

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 matters relating to the Early Years Block. This report, in particular, includes a response to the action recorded from the 10 March Forum meeting, that a report be presented to enable the Schools Forum to analyse the impact of the COVID-19 situation on early years entitlement funding in schools in the spring term 2021, from which the Forum will be asked to further consider the request submitted by a Forum Member for the Local Authority to protect the early years entitlement funding in schools that restricted attendance. The Forum is asked to consider the Authority's proposed response to this request.

Date (s) of any Previous Discussion at the Forum

Issues relating to the Early Years Block were most recently presented in Document MX on 10 March 2021.

Background / Context

The minutes of the 10 March 2021 meeting record,

“Document MX included an explanation of the current position, and difficulties, regarding the application of the Early Years Single Funding Formula for the spring term 2021 and the completion of the January Census with reference to the DfE's guidance.

Following the Business Advisor's introduction, the Member representing maintained primary schools was invited to raise his question, which was submitted to the Chair prior to the meeting. The Member asked whether the Local Authority will financially support any shortfalls in funding that might be incurred by those schools who only partially opened their nursery provision in the spring term to ensure safe operating procedures and to reduce risk. The Member stated that the Authority has said that it will do all it can to support schools manage the COVID-19 situation. The Authority, with the Schools Forum, in previous years has supported schools financially in different ways in different circumstances. The Member requested that the Authority now provides financial support in this circumstance.

In response, the Business Advisor recognised that this is a matter that the Authority expects the Forum to monitor and to consider. He explained that there are number of complicated considerations, including those related to fairness and equity, and that he would expect that the Authority, with the Schools Forum, would form its view on this request having had sight of the full financial impact on schools and with a full understanding of the knock-on consequences. The Business Advisor suggested that the Forum resolves at this meeting to schedule this matter for further detailed consideration in May or in July (the timing being dependent on when the data is available to enable full consideration).”

Document MX is a useful reference point for the matter presented at today's meeting.

In this report, the Authority indicated that there are 3 main factors for the Forum to consider:

- Low January Census numbers - It is anticipated that the numbers on roll that were recorded in early years provisions at the time the January 2021 Census was taken will widely be lower than normal. This will have implications for the DSG and for provider funding in the spring term, but also knock-on implications for the summer term.
- The DfE's January Census guidance - All providers nationally have been required to complete their January Census in line with the DfE's guidance. This guidance states (expressed simply) that all providers that in Census week closed their early years provisions, or restricted attendance e.g. to only vulnerable children and to the children of key workers, must not record on their January Census the funded hours for the children that were 'not permitted' by the provider to attend. Providers must also not record funded hours where children were not permitted to attend on-site but were able to access on-line learning.

This will have implications for the funded numbers recorded in the January Census at providers that were closed or partially closed in Census week. It will also have implications where providers remained closed or partially closed, as providers will have their entitlement funding reduced for these periods.

Background / Context

- Growth in numbers and re-opening after the January Census - the lifting of restrictions from 8 March is likely to result in a growth in the numbers of entitlement funded children on roll with early years providers recorded later in the spring term. In our guidance, published in January, the Authority confirmed that all providers are able to claim entitlement funding in respect of children that are admitted on roll later in the spring term and that were not recorded in the January Census and / or where the provider was previously closed or partially closed but has re-opened. This approach seeks to ensure that providers that may have low January Census numbers, or may have closed or partially closed for periods earlier in the term, receive funding for their entitlement delivery later in the term.

We also stated in Document MX that,

- The Authority has been asking individual schools, academies and PVI providers directly to explain or to correct their returns where their January Census does not appear to be consistent with other information the Authority holds, such as weekly attendance information (updated - the Authority contacted 74 schools and academies and received emailed responses from 58 (explaining / resubmitting). Of the 16 from which emailed responses were not received, 13 are academies under the oversight of the DfE's census team).
- The Authority is also currently resolving quite a large (and greater than normal) number of duplicate children and 30-hour code issues (update – we resolved 39 duplicates relating to schools in spring 2021 whereas normally there are between 10-15; this is indicative of a greater movement of children).
- The Authority will permit providers to submit claims up until the end of the spring term for the later intake of entitlement children, or where the provider has been closed or partially closed for periods earlier in the term but has subsequently re-opened (update – 11 schools / academies have received additional payments from growth claims).

The following are important reference points for the consideration of the protection of schools / academies for the spring term 2021. It is important that protection is considered in context and not as an isolated issue,

- The Authority continues to identify the financial pressure faced by the maintained nursery schools. To a greater extent, this report is more responding to the request from the Forum Member for protection for primary schools / academies with nursery provisions and should be read as such.
- As required by the DfE, all early years providers were funded on protected entitlement delivery numbers in summer and autumn 2020. In respect of the autumn term, schools / academies received £0.933m more entitlement funding than they would have otherwise if funding had been based on actual participation recorded in the October 2020 Census. This protection was afforded by the DfE's change in methodology for its funding of the Early Years Block.
- Seeking to further support the early years sector, the Authority increased all provider funding rates by £0.20p per hour for the autumn term. In respect of schools / academies, this increased funding by £0.267m. This was afforded from Early Years Block reserves.
- Whilst not yet confirmed, we estimate that the DfE's '85% protection approach' to the funding of the Early Years Block for the spring term 2021 will not improve our funding on that calculated purely on the January 2021 Census entitlement numbers. This is primarily because our final 3&4-year-old numbers, recorded in the January 2021 Census, are expected to be higher than 85% of the numbers recorded in January 2020.
- We are uncertain about the financial position of the Early Years Block in 2021/22. The national methodology for Early Years Block funding has been amended and how this relates to the numbers recorded by providers in their termly censuses (which the Authority will fund as usual) will dictate whether there is a greater or lower level of pressure on the EYB than we estimated when we set the 2021/22 planned budget back in January. We sought to be cautious. For example, we transferred the EYB's contribution to early years high needs activities back to the High Needs Block with the aim of providing headroom within the EYB to support the management of unexpected levels of cost pressure. We are unlikely to have a clear sense of the position of the EYB in 2021/22 before the autumn costs are known.
- The financial positions of all providers and schools in 2021/22 in respect of early years entitlement delivery will be significantly influenced by how numbers respond back to 'normal' levels. Again, this is a picture that will only become clearer during the year as the termly censuses are taken. Alongside the impact of the COVID-19 pandemic, a significant (perhaps more significant for the medium term) consideration is the impact on the sector as entitlement numbers reduce following demographic trends. We are beginning to have some communications with schools, who are asking about this position and whether and how the Authority can support schools to manage this going forward. Within this, the Authority is also currently considering how we can use available resources to promote the take up by eligible children of the 2-year-old entitlement offer. The Authority views this as an important part of our early years COVID-19 recovery strategy and, as such, this is likely to come into discussions around the allocation of the 2022/23 Early Years Block, including the use of balances.

Details of the Item for Consideration

Summary of the position of Early Years Block (as calculated / estimated so far)

Expanding on the carry forward balances summary provided in Document NA, the table below sets out the position of the Early Years Block that is calculated / estimated so far, including the adjustments that have been made to provider funding for the spring term 2021 (using the DfE's expected approach and as we set out in our guidance published in early January) and also including an estimate of the reduction in Early Years Block funding that the Authority will receive from the DfE for spring term 2021 due to lower recorded entitlement delivery numbers (after the DfE 85% protection approach has been applied). This calculation does not yet include any further financial implications relating to funding adjustments for the 2021/22 financial year. These implications are still uncertain.

Early Years Block balance held at March 2020 (end of 2019/20)	£4.600m
Estimated Balance EYB March 2021 (end of 2020/21) as presented 13 Jan 2021	£3.272m
Revised Balance EYB March 2021 (end of 2020/21) (Document NA)	£4.108m
A. Difference (increase in end of 2020/21 balance actual vs. estimate)	+ £0.836m
<i>The value of this increase that relates to entitlement funding (not ring-fenced)</i>	<i>+ £0.718m</i>
B. Value of adjustments to provider funding relating to spring term 2021 that have been applied after 31 March 2021 (positive = provider funding has been reduced)	+ £1.000m
C. Estimated reduction in EYB DSG funding still to be applied by the DfE in respect of the spring term 2021	- £1.200m
Overall net change in the EYB position vs. estimates following the initial confirmation of balances and including the outstanding adjustments to EYB funding and provider allocations in respect of the spring term 2021 (A + B + C)	+ £0.636m
Value of EYB balance already committed in 2021/22 planned budget or is ring-fenced	£1.145m
Revised estimated value of balance that is available to support the EYB going forward (including to meet unexpected costs in 2021/22) and from which the cost of spring term 2021 protection would be met	£2.763m

The £1.000m reduction in funding for the spring term 2021 recorded in the table above mostly relates to schools / academies and is split £0.164m for maintained nursery schools and £0.834m for classes in schools / academies. At the simplest level, this is the value of funding that schools / academies have 'lost' as a result of the differences between actual spring term 2021 entitlement numbers and the numbers that schools / academies were receiving funding for on an estimated basis, taken from the Confirmed Indicative Budgets that were fixed and published in March 2020. These Budgets, for the majority of schools / academies, will have estimated that spring 2021 delivery would be the same as achieved in spring 2020.

The majority of the adjustments required for differences between estimated and actual spring term 2021 entitlement delivery in the PVI sector were actioned in March 2021 and are therefore, already included within the £4.108m balance figure. Only £2,000 of the £1.000m adjustment in the table above relates to the PVI sector.

Analysis of Entitlement Delivery Differences and Financial Impact on Schools / Academies

In overall terms, £0.164m represents a 12% reduction on spring term 2020 funding for maintained nursery schools. £0.834m represent a 16% reduction on spring term 2020 funding for entitlement delivery in classes in primary schools and academies.

The tables below show the number of hours all providers have been funded for in spring 2021 compared with spring 2020. This information gives an introductory insight into the extent of differences in delivery and in funding. It is difficult however, to isolate within this comparison, the extent to which reduction has been caused a) by closure or by restriction of attendance, b) by low numbers in open settings as a result of parental caution, and c) by reduction that would have taken place anyway due to demographic trends. Generally, we should exercise caution in concluding that the reduction in entitlement numbers funded in spring 2021 is purely the result of the implications of the COVID-19 pandemic and that the Authority and / or the DSG should step in to protect this against the expectations of the DfE.

Please note that the spring 2021 numbers recorded below are inclusive of the numbers added from additional claims for growth following the January 2021 Census.

3&4-Year-Old Entitlement Delivery (overall net)

Provider	Spring 2021	Spring 2020	Diff	21 as a % of 20
PVI	1,058,074	1,114,110	- 56,036	95%
Maintained Nursery Schools	151,605	163,164	- 11,559	93%
Classes in Primary Schools / Academies	897,526	1,030,566	- 133,040	87%
Totals	2,107,205	2,307,840	- 200,635	91%

Details of the Item for Consideration

2 Year-Old Entitlement Delivery (overall net)

Provider	Spring 2021	Spring 2020	Diff	21 as a % of 20
PVI	261,231	304,337	- 43,106	86%
Maintained Nursery Schools	33,006	52,110	- 19,104	63%
Classes in Primary Schools / Academies	65,568	87,660	- 22,092	75%
Totals	359,805	444,107	- 84,302	81%

This information indicates that the reductions in entitlement delivery numbers in spring term 2021 were generally greater in overall terms in the maintained nursery schools and classes sectors than in the PVI sector. Generally, the PVI sector overall appears to have retained a relatively high level of entitlement hours delivery. This is perhaps reflective of the degree of flexibility in the delivery of the entitlements across the PVI sector (and across a larger number of smaller providers), but certainly is evidence of the PVI sector's response to the clear message, from the DfE's guidance, that settings should remain open and should deliver the entitlements across the spring term in order to receive funding.

The delivery of the 3&4-year-old entitlement across all providers appears overall to have held more closely to previous levels than the delivery of the 2-year-old entitlement. The greater difference in the 2-year-old entitlement delivery is likely to be reflective of the impact of demographic reduction, recognising that the majority of the 2-year-old entitlement is delivered by the PVI sector and, by comparison, 3&4-year-old entitlement delivery held up for the PVI sector (i.e. there is a reason other than COVID-19 for why 2-year-old numbers have reduced).

The Authority has not received substantial wider communication from either the PVI sector or from schools / academies requesting financial support specifically in respect of the protection of spring term 2021 entitlement funding. The values of adjustments have been published for PVI providers in March and for schools / academies within earlier adjustment schedules and then in the June monthly payment statements.

In line with the DfE's guidance, the Authority does not expect to fund the PVI sector for the spring term other than on participation. So, in protecting funding levels schools that chose to close or to restrict attendance, the Authority (with the Schools Forum) would need to:

- Be comfortable (and be satisfied with the reasons) why we are now not acting in line with the DfE's guidance for the return to participation-led funding, and differently from our own approach we set out in our guidance published at the beginning of the spring term. This approach then informed how all settings have responded to deliver the entitlements under difficult circumstances.
- Comply with the 'fair and equal' condition of the DSG. This condition means that all sectors must be treated on an equivalent basis. This necessitates the adoption of protected arrangements for all.
- Identify funds (from the DSG) to pay for this protection and would need to understand and accept the knock on consequences of using these funds now rather than for support of the early years sector in the medium term.

The Authority's conclusion and recommendation is that no further protection for schools / academies that chose to close or to restrict attendance in the spring term 2021 should be provided.

As we indicated in discussing this request initially at the March Forum meeting, there is a substantial issue of principle with providing financial protection to schools that took the decision to close their early years provisions. This was not in line with the DfE's guidance. The Authority's guidance also set out at the beginning of term what would and would not be funded. Schools that remained open will successfully argue that they have had to manage a set of circumstances at their additional cost. Schools that remained open have also managed negative adjustments due to reduced numbers not associated with closure.

Whilst we can only do this for maintained schools, our cross-mapping of the values of negative adjustments with surplus balances held at the end of the 2020/21 financial year, and with 2021/22 planned budgets, strongly indicates that, whilst there are some points of pressure, schools have absorbed the impact of these adjustments into their budgets alongside the other positive and negative implications of the COVID-19 pandemic. The table below shows the total combined values of negative adjustments for spring term 2021 for the 2-year-old and the 3&4-year-old entitlements across all schools and academies.

	Maintained Nursery Schools	Classes Schools / Academies
No. of schools / academies	7	119
No. that are losing funding	7	87
Gross £value of losses	£0.164m	£0.982m
Median average loss £value	£24,771	£8,643
Loss Range <£5k	1	28
Loss Range £5k - £15k	2	34
Loss Range £15k - £30k	1	22
Loss Range £30k - £45k	2	2
Loss Range > £45k	1	1

Details of the Item for Consideration

Document NB gives a summary of balances held by maintained nursery and primary schools at the end of the 2020/21 financial year. Had we applied the spring term adjustments in March 2021, rather than in June 2021, the adjusted balances of maintained schools with early years provisions, held at March 2021, would still have increased by £3.82m on balances held at March 2020. As Document NB explains, whilst the full financial impact of the COVID-19 pandemic will take further time to unwind, this balances position and 2021/22 budget submissions does not provide a strong rationale for further protections for early years funding for spring term to be allocated retrospectively to schools. This data suggests that the bigger concern should be the forward-impact of early years funding changes, numbers recovery in 2021/22 (and the impact of the DfE's change in EYB method) as well as the impact of demographic reduction.

The Authority collected weekly attendance (and opening and closed information) from schools and early years providers. The returns for the January Census week, week commencing 18 January 2021, indicated that 13 schools / academies had fully closed their nursery provisions in this week. This information also indicated that, in some schools, attendance was in line only with numbers of vulnerable children and children of key workers (suggesting that attendance may have been restricted). It is from this information that the Authority emailed schools / academies directly to ask them to verify their positions. The vast majority of responses confirmed that it was parental caution, rather than the setting restricting attendance, that had produced lower attending numbers.

The Authority's funding approach for the spring term specifically included the opportunity for all schools to submit claims for growth later in the term. As such, the Authority has already sought to support the funding of schools facing difficult circumstances at the start of the term.

As indicated earlier in this report, alongside the impact of the COVID-19 pandemic, a significant (perhaps more significant for the medium term) consideration is the impact on the sector as entitlement numbers reduce following demographic trends. We are beginning to have some communications with schools, who are asking about this position and whether and how the Authority can support schools to manage this going forward. Within this, the Authority is also currently considering how we can use available resources to promote the take up by eligible children of the 2-year-old entitlement offer. The Authority views this as an important part of our early years COVID-19 recovery strategy and, as such, this is likely to come into discussions around the allocation of the 2022/23 Early Years Block, including the use of balances.

The Authority would wish to use the resources currently available within the Early Years Block, including balances (the estimated £2.763m), to continue to protect the Block against unexpected circumstances and also to maximise the funding delegated to providers going forward, recognising that we are already consistently using c. £0.50m of balances annually in support of our Early Years Single Funding Formula and Universal Setting Base Rates. We also have important decisions to take in respect of the cost of our Deprivation and SEND Supplement. We would recommend that the Forum views the balances held in the Early Years Block in this context. To this end, the Authority expects to discuss the position further with the Early Years Working Group and will make recommendations back to the Schools Forum to consider for 2022/23 arrangements.

Finally, to remind the Forum, the Authority does continue to identify the financial pressure faced by the maintained nursery schools. To a greater extent, this report is more responding to the request from a Member for consideration of protection for primary schools / academies with nursery provisions that chose to close and should be read as such.

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

As set out in the report.

Recommendations

Recommended –

- (1) The Schools Forum is asked to note the information presented.**
- (2) The Forum is asked to provide feedback on the Authority's proposed response, as set out in this report, to the request to protect the spring term 2021 early years entitlement funding of schools that restricted attendance.**

List of Supporting Appendices / Papers (where applicable)

None

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