

Early Years Funding 2020/21 Outline for Consideration

We are currently unclear about the position of the funding of maintained nursery schools after August 2020.

We are also currently unclear about the Early Years Block rates values we will receive for the 2, 3 and 4 year old entitlements in 2020/21.

The Early Years Block guidance for 2020/21, which may outline further technical changes we have not yet factored into our proposals, has still to be published.

Our proposals are the same as presented in outline to the Schools Forum on 18 September.

At this stage, we would like the Schools Forum to consider these outline proposals and to agree for the Authority to publish a consultation document along these lines (accepting that in certain areas, including in the funding of maintained nursery schools, proposals are still to be finalised and the consultation document amended to reflect this) as soon as is practically possible and before the December Schools Forum meeting.

Introduction

Our proposed approach for 2020/21 continues to incorporate our response to the changes that began from April 2017 as a result of the Government's national early years funding reform. The most significant widespread change for Bradford resulting from this reform has been the reduction in the value of the Universal Base Rate supporting the delivery of the 3 & 4 year old universal and extended entitlements. In 2017/18, we were also required to re-direct a proportion of spending from our Deprivation and SEND supplement to the Universal Base Rate in order to comply with new restrictions. In 2018/19 and 2019/20, we have allocated reserves (one off monies) held within the Early Years Block to protect the value of the Universal Base Rate at its current year level, which is £4.11 per hour. The funding of maintained nursery schools has remained protected across 2017-2019 as the DfE has provided a specific supplement for this purpose.

We explained within our consultation published this time last year that, at the point we have 'exhausted' Early Years Block reserves, where we continue to spend 9.5% of our EYSFF for 3 & 4 year olds on the Deprivation & SEND supplement, our 3 & 4 year old Universal Base Rate could be lower than £4.00 per hour. This could be uplifted by reducing the proportion of the EYSFF spent on the Deprivation & SEND supplement. Benchmarking indicates that the national average spending on supplements in 2018/19 was 4.4%, and the average of our statistical neighbours was 5.7%, compared against our current 9.5%. We indicated this time last year that it was likely, if the maximisation of the Universal Base Rate is viewed to be the main priority for our EYSFF going forward, that our Deprivation and SEND supplement rates would need to reduce to these averages from April 2020 in order to protect our Universal Base Rate at least at the current £4.11.

We are exploring the introduction of a new single Gateway for all providers to use to submit all their entitlement delivery information to the Authority. A version of the gateway is currently used by all providers to submit their 2 year old information and by PVI providers to submit their 3&4 year old information. When fully developed, the information submitted through this gateway will be used for the calculation of all EYSFF allocations for all providers, replacing the DfE Termly Censuses as the source of delivery information for schools and classes. There are significant advantages, both for providers and for the Local Authority, to the collection of information via a gateway and many local authorities already use this approach. We aim to begin a pilot (a dry run) during 2020 with a view that we could move to full use of this gateway for summer term 2021. We will keep providers informed of how this work develops.

Outline Proposals

We are developing our proposed approach for 2020/21 on the basis that:

- We will continue our current termly headcount methodology (and 2nd headcount for the 2 year old offer) for 2020/21. Although we do not propose to revisit for 2020/21 the option suggested previously to move to a monthly counting arrangement (a 'starters and leavers' approach), the introduction of a new single gateway for the collection of information from all settings will provide further opportunities for us to explore the pros and cons of moving at a point in the future to a counting arrangement that is more sensitive to the movement of children and fluctuations in numbers during the year.
- In response to provider feedback, we will make a small adjustment to the payment profile for PVI providers for the spring term 2021. This will mean that 25% of the estimated funding for the spring term will be paid in each of the 3 months December, January and February, leaving the final 25%, together with an adjustment for any differences between estimated and actual funding confirmed from the January census, to be paid in March.

- We will go ahead with the planned increase in the contribution from the Early Years Block to early years high needs activities. We transferred £0.3m of cost from the High Needs Block to the Early Years Block in 2019/20. We will transfer £0.6m in 2020/21.
- Regarding the Early Years SEND Inclusion Fund (EYIF):
 - EYIF will continue in 2020/21 to be fully funded from the Early Years Block. A budget of £1.50m has been held in 2019/20. We will consult in more detail with the Schools Forum on the value of budget required for 2020/21.
 - We will continue to apply to all providers the holistic SEND Inclusion Fund. A separate survey for PVI providers, as well as for schools that were included in the pilot, is being conducted and feedback from this survey, alongside responses to this consultation, will inform our final EYIF approach for 2020/21.
 - 2 year olds will continue to be eligible for EYIF. We indicated in last year's consultation our intention that, where EYIF continues to be extended to eligible 2 year olds going forward, we would top-slice the 2 year old flat rate of funding of £5.20 per hour to provide for this. We do not propose however, to enact a top-slice in 2020/21; the cost of 2 year old access to EYIF will continue to be met from the 3&4 year old Early Years Block budget supported by one off monies.
- Regarding the 2 year old entitlement, providers in 2020/21 will continue to be funded on a single flat rate per hour with no additional supplements. This rate was £5.20 in 2019/20, which meant that 100% of the rate of funding the Authority receives from the DfE for the 2 year old entitlement is passed on to providers. The DfE has not yet confirmed Bradford's rate of funding in 2020/21 but we would expect to pass any uplift onto providers.
- Regarding funding the 3 & 4 year old entitlement, whilst recognising that reserves / one off monies are still currently available and will be deployed in 2020/21, we do propose to begin to take incremental action, which is aimed at both reducing the reliance on one off monies and maximising the value of our Universal Base Rate over the medium term. To this end, we propose:
 - To begin to reduce the proportion of our 3 & 4 year old EYSFF that is allocated via the Deprivation & SEND supplement, with the intention to reduce this down by April 2022 to the average of our statistical neighbours, which is currently rounded at 6% (5.7%). Our current proportion is 9.5% (this is the proportion excluding one off monies). We propose to reduce down to the 6% average in three steps over three years, with the proportion reduced from 9.5% to 8.0% in 2020/21, and then indicatively down to 7.0% in 2021/22 and then to 6.0% in 2022/23.
 - To continue to employ one off monies to support the 3 & 4 Year Old Universal Base Rate (UBR) in 2020/21. This was £4.11 in 2019/20. The DfE has not yet confirmed Bradford's rate of funding in 2020/21 but we would expect to pass any uplift onto providers. Decisions on the deployment of one off monies after 2020/21 will be considered as part of next year's consultation work. We can only continue to uplift the value of the UBR in future years where we take action to reduce the proportion of the EYSFF spent on supplements.
 - Not to introduce any more supplements (in addition to deprivation) into our 3 & 4 year old EYSFF. These supplements would dilute further both the Universal Base Rate and the Deprivation & SEND rates at a time when we see our priority to be to maximise the value of the UBR for all providers.

Benchmarking

It is important that we continue to regularly compare our position against that found in other local authorities. It is also important that we look at the impact our proposals for 2020/21, and our direction of travel, in this context. The key areas of comparison are presented in the bullet points below.

The table below shows the median averages of 3&4 year old universal base rates calculated using the latest available information, which is for the 2018/19 financial year. We expect that data for 2019/20 will be published by the DfE in November. Providers will be aware that Bradford's Universal Base Rate reduced slightly to £4.11 in 2019/20.

3&4 Year Old Entitlement UBRs 2018/19	UBR £
Bradford	£4.12
Yorks & Humber Regional Average	£4.00
Statistical Neighbour Average	£4.09
National Average (including London)	£4.10
National Average (excluding London)	£4.02

The table below shows the median averages of 2 year old base rates for the 2018/19 financial year.

2 Year Old Entitlement Base Rates 2018/19	Base Rate £
Bradford	£5.20
Yorks & Humber Regional Average	£5.15
Statistical Neighbour Average	£5.10
National Average (including London)	£5.20
National Average (excluding London)	£5.19

The national average spending on supplements in the 3&4 year old EYSFF in 2018/19 was 4.4% and the average of our statistical neighbours was 5.7%. Bradford currently spends 9.5% excluding one off monies. All local authorities are required to have a deprivation supplement. A small number of authorities also used other permitted supplements.

Looking at early years centrally managed funds, in 2018/19:

- The national average pass through rate (the % of the 3&4 year old available budget that was passed out to providers through the EYSFF and SEND Inclusion Funds rather than being centrally retained) was 96.4%. Our statistical neighbour average pass through rate was 97.5%. Bradford's pass through rate in 2018/19 was actually 101% (greater than 100% because of our use of one off monies), and indicatively, excluding the distortion on one off monies, will be 97% in 2020/21. Bradford's figure includes the impact of the extension of our Early Years SEND Inclusion Fund (EYIF) to eligible 2 year olds, which is a charge to our centrally managed Early Years Block. Most authorities do not extend EYIF to 2 year olds and, adjusting for this aspect within the calculation, Bradford's pass through rate indicatively is 97.7% in 2020/21.
- The national average % of spending in the Early Years Block in 2018/19 on retained centrally managed funds, excluding the Early Years SEND Inclusion Funding (EYIF), was 4.15%. Bradford's figure in 2019/20 was 2.40% and indicatively is 3.36% in 2020/21, including the additional £0.30m contribution to early years high needs spending.
- The national average spending on Early Years SEND Inclusion Funds as a % of the Early Years Block in 2018/19 was 1.74%. The cost of our EYIF arrangements is currently under review as we have not yet completed a full year under our new holistic model. The initial budget of £1.50m held for EYIF in 2019/20 represents 3.78%, which is much higher than the national average but which could be reduced substantially in 2020/21 depending on the actual cost of the new arrangements.

We would conclude from this benchmarking:

- We currently delegate to providers a greater proportion of our Early Years Block than the average authority and we expect this to remain the case in 2020/21. The % of our 3&4 year old budget that we pass-through to providers is at least in line with the average of our statistical neighbour authorities and is greater than the % pass through found nationally. Our overall retention of monies within the whole Early Years Block in 2020/21 for central management is expected to continue to be lower than the 2018/19 national average.
- Our rate of funding for 2 year olds at £5.20 is in line with the national average. That our rate is 26% higher than our 3&4 year old Universal Base Rate is also broadly in line. This would suggest that, where we wish to continue to allow access by 2 year olds to EYIF, we shouldn't fund this by top-slicing the 2 year old funding rate as, to top-slice the £5.20 by e.g. £0.15 per hour, would result in a funding rate in Bradford, which would be out of step with the rates used in other authorities.
- Our current Universal Base Rate of funding for 3 & 4 year olds at £4.11 is higher than all other measured median averages. However, the difference to the average of our statistical neighbours is modest and this benchmarking does not suggest that we could significantly reduce our Universal Base Rate and remain in line with the position found in other authorities.
- Our proportion of spending in our EYSFF for 3&4 year olds on supplements (our Deprivation & SEND supplement) at 9.5% is significantly higher than both national and statistical neighbour median averages. In reducing our % we would come more in line with other authorities and would also be able to maximise the value of our Universal Base Rate.
- Our spending on Early Years Inclusion Funds (EYIF) at £1.5m (3.36%) would be significantly higher than the average of authorities nationally. This is currently under review as £1.5m was an estimate of the cost of new arrangements, which have still to run for a full year. A possible reduction in the budget could bring us more in line as well as relieve some of the pressure on the Early Years Block and allow for a higher Universal Base Rate going forward.
- Unlike the vast majority of other authorities, we allocate EYIF to eligible 2 years olds. We must ensure that we continue to monitor the additional positive impact that this approach has, recognising that this is funded effectively by top-slicing the 3&4 year old budget.

Deprivation & SEND Supplement Change

The tables below illustrate the changes within the EYSFF, and the impact on rates of funding, that would follow the reduction in supplement spending from 9.5% to 8% and then indicatively down to 6%. This is indicative modelling to illustrate the impact and is based on the 2019/20 EYSFF budget without the addition of one off reserves and before the application of any specific protection for maintained nursery schools. The tables show how the value of UBR is uplifted as a result of the reduction in spending on the Deprivation & SEND supplement and how median supplement rates correspondingly reduce.

Current	Schools	Classes	PVI	Total
Deprivation & SEND Supplement %	9.5%	9.5%	9.5%	9.5%
Median Deprivation & SEND Rate	£0.56	£0.49	£0.28	£0.29
Universal Base Rate (UBR)	£3.94	£3.94	£3.94	£3.94

	Schools	Classes	PVI	Total
Deprivation & SEND Supplement %	8.0%	8.0%	8.0%	8.0%
Reduction in Supplement in cash terms vs. 9.5%	- £39,043	- £237,969	- £183,240	- £460,252
Median Deprivation & SEND Rate	£0.47	£0.41	£0.24	£0.24
Reduction in Median Deprivation & SEND Rate	- £0.09	- £0.08	- £0.04	- £0.05
Universal Base Rate (UBR)	£4.00	£4.00	£4.00	£4.00
Increase in UBR vs. that under 9.5% model	+ £0.06	+ £0.06	+ £0.06	+ £0.06

	Schools	Classes	PVI	Total
Deprivation & SEND Supplement %	7.0%	7.0%	7.0%	7.0%
Reduction in Supplement in cash terms vs. 9.5%	- £65,068	- £396,593	- £305,092	- £767,753
Median Deprivation & SEND Rate	£0.41	£0.36	£0.21	£0.21
Reduction in Median Deprivation & SEND Rate	- £0.15	- £0.13	- £0.07	- £0.08
Universal Base Rate (UBR)	£4.04	£4.04	£4.04	£4.04
Increase in UBR vs. that under 9.5% model	+ £0.10	+ £0.10	+ £0.10	+ £0.10

	Schools	Classes	PVI	Total
Deprivation & SEND Supplement %	6.0%	6.0%	6.0%	6.0%
Reduction in Supplement in cash terms vs. 9.5%	- £91,022	- £554,786	- £426,613	- £1,072,421
Median Deprivation & SEND Rate	£0.35	£0.31	£0.18	£0.18
Reduction in Median Deprivation & SEND Rate	- £0.21	- £0.18	- £0.10	- £0.11
Universal Base Rate (UBR)	£4.08	£4.08	£4.08	£4.08
Increase in UBR vs. that under 9.5% model	+ £0.14	+ £0.14	+ £0.14	+ £0.14

In summary, every 1% reduction in supplement enables £0.04 more UBR per hour. At its fullest, a reduction of 3.5% (9.5% down to 6%) would enable the UBR to be set £0.14 per hour higher (3.6%) than under current arrangements. Correspondingly, spend on the Deprivation & SEND supplement, at its fullest, would reduce by £1.07m in cash terms and by 37% in budget / 38% in median average terms (spend reducing from £2.90m at 9.5% to £1.83m at 6%).

Specifically for 2020/21, the reduction to 8% would mean a spending reduction on supplements of £0.46m, which would represent a 16% reduction in budget and 17% reduction in the median average. The table below identifies the indicative spread of cash reductions for providers (using 2019/20 data and the providers receiving EYSFF funding at August 2019). For nursery schools, this shows the illustrative position before any protection of funding rates would be applied.

Indicative Cash Reduction	No. Schools	No. Classes	No. PVI
< £500	0	9	265
Between £501 - £1,000	0	13	47
Between £1,001 - £2,000	0	43	50
Between £2,001 - £3,000	2	25	13
Between £3,001 - £4,000	0	16	5
Between £4,001 - £5,000	2	10	1
Between £5,001 - £7,500	1	0	0
Between £7,501 - £10,500	2	0	0

Looking at the changes in the median averages of supplement rates for each sector, the reduction in supplement spending does impact proportionately more on the schools and the classes sectors than the PVI sector. This is because the measured levels of deprivation of children attending schools and classes are higher on average. This being recognised however, schools and classes are typically larger in size than PVI providers and so would be more affected in cash terms by a further reduction (or lack of uplift) in the UBR. This indicates the difficulty of setting out such a proposal and one of the reasons why benchmarking information is important.