



Subject Heading:

Early Years Funding 2021-22

Report Author:

**Nick Carter – Principal Finance Officer
(Schools)**

Eligibility to vote:

All members

SUMMARY

This report details a proposed increase in the funding rates for Early Years providers using unspent balances brought forward.

RECOMMENDATIONS

That the Schools Funding Forum agrees the following, as recommended by the Early Years Provider Reference Group (EYPRG):

- (i) that the basic hourly rate for 3 & 4 year olds is increased for the current financial year from £5.02 to £5.09, backdated to 1 April 2021
- (ii) that the hourly rate for inclusion funding is increased for the current financial year from £4.90 to £5.09, backdated to 1 April 2021
- (iii) that the budget for the Early Years Inclusion Fund is increased from £300,000 to £400,000 to meet the cost of higher take up
- (iv) that a contingency of £200,000 is retained
- (v) that the use of any underspend in the Early Years Block is discussed with the Early Years Provider Reference Group before any proposals are brought to the Schools Funding Forum and before any decisions are made on its use.

REPORT DETAIL

Background

The funding rates for 2021-22 were agreed by the Schools Funding Forum at a special meeting held on 23rd February 2021. This followed discussions held at the Early Years Provider Reference Group (EYPRG) and consultation with Early Years providers.

Rates for 2021-22 were agreed as follows:

1. The basic hourly rate for 2 year olds was increased from £5.68 to £5.76
2. The basic hourly rate for 3 & 4 year olds was increased from £5.00 to £5.02. The substantive rate for 2020-21 was £4.90 but this had been enhanced for the year to £5.00. The enhancement was incorporated into the base.
3. The Early Years Inclusion Fund remained at £300,000 and that the hourly rate for eligible children remained at £4.90.

The total number of hours supported in autumn 2020 was 95% of the 2019 level. Budget projections for 2021-22 were made assuming that hours for the year would remain at 95% of those previously seen. In setting the rates above it was anticipated that the budget in year would overspend by £170k but this could be met from a known brought forward balance from 2019-20 of £701k.

Funding rates were to be reviewed during the year when the position on hours of attendance had become clearer and when underspends from 2021-22 were known.

2021-22 funding for Local Authorities

Subsequent to the agreement of funding rates for providers in February, the DfE announced a change to the way that local authorities would be funded for 2021-22. Given the uncertainty created by Covid, the DfE felt that a temporary variation to the approach for funding Early Years in 2021-22 was required to provide protection to both local authorities and providers.

Each LA is funded based on termly attendance for 2021-22 as measured at the termly census. This means that where hours increase after the census date the LA will receive no additional funding. Payments to providers will, however, increase.

The funding the LA will receive for the summer term 2021 will be based on the 3 & 4 year old cohort of 6,195 at the May 2021 census. At the end of the summer term the cohort had increased to 6,569. The additional, unfunded, payments to providers resulting from the increase in numbers attending settings is £338k.

Funding rates for 2021-22

The Early Years Provider Reference Group met on 6 October 2021 to discuss the use of the brought forward balances and the allocation of sums brought forward to providers.

Early Years Inclusion Fund

When budget projections were made in January 2021, £300,000 was allocated for Inclusion Funding. This was the sum agreed in June 2020 when the hourly rate was increased to £4.90. Payments to providers from this fund are based on the actual number of supported hours and there is no cap on the funding released via this route.

£300,000 equates to 107 children. There are currently 138 children with inclusion funding, meaning that the cost for the year is now projected to be £400k, an increase of £100k.

Contingency Funding

Contingency funding is required to meet the potential cost of any in-term increase in hours that occurs after the autumn and spring term census dates. It is also possible that hours supported through the Inclusion Fund will continue to rise requiring additional funding. A contingency figure of £200k was used in the budget calculations.

Funding rates for 2021-22

After allowing for the cost of additional hours post census date, the additional funding for inclusion and the need for a contingency, the remainder of the brought forward balance was available to allocate to providers.

Proposals for an increase in the 3 and 4 year old hourly rate from £5.02 to £5.09 were presented to EYPRG. This increase would be backdated to the start of the financial year. EYPRG felt, on balance, that an increase backdated to the start of the financial year was preferable to a higher increase starting from a later date.

The Group acknowledged that additional funding was needed for inclusion and agreed to an LA proposal to increase the Inclusion Fund rate from £4.90 to £5.09 to match the 3 and 4 year old basic rate. The cost of harmonising the rates is £15k. The saving from not increasing the rate is insufficient to add an additional 1p to the basic rate.

EYPRG accepted the need to hold a contingency sum of £200k but asked that any unspent balances at the end of the year were ring-fenced for use within Early Years. The Schools Funding Forum is asked to re-affirm the arrangements agreed in February.

As the proposed increases are being financed solely from balances brought forward there is no guarantee that the rates can be sustained for 2022-23.