

Schools Forum 14 January 2021

Early Years Funding 2021/22

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 In the year in which the NFF was introduced, there was a significant increase in early years funding, but since then increases have been modest as shown in the table covering the last five years funding rates for T&W below:

	Funding per hour				
	2016/17	2017/18	2018/19	2019/20	2020/21
2 Year Old Funding	£4.85	£5.20	£5.20	£5.20	£5.28
3 and 4 year old funding	£4.03	£4.36	£4.36	£4.36	£4.44

- 1.3 The increase for early years for 2021/22 is once again modest in scale, with an increase of 8p, equating to 1.52% for 2 year old funding and 6p, equating to 1.35%, for 3 and 4 year olds. This results in funding rates for T&W as follows:

	2021/22
2 Year Old Funding	£5.36
3 and 4 year old funding	£4.50

- 1.4 The DfE has also announced that additional funding allocated to local authorities with nursery schools will continue in 2021/22. However the DfE guidance published in December 2020 contains the following: *“the MNS supplementary funding allocations for September 2021 to March 2022 are conditional: they may be subject to change and local authorities should therefore treat them as unconfirmed”*. This is hardly helpful and reinforces the ongoing uncertainty surrounding the long term future of nursery schools, although it is difficult to believe that the DfE would fundamentally change the basis of funding at such short notice.
- 1.5 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.
- 1.6 There remains the requirement for each local authority to have an inclusion fund.
- 1.7 In addition, Disability Access Funding (DAF) is passed to settings educating eligible children for DAF, at the rate of same rate as previous years, £615 per child.

2 T&W 2021/22 Proposals

- 2.1 In the context of the above, the following is planned for 2020/21:

- hourly funding rate for 2 year olds at £5.27 per hour (8p higher than 2020/21);
- basic hourly funding rate for 3 and 4 year olds at £3.96 per hour (6p higher than 2020/21);

- flexible provision supplement at £0.32p per hour (unchanged since 2020/21);
- deprivation funding at £1.28 per hour for eligible pupils, the same as 2020/21, continuing to use eligibility for pupil premium as the criteria (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 £167,542 (matching indicative/conditional allocation from the DfE for this);
- a central retention for early years high needs provision of £200,000 (unchanged since 2020/21). 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 since 2020/21);
- a central retention of £50,000 for supporting and promoting the 30 hours offer (£10,000 more than 2020/21). This funds ongoing costs for portal maintenance (around £16,000) marketing materials and promotion (around £3,000), staffing (around £20,000), 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 £130,000 to support the costs of the early years team (£10,000 more than 2020/21). 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 / 6p increases 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.
- 2.4 ***The Forum is asked to express its views on the proposals for 2021/22 early years funding.***

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 January 2021