average BFC funding (5%) max	£0.25	5%

Unrestricted

Indicative funding from DfE to BFC	£5.01	100%
------------------------------------	-------	------

- 6.22 If all of the proposals above are accepted, and taking account of the proposals in the paper submitted to Schools Forum on 21 November, the following highlight changes are expected in provider funding rates:
1. 14 providers will see a decrease in funding of up to 1.5% in hourly rate. All decreases are due to changes in eligibility for the deprivation supplement, either due to changes in children attending or corrections in the calculation method.
 2. 100 providers will see an increase of between 1% and 2%. These providers are unaffected by the change to the IDACI measure of the deprivation supplement. The increase in funding is related to the increase in the base rate only.
 3. 9 providers receive an increase of between 4% and 6%. These providers receive an increase of one band in the IDACI measure of the deprivation supplement.
 4. 13 providers receive an increase of between 6% and 8%. All are childminders who receive a 2 band increase in the IDACI measure of the deprivation supplement.
 5. 4 providers receive an increase of between 10% and 11%. All are childminders qualify for the IDACI measure of the Deprivation supplement for the first time and are eligible for band 3.
- 6.23 In respect of the funding proposed to be allocated to the SENIF, this results in total funding of £0.207m (3% of total income). This represents an increase in funding of £0.108m (1.6%) which will be spent on addressing the current overspend and extending support to children accessing the extended entitlement.
- 6.24 In respect of the funding proposed to be managed centrally by the council on behalf of providers based on the budget proposals set out above, this results in total funding of £0.345m an increase of £0.140m. This is proposed to be spent on outreach to parents, professional and business support to providers, EAL specialist support, free milk, management of the EY funding formula and the free entitlement systems and software.

Next Steps

- 6.25 Subject to the views expressed by the Schools Forum, final budget proposal will be presented to the Executive Member for approval in January. It is anticipated that providers will be notified of indicative funding rates for 2020-21 by the end of December 2019, with rates confirmed by the end of January 2020.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal issues are addressed within the report

Director of Finance

- 7.2 The financial implications anticipated for the report are set out in the supporting information.

Impact Assessment

- 7.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

- 7.4 There is no perceived risk, all proposals are within budget limits and are informed by provider feedback.

8 CONSULTATION

Principal Groups Consulted

- 7.1 All providers in Bracknell Forest in October 2019

Method of Consultation

- 7.2 Online consultation emailed to all providers with the option to respond online, by email or in writing.

Representations Received

- 7.3 The representations received were summarised and presented to DMT on 5 November 2019

BACKGROUND PAPERS

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf

Early education and childcare statutory guidance for local authorities - June 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718181/Early_years_entitlements-operational_guidance.pdf

Early years entitlements: operational guidance for local authorities and providers

CONTACT FOR FURTHER INFORMATION

Cherry Hall, Early Help Locality Manager 01344 312811

cherry.hall@bracknell-forest.gov.uk

David Allais, Early Help Officer 01344 354027

EHBS@bracknell-forest.gov.uk