

Schools Forum 16 January 2020

Early Years Funding 2020/21

1 Context and Background

- 1.1 As part of the move towards national funding formulas (NFF) for DSG in 2017/18 the DfE implemented a NFF for early years. As the NFF is at local authority level, not setting level, local authorities continue to determine a local funding formula for early years, albeit within DfE rules.
- 1.2 Following the implementation of the NFF for early years, the amount of funding allocated to T&W increased and then was frozen for two years as shown below:

	Funding per hour			
	2016/17	2017/18	2018/19	2019/20
2 Year Old Funding	£4.85	£5.20	£5.20	£5.20
3 and 4 year old funding	£4.03	£4.36	£4.36	£4.36

- 1.3 This reflected the national pattern, i.e. significant increases for some authorities with the move to a national funding formula for distributing early years funding to local authorities, followed by two years of unchanged funding rates.
- 1.4 Following the new prime minister taking up post, substantial additional funding has been announced for schools and high needs funding. However, the increase for early years is on a much more modest scale, with an increase of around 2%. This results in increases of 8p per hour for T&W as follows:

	2020/21
2 Year Old Funding	£5.28
3 and 4 year old funding	£4.44

- 1.5 The DfE has also announced that additional funding allocated to local authorities with nursery schools will continue until March 2021. Previously this commitment only extended until August 2020. However, there has been no announcement describing the government's long term view on funding for nursery schools, which cannot survive without additional funding being allocated. Thus the uncertainty surrounding the long term future of nursery schools remains.
- 1.6 Forum will note the contrasting treatment of schools funding, with a three year commitment to additional funding, compared to early years, with only a one year settlement, no commitment to nursery school funding beyond March 2021 and only a modest general increase in overall funding.
- 1.7 DfE rules mean that at least 95% of total early years funding has to be passed through to providers and a maximum of 10% of the money in the funding formula can be distributed through supplements.
- 1.8 There is a requirement for each local authority to have an inclusion fund.
- 1.9 In addition, Disability Access Funding (DAF) is passed to settings educating eligible children for DAF at the rate of £615 per child.

2 T&W 2020/21 Proposals

- 2.1 In the context of the above, the following is planned for 2020/21:
- hourly funding rate for 2 year olds at £5.19 per hour (8p higher than 2019/20);
 - basic hourly funding rate for 3 and 4 year olds at £3.90 per hour (8p higher than 2019/20);
 - flexible provision supplement at £0.315p per hour (a reduction of just over a penny from 2019/20);
 - distribute the same amount of deprivation funding as in 2019/20, but change the method for distributing the funding to settings,:
 - From: tax credit data based upon children's home postcodes;
 - To: eligibility for pupil premium (which in turn is based upon being eligible for free school meals at any time over the last three years);
 - a lump sum to nursery schools at £162,971 (an increase of £14,642 compared to 2019/20);
 - a central retention for early years high needs provision of £200,000 (unchanged from 2019/20). This will be funded as follows: £170,000 from 3 and 4 year old funding; £30,000 from 2 year old funding. The split between the age groups means that a similar proportion of the budget for each is utilised for high needs;
 - a central retention of £10,000 for early years moderation (unchanged from 2019/20);
 - a central retention of £40,000 for supporting and promoting the 30 hours offer (unchanged from 2019/20). This funds ongoing costs for portal maintenance (around £16,000) marketing materials and promotion (around £3,000), staffing (around £10,000), preparation and management of 'Capital' and 30 hour support bidding (around £4,000) and additional costs of the annual sufficiency survey (around £7,000).
 - a central retention of £120,000 to support the costs of the early years team (unchanged from 2019/20). This is much lower than the average amount retained by other LAs. The central retentions in 2019/20 resulted in a per capita retention for T&W of £6, less than half the England average of £14 (median £13).
- 2.2 In comparison to DfE requirements for distributing funding, T&W plans to allocate over 98% to funding to settings compared to a minimum 95% pass through requirement and to allocate just over 9% of funding to settings via supplements (i.e. deprivation and flexibility).
- 2.3 The result of these proposals would be to pass on the full 8p increase per hour to settings and to pass on the full amount of additional funding provided by the DfE on the basis of children in nursery schools to T&W's two nursery schools. The amount per hour for flexibility is proposed to be marginally reduced – this is because more schools are now offering flexible provision and so the available funding will have to be distributed between more settings.
- 2.4 ***The Forum is asked to express its views on the proposals for 2020/21 early years funding.***

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