

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information



**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

**This report provides an update on Early Years Block DSG funding matters.**

**Date (s) of any Previous Discussion at the Forum**

Reports outlining the developing proposals for 2021/22 funding arrangements were presented to the Schools Forum on 16 September and again on 14 October.

**Background**

A separate report to this meeting – Document MG – discusses EYSFF arrangements for the spring term 2021.

The Authority had hoped to present to this meeting a final consultation document, which would set out our proposals for the Early Years Single Funding Formula (EYSFF) for 2021/22. However, the Early Years Block settlement and operational guidance have not yet been published by the DfE. The Authority is unable at this time therefore, to put forward final proposals for consultation.

We hope that an announcement will be made before the 9 December meeting and that we are able to provide more details verbally for the Forum's awareness and consideration.

Due to how late the 2021/22 Early Years Block settlement and operational guidance will have been published, we have not yet engaged in formal consultation with the early years sector. A re-convened Early Years Working Group did meet (remotely) on 1 October. A number of themes for continued monitoring and review were raised within the Group's discussions. The Authority will now work with the Early Years Working Group (EYWG) to publish our proposals as soon as possible. Our consultation however, will need to extend beyond the 13 January Schools Forum meeting and therefore, our decision making processes on the Early Years Block will need to adjust for this changed timescale.

Putting COVID-19 matters to the side for just a moment, we have set out previously that we would expect that our recent decisions and actions will influence and inform how we will respond to announcements concerning Early Years Block funding levels and longer term formula funding arrangements and changes. Locally, recently we have:

- Begun 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%). The % is planned to reduce from 8% to 7% in 2021/22. This is part of our strategy to maximise the values of the 2 year old and the 3&4 year old Universal Base Rates for all early years providers. Whilst fully passing onto providers the DfE's increase of our Early Years Block funding rates, we have also continued to deploy reserves (one off monies) to further uplift the value of the 3&4 year old Universal Base Rate (UBR). In 2020/21, our UBR for the 3&4 year old entitlement is £4.19 and for the 2 year old entitlement is £5.28.
- Implemented a new Early Years Inclusion Fund (EYIF) to better support emerging SEND within the early years sector.
- Identified the significance of pending DfE decisions concerning the future of the Maintained Nursery School Supplement. The DfE has announced the continuation of protection until the end of the 2020/21 academic year (to August 2021) and has indicated that further transitional arrangements might come after this.
- Begun to consider the pros and cons of more responsive counting arrangements (starters and leavers) and have begun to explore a new data portal, which would remove reliance on the DfE's censuses.

In the single year Spending Review, announced on 25 November, the Chancellor stated that a further £44m is available nationally in 2021/22 for the funding of the early years entitlements. Whilst we do not yet know what Bradford's settlement is, £44m is about 2/3rds of the value of the 2020/21 national settlement through which Bradford's Early Years Block funding rates increased by c. 1.5%. Without accounting for demographic changes nationally, a £44m settlement might suggest that Bradford's rates of Early Years Block funding may increase by c. 1.0% in 2021/22. This would be a much lower settlement in percentage increase terms than seen in the Schools Block and in the High Needs Block.

### **Details of the Item for Consideration**

Again, putting COVID-19 matters to the side for just a moment, we are currently developing our 'normal' approach to entitlement funding for 2021/22 on the basis that:

- As in the other DSG blocks, we will need to incorporate the transfer of the Teacher Pay Grant and the Teacher Pension Grant into main core early years formula funding for schools. We expect further guidance on this to be provided by the DfE. This may require an adjustment to funding rates or the addition of a new specific funding supplement.
- We are continuing to explore the introduction of a new single Bradford Provider Gateway for all providers to use to submit all their entitlement delivery information to the Authority. For schools and academies, this Gateway would replace the use of the DfE's termly censuses. We aim to pilot this Gateway during 2021/22. However, there will be no technical changes to our operation of our Early Years Single Funding Formula (EYSFF) in 2021/22. This means that we will continue in 2021/22 our current termly headcount methodology (and 2nd headcount for the 2 year old offer). Although we do not propose to revisit for 2021/22 the option suggested previously to move to a monthly counting arrangement (a 'starters and leavers' approach), the introduction of a single Gateway for the collection of delivery information, will provide further opportunities for us to explore with providers 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. We anticipate that changes in our EYSFF related to the new Gateway may be proposed within our consultation for the 2022/23 financial year.
- We aim to retain the current value of the contribution made by the Early Years Block to early years high needs activities, with this contribution increasing for inflation.
- Regarding the Early Years SEND Inclusion Fund (EYIF):
  - EYIF will continue to be fully funded solely from the Early Years Block.
  - We will continue to apply the 2020/21 Inclusion Fund approach and the current funding rate per hour of £6.32. This rate is unchanged because the value of Element 2 (£6,000) to which this directly relates is also unchanged in 2021/22.
  - 2 year olds will continue to be eligible for EYIF with the cost of this continuing to be met from the 3&4 year old Early Years Block budget supported by one off monies (rather than by topslicing the 2 year old rate of funding that is passed through to providers).
- Regarding funding the 3 & 4 year old entitlement, we began in 2020/21 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 6% (5.7%). As per our stated plan, we expect to reduce from 8% to 7% in 2021/22. This will reduce the rates of funding that providers receive through the Deprivation & SEND supplement. This is an adjustment that we will continue to monitor (and was raised as such within the EYWG meeting), but it is part of our strategy to maximise the value of the 3&4 year old Universal Base Rate for all early years providers. Alongside this:
  - We expect to continue to deploy a limited proportion of one off monies to help the 3 & 4 year old Universal Base Rate (UBR). Our UBR in 2020/21 was £4.19. The DfE has not yet confirmed Bradford's rate of funding for 3&4 year olds in 2021/22 so we are not yet able to propose with certainty by how much our UBR might increase. Indicatively, we are modelling the affordability of between a 2% to 4% increase in the UBR, understanding that a greater % increase in the UBR is expected to offset the reduction in the Deprivation & SEND supplement and will be needed to deliver a 2% to 3% increase in the overall total median average funding rates providers see. 2% to 3% would broadly be in line with the overall Schools Block settlement and will probably represent the very maximum increase that could be afforded if the DfE's settlement is only in the region of 1%. However, the % increase in the UBR will be conditional on a) releasing monies through the reduction in the Deprivation & SEND supplement b) a final decision on the value of one of monies (reserves) that can and should be deployed at this time and c) the impact of COVID-19 and what the DfE does to protect the Early Years Block against low January 2021 Census numbers. Absence of protection here would mean a much lower UBR in 2021/22.
  - We will not introduce more supplements into our 3 & 4 year old EYSFF, unless required to do so to absorb the Teacher Pay Grant and the Teacher Pension Grant. New supplements, other than for these grants, would dilute further both the UBR and Deprivation & SEND rates at a time when we see our priority to be to maximise the value of the UBR for all providers whilst continuing to monitor the impact of our reduction in spending on the Deprivation & SEND supplement.
- Regarding the 2 year old entitlement, providers will continue to be funded on a single rate per hour with no additional supplements. This rate was £5.28 in 2020/21, which meant that 100% of the rate of funding the Authority receives from the DfE for the 2 year old entitlement, was passed through to providers. The DfE has not confirmed Bradford's rate of funding in 2021/22 so we are not able to indicate with certainty by how much our rate might increase. We are currently modelling the affordability of mirroring the median average increase in the total rate for the 3&4 year old entitlement as described above.

### Details of the Item for Consideration

- We are still waiting for information on the position of the funding of maintained nursery schools, which is needed in order for us to consider and to develop a full formula funding response for the 2021/22 financial year. To date the DfE has announced the continuation of protection until the end of the 2020/21 academic year (to August 2021) and has indicated that further transitional arrangements might come into place after this. From a response to a parliamentary question published on 26 November, we are aware that the DfE has secured the continuation of “around £60m of supplementary funding” for maintained nursery schools for the 2021/22 financial year. £60m would potentially be sufficient to continue the supplement nationally for the full financial year, but we cannot be certain about how the £60m will be used until the DfE announces its plans. If Bradford continues to receive supplement at something like current values, and for the full year, we would expect to continue to pass this through to our seven maintained nursery schools via our existing mechanisms, which currently protect pre-2017 deprivation rates and which fund the specific sustainability supplement.
- All authorities are required to earmark within their Early Years Blocks the monies allocated to them in respect of the Disability Access Fund (DAF). The DAF is allocated to children aged three and four years old who are accessing their entitlement hours at a provider in Bradford and are also receiving Disability Living Allowance (DLA). The DfE requires a minimum of £615 per child to be allocated on an annual basis. As we report in Document MH, we continue to under spend this fund within the Early Years Block and we estimate that we will hold a cumulative balance of £0.46m at the end of the 2020/21 financial year. As well as carrying out work to better understand why providers may not be claiming DAF funds, and to encourage higher take up, we are minded to propose for 2021/22 that we increase the value of the DAF allocation paid per child, perhaps to in the region of £1,000. This will help better support provider costs and will also complement our Early Years Inclusion Fund and our Deprivation & SEND supplement.
- We anticipate that the Early Years Pupil Premium (EYPP) rate of funding will continue and will remain at £0.53 per in 2021/22.

#### A Note on COVID-19

The Authority will continue to monitor closely COVID-19 matters in relation to our 2021/22 early years entitlement funding arrangements. After our ‘normal’ arrangements have been agreed in February, we will continue to respond as appropriate during the year, but in line with the Finance Regulations and with the DfE’s expectations and guidance. It may be that, on the whole, delivery returns to something like normal for the summer term. However, this will be influenced by wider issues around control of COVID-19 and the roll out of vaccination.

As we indicate in Document MG, which is written in advance of announcements that may provide more certainty and security, we are concerned about the rapid depletion of our Early Years Block reserves. This will have strategic implications for the Early Years Block, as settings will feel the impact going forward if reserves are no longer available to support higher universal base rates and also to provide a financial safety net, which can be deployed to manage the impact of unexpected matters.

We need to achieve a balance for the 2021/22 financial year. Much of the discussion around protection will likely be guided by the DfE’s expectations and by the Financial Regulations, as well as be restricted by the amount of funding available. We do perhaps need to begin to highlight to settings, for their planning, that the EYSFF is likely to revert back to funding on actuals from April 2021 where there isn’t any further substantial Early Years Block funding from the DfE allocated specifically to support the cost of protecting provider capacity. These obviously are major issues that require detailed consideration. We hope to be able to provide more confirmed details to the Schools Forum on 9 December for further discussion, with the Forum and then with the Early Years Working Group.

#### A Note on Benchmarking

It is important that we continue to regularly compare our early years provider rates and spending position against those found in other local authorities. Our latest benchmarking was included within our consultation document that was published in October 2019 and we used this to inform our proposals, in particular around the reduction in our proportion of spending on the 3&4 year old Deprivation & SEND supplement.

Unfortunately, we are unable to update our benchmarking this year. In response to the COVID-19 situation, the DfE cancelled the collection of 2020/21 Section 251 Budget Statements from local authorities. These budget statements include the Early Years Pro-forma, which is analysed and published and is also used to populate the DfE’s Early Years Benchmarking Tool.

It wouldn’t be accurate for us to compare our 2020/21 rates and spending vs. those of other authorities using their latest published 2019/20 information, because the DfE uplifted DSG early years funding in 2020/21 and other authorities will have uplifted their rates and made other changes to their spending in response to this. So we anticipate next updating our benchmarking using 2021/22 financial year information, which will be available in summer / autumn 2021.

**Implications for the Dedicated Schools Grant (DSG) (if any)**

This is an item for information.

**Recommendations**

**Recommended –**

- (1) The Forum is asked to consider the key elements of the Early Years Block settlement and operational guidance for 2021/22 as presented in Document MK and verbally to the meeting.**
- (2) Members are asked to note that the Authority, following discussion with the EWYG, will publish a consultation document as soon as possible. However, this consultation will need to extend beyond the 13 January Schools Forum meeting. Therefore, Members are asked to note that our Early Years Block decision making will need to adjust for this. We anticipate presenting to the Forum on 13 January a planned Early Years Block budget for 2021/22 that is based on assumptions and estimates that are made prior to the conclusion of the consultation.**

**List of Supporting Appendices / Papers (where applicable)**

None

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