

South Gloucestershire Council

SCHOOLS FORUM

21 January 2021

EARLY YEARS FUNDING ARRANGEMENTS FOR 2020/21 – CONSULTATION OUTCOMES

Purpose of Report

1. To share the outcomes of the recent consultation with the Early Years (EY) sector on the proposals regarding the Early Years Funding Formula for 2020/21.

Policy

2. Local authorities are allocated funding according to a three-part funding formula, under this formula, for 2021/22 South Gloucestershire will receive £5.59 per hour for 2-year-olds and £4.48 per hour for 3- and 4-year-olds. 5% of this will be retained to ensure the continued delivery of the local authority statutory services for early years.

Background

3. The Early Years Sector has experienced significant financial pressures since the first National lockdown in March 2020 and have continued to offer provision to our youngest children throughout this time. A report concerning the financial impact of COVID on the sector was shared with Schools Forum during the Autumn Term 2020.
4. The Local Authority has continued to represent the financial concerns of the sector at every opportunity, lobbying the DfE through the Regional Schools Commissioner (RSC), the Local Government Association (LGA) and Hemsalls (an organisation providing support to LAs on behalf of the Government). So far, the DfE have not responded to these concerns by providing the additional financial support required to offset the impact of COVID-19.
5. In December 2020, the Government announced that funding for Spring Term 2021 would be based on the January EY census and settings would only be paid for the number of children in attendance at settings at the time of the census.
6. Based on the January 2021 estimate compared to the January 2020 estimate, it was anticipated there would be a shortfall of 1.34% in the take up of places of eligible children on the January Census, resulting in a potential deficit of approximately £240,000 in the budget for 2021-22. Further, the impact of the current lockdown might reduce numbers further resulting in the LA receiving even less funding than anticipated.
7. Early years providers have been expected to remain fully open during the third national lockdown, however, the sector has reported a drop off in attendance with many new children not starting. As stated previously, this could negatively impact the headcount in the early years' census and therefore the funding. Therefore, the LA has issued guidance to settings on completing the census which is in line with the DfE guidance and should maximise the numbers of children recorded.

8. It should be noted that generally across the year, settings will see lower numbers in the autumn, increasing in the spring and then increasing again in the summer. Under normal circumstances the January Census generally results in sufficient funding to deal with seasonal changes in numbers across the year. However, this year the anticipated low numbers on the January census will be significant to the funding moving forward to the summer, therefore raising concerns about a significant deficit.
9. Officers considered the need to mitigate for this deficit in formulating the options to be included in the consultation. It is worth noting that the opportunity also exists to apply for support from the Council COVID-19 Fund, although this is a fund established to address the impact of COVID-19 across Council services requiring support as a priority. Therefore, there is a limit to the amount that may be provided if support is agreed. Officers will be making an application for support from the COVID-19 Fund on behalf of the early years sector.

Consultation Proposals

10. Taking into consideration the financial situation highlighted above, the consultation aimed to provide the sector with as much funding as possible whilst also aiming to reduce any possible deficit. Two of the three options in the consultation included the creation of a contingency fund to offset the deficit resulting from COVID-19. However, for all three options, all the existing supplements remained the same as last year.
11. Therefore, the sector was consulted on three different options as set out below.

Option 1

12. This option does not include any funding allocated to the Contingency Fund and provides base hourly rates of £5.31 for 2-year-olds, an increase of £0.08 and £4.12 for 3–4-year-olds an increase of £0.05.

Option 2

13. This option creates a contingency fund of £100,000, which is less than half of the anticipated amount required should take up of hours attended return to normal in the summer term. Opting for this would create an hourly rate of £5.28 for 2-year-olds, an increase of £0.05 and £4.10 for 3–4-year-olds, an Increase of £0.03.

Option 3

14. This option creates a fund of £219,000, which is closer to the anticipated amount required. The hourly rate for 2-, 3-, or 4-year-olds remain at £5.23 and £4.07, respectively.

Nursery Education Grant Funding for 3- and 4-year-olds, this includes 15 hours universal and the Plus 15 hours.

Proposal Regarding the base rate paid to settings.

15. Funding allocated to settings has been split into two different parts, the Base Rate and Supplements. The base rate should be set at no less than 90% of the total amount paid to settings, with the remaining 10% being given as supplements.

16. To provide the sector with the highest possible base rate, it was proposed the number of supplements would be limited and the total amount allocated set well below the 10% permitted.

It is proposed to allocate a base rate of £4.10 per hour to all providers with effect from April 2021, with the remaining £0.03 being placed in the contingency fund.

Supplements.

The Inclusion Fund

17. The Inclusion Fund is a mandatory supplement which is used to support children with Special Educational Needs and/or Disabilities (SEND). It is intended that the fund provides early targeted support to enable providers to meet the needs of individual children with SEND within their setting, in order that they can make progress. The fund is aimed at children who have emerging or lower levels of SEND or prior to a formal Education, Health, Care needs assessment (EHCna). Funding for children with more complex needs is allocated through the Early Years High Needs Block already available to settings.
18. The Government expects local authorities to pass most of their SEN inclusion funds to providers in the form of top up grants on a case-by-case basis: this will count within the 95% pass-through.
19. Settings are now beginning to use the inclusion fund effectively to support children and the application process is well established. Outside of this consultation, consideration is being given to how use of the fund could be even more effective and have greater impact on more children via more settings.

It is proposed to keep the Inclusion Fund at 2% providing an estimated total value of £290,000.

The Deprivation Fund

20. This is a mandatory supplement which is aimed at supporting settings who work with the most disadvantaged children. The allocation of the deprivation fund is based on the number of universal hours taken up by Early Years Pupil Premium children in a setting. This decision was made to ensure the payments reach the most disadvantaged children and will remain in place for 2021-22.
21. The deprivation supplement is paid in a lump sum to providers alongside their regular payments. The purpose of the fund is to enable settings to provide targeted support to reduce the significant economic disadvantage has on children's development and attainment, which can affect their life chances.

It is proposed to keep the Deprivation Fund at 0.9% providing an estimated total value of £130,000.

Flexibility Supplement

22. Since the introduction of the revised funding formula in 2017, childminders have received a flexibility supplement to ensure that they do not take a reduction in their hourly rate. The Local Authority is concerned that any reduction in the childminder hourly rate would see a loss to the childminding community as they may no longer be able to afford to take funded children.

It is proposed to keep the Flexibility supplement at £0.14 per hour on top of the allocated base rate for 2021-22.

Two-Year-Old Funding

23. This is the standard hourly rate which is paid to all settings who claim funding for 2-year-olds. The rate is the same regardless of the number of hours claimed up to the maximum of 15 hours.

24. There are no supplements for Two-Year-Old funding

It is proposed to allocate a 2-Year-Old hourly rate of £5.28, with the remaining £0.03 being placed in the contingency fund.

Table 1 Summary of the Options

	Option 1	Option 2	Option 3
Contingency Fund	£00.00	£100,000	£219,000
2-year-Old Rate	£5.31	£5.28	£5.23
3 -4-year-Old Rate	£4.12	£4.10	£4.07
Flexibility supplement for childminders	£0.14 £4.26	£0.14 £4.24	£0.14 £4.21
Inclusion Fund Indicative amount	2% £290,000	2% £290,000	2% £290,000
Deprivation Fund Indicative amount	0.9% £130,000	0.9% £130,000	0.9% £130,000

Summary of Consultation Outcome

25. The consultation period with the sector was for a very short period of 4 days only in January due to delays in receiving funding information from the Government and the requirement to meet LA budget setting deadlines. Responses were captured through a SNAP survey only. Information concerning the consultation was emailed to the sector and posted on the VLE.

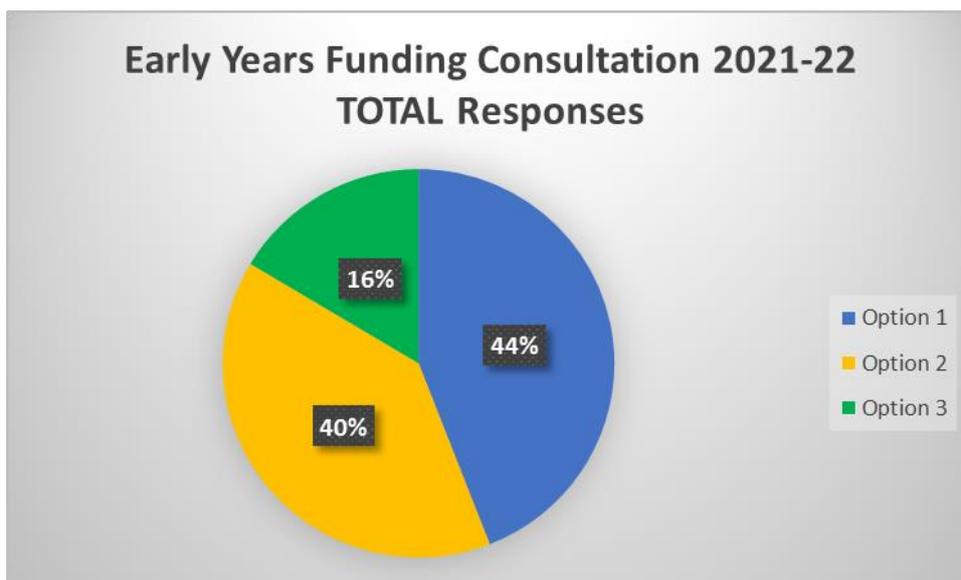
26. Although the consultation was short, the number of different individual respondents was good and a total of **153 individual responses** were received. This represents responses from approximately 55% of the sector which is an increase of 14% on last year. Of the eligible providers, responses were received from 36% of Childminders, 53% of Day Nurseries and 63% of Preschools. 50% of school Nursery Classes responded.

27. The following table and graphic provide a summary of the outcome of the consultation undertaken with Providers which has informed the proposed recommendations to Schools Forum and the Children, Adults and Health Cabinet:

Table 2 Summary of outcomes

Sector	Option 1	Option 2	Option 3
Childminders (67)	41	14	12
Day Nurseries (36)	19	13	4

Preschools (63)	6	29	8
Nursery Classes (2)	0	2	0



The above shows that 66 respondents (44%) supported Option 1 which does not involve any contingency. However, 58 respondents (40%) supported Option 2 and a contingency of £100,000. A further 24 respondents (16%) supported Option 3 and a contingency of £219,000.

The conclusion that has been drawn from this response is that most respondents, 82 (56%) support having a contingency and the favoured contingency is that proposed in Option 2.

Therefore, it is recommended that Option 2 is taken forward via Schools Forum as the basis of the funding allocation for 2021/2022. This would be conditional on the contingency funding being required to offset a deficit once any funding secured from the Council Covid-19 fund has also been fully utilised. Any contingency fund remaining would be redistributed to the sector.

Feedback from the sector.

There is genuine concern amongst the sector about the sustainability of Providers as they struggle with the increased overheads caused by COVID, their inability to open to their full capacity and the increases to the minimum wage plus other overheads. Feedback received has mostly indicated an acknowledgment of the need for a contingency plan, although recognising the tension between the need for funding and the long-term sustainability of the sector. They have therefore voted accordingly and have requested that in the event the contingency fund is not required the money is returned to the sector.

Representatives of the Early Years Working Group have also voiced their concerns about the financial pressures facing the sector. At a meeting with the Group on 18 January, many representatives expressed a view that the total amount of funding

should be passed over to the sector. However, recognising that most respondents had supported a contingency it was agreed that the approach should be to create a contingency fund on the basis that this would only be used should no other funding become available. Further that the Schools Forum should be asked to express their support for the application to the Council COVID-19 fund.

RECOMMENDATIONS

The Schools Forum:

- (i) Supports a recommendation to Cabinet to approve the proposals as set out in Option 2 and summarised below.
 - Two-Year-Old funding rate is set at £5.28 per hour from April 2021.
 - A base rate for 3 and 4 year olds of £4.10 per hour is paid to all providers with affect from April 2021.
 - The Early Years Inclusion Fund remains at 2% from April 2021.
 - The Deprivation supplement is set at 0.9% for 2021.
 - Childminders receive a flexibility payment of £0.14 per hour for 2021-22 so they have the same £0.03 increase as preschools and nurseries.
 - A contingency fund of approximately £100,000 is established.
- (ii) Gives support for an application to the Council COVID-19 Fund to address the deficit in order that the level of support from the contingency created from income provided to the sector is reduced to the minimum required, i.e., nil if possible. If there is a surplus from the contingency, this would be distributed across the sector.

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