

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 presents the Authority's consultation on proposals for the 2021/22 Early Years Single Funding Formula, which follows from discussions with the Forum in the 9 December 2020 meeting.

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, 14 October and again on 9 December.

Background

A separate report to this meeting, under Matters Arising, discusses EYSFF arrangements for the spring term 2021 (which are COVID-19 related).

The 2021/22 Early Years Block settlement and operational guidance were published by the DfE on 17 December 2020. The Early Years Working Group (EYWG) met on 21 December.

As we explained at the last Forum meeting, held on 9 December, due to how late the 2021/22 Early Years Block settlement and operational guidance have been published, we have not yet completed formal consultation with the early years sector on 2021/22 EYSFF arrangements.

We also explained in our reports to the Forum across the autumn term how we would expect our recent decisions and actions to 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.
- Identified the significance of pending DfE decisions concerning the future of the Maintained Nursery School Supplement.
- 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.

Details of the Item for Consideration

Please see Appendix 1, which is our consultation document on our Early Years Single Funding Formula (and Technical Statement) proposed for 2021/22. This document also summarises the Early Years Block settlement for 2021/22 and changes in the DfE's operational guidance.

The consultation document is to be published immediately following this meeting with the consultation period closing on Wednesday 3 February 2020. Final proposals, incorporating any adjustments made in response to consultation feedback, will be presented to Executive on 16 February and then to Council on 18 February for final decision (subject to the Executive's resolution). The Forum's next scheduled meeting is not until 10 March, so this means that final decisions will be taken before the Forum has had sight of any consultation feedback and any amendments from this. The Authority will send an email to Forum Members as soon as possible after 3 February to inform them whether the final EYSFF, to be presented to the Executive / Council, has changed from what is proposed here. The Authority will also aim to meet with the Early Years Working Group as soon as possible following the closure of the consultation on 3 February to discuss feedback and final arrangements.

Details of the Item for Consideration (continued)

Although we are consulting now, there are still some matters for the 2021/22 financial year that are uncertain and that will likely require further discussion, consultation and decisions. The key outstanding matter is the funding of maintained nursery schools. We are currently awaiting further information on / confirmation of arrangements for the period September 2021 to March 2022. The DfE has indicated that this will come asap in the new year. We are only able at this time to confirm our proposals for nursery school funding for the period April to August 2021. It is likely that we will need to consult with the Forum again specifically on this matter once the DfE's position has been confirmed.

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 from the summer term. This will be influenced by wider issues around control of COVID-19 and the roll out of vaccination. Local authorities are not permitted to alter their EYSFF arrangements in year without DfE approval, so we are minded to continue to ensure that there is sufficient "controlled flexibility" within our arrangements, especially flexibility in our entitlement delivery counting arrangements, to enable us to respond to any unexpected exceptional circumstances as appropriate.

As we have stated in previous meetings, the Authority remains very concerned about the rapid depletion of our Early Years Block reserves and about the potential for sizeable additional unexpected (not normal) costs or losses in DSG income that could be incurred during 2021/22, especially caused by:

- Continued impact of COVID-19 related disruption on termly counting arrangements.
- The Early Years Block being funded for the summer term 2021 on the January 2021 Census. The January Census is likely to record much lower numbers than normal and it is entirely possible that numbers in providers for the summer term could have recovered back to something like normal levels, meaning that the difference between January-based funding and summer term numbers-based cost would be much greater than usual. We will not have any clear view of this until the summer.
- The Early Years Block being funded for the autumn term 2021 on the January 2022 Census, where this Census records lower numbers due to continuing demographically driven reduction in the entitlement population and where numbers in providers in the autumn term 2021 do not reduce by as much as they do in spring 2022. Our most recent available data indicates that this profile of reduction is happening across the District, especially now within the 2 year old entitlement, and will continue into the 3&4 year old entitlement as birth rates reduce. This is not COVID-19 related so is a longer-term factor for us to bring into our EYSFF calculations.
- Reduction on what the DfE announced on 17 December in the value of the "conditional" Maintained Nursery School Supplement for the period September 2021 to March 2022.

The loss of reserves will have strategic implications for the Early Years Block. Early years settings delivering the entitlements will feel the impact if reserves are no longer available to support higher universal base rates and to provide a financial safety net. Linked to this, we estimate at this time that the cost of the 2 year old entitlement is exceeding its funding by an estimated £0.456m in 2021/22. This is due to the profile of hours to be funded across the year by term and how this relates to the way the DfE has said it will fund the Early Years Block using the January Censuses. This is a position we estimate will be magnified by COVID-19 in the short term, but it has been present previously and will be present going forward where 2 year old numbers continue to reduce in line with demographic trends. Reserves are currently being used to support this position so that we can fully pass-through the national settlement increase in the 2 year old entitlement funding rate.

So, whilst still proposing to pass-through to providers the increases in funding rates delivered by the national settlement in 2021/22, we are making some adjustments to our planned budget with the aim of protecting the Early Years Block, and the reserve held within the Early Years Block, in very uncertain times. To highlight the four main adjustments to the 2021/22 planned budget:

- The Authority proposes that the £0.448m, that would have been the Early Years Block's contribution to early years high needs support services, including portage, the pre-5 service and the administration and management of the Early Years SEND Inclusion Fund, is transferred to be funded by the High Needs Block in 2021/22. At this stage, this is a decision for 2021/22 only. The Authority would expect to move this budget back to the Early Years Block in 2022/23.
- The Early Years SEND Inclusion Fund budget is proposed to be reduced by £0.650m on the £1.150m held within the 2020/21 planned budget. This is response to more accurate data (reflecting a significant underspend on significantly over-estimated 2019/20 and 2020/21 budgets) and therefore, does not reduce the rates of EYIF funding that providers will receive for eligible children in 2021/22.

Details of the Item for Consideration (continued)

- In previous years we have established our EYSFF rates of funding incorporating the benefit that comes from our DSG Early Years Block being funded for a greater number of 3&4 year old entitlement hours than providers actually deliver across the 3 terms. We have removed this benefit in 2021/22. The budget impact of removing this (roughly £1.000m) has been offset by the reduction in the Early Years SEND Inclusion budget (£0.650m) and by the transfer of the early years high needs support services budget to the High Needs Block (£0.365m, which is the 2020/21 budget value). We anticipate, post COVID-19 impact, that this benefit (or most of it) should be restored. However, as with the 2 year old entitlement, we will need to continue to monitor the impact of demographic trends. Reductions in numbers at key points during the year reduce the value of the benefit.
- £0.615m of balance that is forecasted to be brought forward from 2020/21 is allocated into the 2021/22 Early Years Block planned budget at this stage to support the estimated total cost of our Early Years Single Funding Formula (EYSFF) as proposed in Appendix 1. Whether this value of balance is actually needed (or whether a greater or lesser sum is needed) will depend on how spending develops during the year and how this compares against the estimates used now.

The Authority must emphasise here again the extent to which the Early Years Block planned budget is currently estimated. We might find that our Early Years Block is more affected than we currently estimate (and we overspend) but we might also find that it isn't as significantly affected (and we under spend). Some of the matters that are currently uncertain will start to become clearer later in January and in February but other matters will not be clearer until later in the year. It would not be responsible to establish a planned budget at this time that is not able to weather a reasonably estimated 'towards worst case' scenario. It also does not feel reasonable however, at a time of significant financial challenge for providers, to reduce their funding rates in order to provide protection for the Early Years Block, when it is not certain that such action is necessary.

So it is important to stress that, although we are taking a very cautious approach, we are still proposing to fully pass-through to providers the funding rate increases allocated by the 2021/22 national settlement. We are also proposing to retain our spending on the Deprivation & SEND Supplement at 8%, meaning that there is an overall increase in this supplement in 2021/22 not a reduction as previously planned.

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

This is an item for information (decisions are to be recorded under agenda item 12).

Recommendations

Recommended –

- (1) **The Forum is asked for its formal feedback on the proposals. Members are asked to provide their feedback under agenda item 12. The outcomes of the consultation will be presented to the Forum on 10 March. However, this will be after Council has taken its final decisions on DSG arrangements for 2021/22 on 18 February.**
- (2) **Members are asked to note that the recommended allocation of the 2021/22 Early Years Block, and Early Years Single Funding Formula arrangements, presented to this meeting are put forward on the basis that the Authority's proposals are implemented. Any variance from this in the final arrangements, as agreed by Council, including changes as result of consultation feedback, will be presented to the Forum on 10 March.**
- (3) **Members are also asked to note there are still a number of matters for the 2021/22 financial year that are uncertain and that will likely require further discussion, consultation and decisions. The key outstanding matter is the funding of maintained nursery schools from September 2021.**

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – Consultation on 2021/22 Early Years Block Funding Arrangements

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