

**Paper 6 - for Information and Agreement**

## **Early Years Funding**

### **Key Messages**

#### **Forum members are asked to:**

1. Note the overall Early Years income allocation of £36.09m to Sheffield.
2. Note the increase in funding of 6p per pupil hour for 3&4-year olds in 2021/22.
3. Note the increase in funding of 8p per pupil hour for 2-year olds for 2021/22.
4. Approve the recommendations of the Working Group as to how this increase should be allocated.
5. Note the 2019/20 Investment Fund be further considered by the Early Years Working Group and be brought back to the June Schools Forum meeting.
6. Note and agree to the proposal to set up a contingency fund of £500k.
7. Note the proposals for a one-off investment of £600k and provide a steer to the Working Group on the investment options.

## **1. Introduction**

### **1.1. The Early Years Block comprises:**

- Participation funding for disadvantaged 2-year olds.
- Funding for the 3&4-year old entitlement, including the additional 15 hours for eligible working parents.
- The Early Years Pupil Premium (EYPP) funding for eligible 3&4-year olds.
- Disability Access Funding.
- Funding for maintained nursery schools.

### **1.2. Early years funding from the Education and Skills Funding Agency (ESFA) to the Local Authority is based on actual participation as per the January Census, and is revised annually each July to reflect the actual take-up of Free Early Learning (FEL) in the week of the Census. Indicative figures are provided to LAs each December to set FEL budgets, but they are subject to revision based on the actual Census numbers over a two-year period.**

- January 2021 Census provides 7/12ths of funding – for the period April 2021 to October 2021. *Note, this has changed from previous years' calculations (based on 5/12ths).*

- January 2022 Census provides 5/12ths of funding – for the period November 2021 to March 2022. *Note, this has changed from previous years' calculations (based on 7/12ths).*

The funding to LAs has changed in 2021/22 due to the Coronavirus pandemic as indicated above.

1.3. The table below shows the funding streams in the Early Years Block for the financial years 2020/21 and 2021/22 and the indicative funding allocations.

<b>Funding Blocks</b>	<b>20/21</b>	<b>21/22</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Early Years 2-year olds	5.14	5.21	0.07
Early Years 3&4-year olds	29.68	30.07	0.39
Early Years Pupil Premium	0.60	0.60	0
Maintained Nurseries + Disability Allowance	0.20	0.21	0.01
<b>Total</b>	<b>35.62</b>	<b>36.09</b>	<b>0.47</b>

## 2. Background

2.1. The Department for Education (DfE) announced new regulations in 2016 and introduced the Early Years National Funding Formula from April 2017.

2.2. Sheffield is compliant with the requirement to pass through early years funding of at least 95% directly to providers.

2.3. Currently in 2020/21 our agreed rates payable to the sector for FEL are:

	<b>Base Rate - £</b>	<b>Deprivation Rate - £</b>	<b>Average Hourly Rate - £</b>
2-year old FEL	5.02	-	5.02
3&4-year old FEL	4.20	0.44	4.42

2.4. In February 2019, the Schools Forum agreed that the 3&4-year old hourly FEL rate paid to providers should increase from £4.14 to £4.20 and that the deprivation rate should increase from 40p to 44p per hour; giving an average hourly rate of £4.42.

## 3. The hourly rate for 2021/22

3.1. The ESFA have increased the DSG FEL funding to Sheffield, the 2-year old funding rate has increased by 8p per pupil hour and the 3&4-year old rate has increased by 6p per pupil hour.

- 3.2.** The Early Years Working Group recommends that 100% of the increase, i.e. 6p for 2-year olds and 8p for 3&4-year olds, should be passed directly onto providers from April 2021 and that the principle of the 95% pass-through is not applied to this increase.

### **3.3. 2-Year Olds**

For 2-year olds, the 8p increase is added to the 2020/21 rate of £5.02 per hour. This gives a new hourly rate of £5.10 for 2021/22 - see table below:

	£
2020/21 hourly rate	5.02
Increase of 8p from ESFA	0.08
<b>Proposed 2021/22 hourly rate</b>	<b>5.10</b>

### **3.4. 3&4-Year Olds**

For 3&4-year olds, the 6p increase is added to the 2020/21 base hourly rate of £4.20 per hour. The new hourly rate is now £4.26 for 2021/22 – see table below.

	£
2020/21 base hourly rate payable to all providers	4.20
Increase of 6p from ESFA	0.06
<b>Proposed 2021/22 hourly base rate</b>	<b>4.26</b>
2021/22 Deprivation hourly rate (unchanged)	0.44
<b>2021/22 Average Hourly Rate for 3&amp;4-year olds</b>	<b>4.48</b>

- 3.5.** It is the recommendation of the Working Group that the average hourly rate be achieved by increasing the base hourly rate from £4.20 to £4.26 and the deprivation rate remains unchanged at 44p per hour. This will ensure all Sheffield children will benefit from the increased rate.

- 3.6.** The following table shows hourly base rates for 2021/22:

<b>Hourly FEL Funding Rates</b>	
2-year old FEL	£5.10 an hour
3&4-year old FEL	£4.26 an hour + 44p an hour for deprivation funding

## **4. Additional Hourly Rates**

### **4.1. Early Years Pupil Premium (EYPP)**

The EYPP funding rate per pupil is set nationally and remains unchanged for 2021/22 at £0.53 per eligible pupil hour. The allocations are based on the number of EYPP eligible children as recorded in the January 2021 and January 2022 Early Years Census.

### **4.2. Disability Access Fund (DAF)**

Any child in receipt of the Child Disability Living Allowance can attract an additional £615 per annum and this funding is payable to the FEL provider.

### **4.3. Maintained Nursery School (MNS)**

In addition to the FEL funding, Sheffield will receive an additional £26k for our two maintained nursery schools. This funding is intended to enable local authorities to continue their current maintained nursery schools' funding levels.

### **4.4. Teachers' Pension Costs for Schools**

The Forum is asked to note that we are awaiting further guidance from the ESFA on the methodology of how this funding will be allocated to the sector. This will be shared with the Forum when it is published.

## **5. Investment Fund 2019/20**

**5.1.** For the financial year 2019/20, a positive variance of £1.1m has been created for early years funding. This is due to the differences in how the ESFA provide funding to local authorities and the national requirements in funding for individual providers. We are suggesting the following to make use of this one-off positive variance.

### **5.2. Contingency Fund**

Covid-19 is having an impact on the attendance for early years providers and the latest January 2021 census will be used to calculate (60% - 7/12<sup>th</sup>) of our income for next year. With attendance now low and take-up likely to increase over the next few months, it is anticipated that our income (based on the January 2021 census) will be less than our actual funding requirements.

To mitigate against this, we are suggesting that £500k is earmarked to manage this risk.

If this contingency fund is not required (final position established by August 2022), this funding will be available to be invested in early years in 2022/23.

### **5.3. One Off Payment**

We have a further £600k one-off payment available for investment in the early years sector. We recommend that the Early Years Working Group considers these investment options and that a further update is provided at the June 2021 Forum to agree a way forward.

The investment options could include:

- Investment to support inclusion services across the early years sector.
- A one-off contribution to providers based on 2019/20 FEL hours of participation.
- A hybrid option of the above choices.

The Early Years Working Group hasn't yet had the opportunity to discuss this in detail, so a view from the Forum on the investment options would be helpful to provide a steer to the Working Group.

## **6. Recommendations**

Forum members are asked to:

- Note the overall Early Years income allocation of £36.09m to Sheffield in 2021/22.
- Approve the recommendations of the Working Group to increase the funding for 2-year olds by the additional 8p per hour to £5.10 per hour, ensuring that the additional 8p per hour Sheffield will receive is passed on in full to providers.
- Approve the recommendations of the Working Group to increase the funding for 3&4-year olds by the additional 6p per hour, increasing the base rate to £4.26, ensuring that the additional 6p per hour Sheffield will receive is passed on in full to providers.
- Agree that the 2019/20 Investment Fund be further considered by the Early Years Working Group and their recommendations be brought back to the June Schools Forum meeting.
- Agree to set-up a contingency of £500k to manage the risk on the Early Years Census and to receive a further update in September 2022 on the use/availability of this contingency fund.
- Note the proposals for a one-off investment of £600k and provide a steer to the Working Group on the investment options.