

Date of meeting:	Thursday 21 st January 2021
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information & decision.
Executive summary: Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> • An update on the 2021/22 Early Years DSG Allocation and requests approval of the associated planned expenditure. • Notification of a consultation currently being undertaken on the funding rates to be paid to early years' providers for the funded early education entitlement for disadvantaged 2 year olds and 3 & 4 year olds for the 2021/22 financial year • An update on the latest position with regard to the supplementary funding provided for Maintained Nursery Schools. • An update on the 2020/21 Early Years funding position including Covid 19 funding arrangements.
Budget / Risk implications:	The levels of funding delivered by the Early Years National Funding Formula via the Early Years DSG impact on the sustainability of providers of early education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. The funding 'pass through' requirements impact on the services provided by the council and the implementation of the second phase of the review of Early Years central service provision may have staffing implications.
Recommendations:	<p>The North Yorkshire Schools Forum is asked:</p> <ul style="list-style-type: none"> • To note the 2021/22 Early Years DSG allocation and approve the associated planned expenditure • To provide a view in respect of the consultation proposals on the level of the provider base funding rates for the 2021/22 financial year • To note the position with regard to the supplementary funding arrangements for maintained nursery schools for the 2021/22 financial year. • To note the 2020/21 Early Years funding position including the impact of Covid 19 funding arrangements.
Voting Requirements	
Appendices:	Appendix 1 – Consultation Document on the provider funding base rate for disadvantaged 2 year olds and 3 & 4 year olds
Report originator and contact details:	Sally Dunn, Head of Finance – Schools & Early Years sally.dunn@northyorks.gov.uk

Presenting officer:

Howard Emmett: Assistant Director, Strategic Resources

Howard.Emmett@northyorks.gov.uk

1.0 PURPOSE OF THE REPORT

1.1. This report considers the following areas:

- An update on the 2021/22 Early Years DSG Allocation and requests approval of the associated planned expenditure.
- Notification of a consultation currently being undertaken on the funding rates to be paid to early years' providers for the funded early education entitlement for disadvantaged 2 year olds and 3 & 4 year olds for the 2021/22 financial year
- An update on the latest position with regard to the supplementary funding provided for Maintained Nursery Schools.
- An update on the 2020/21 Early Years funding position including Covid 19 funding arrangements.

2.0 BACKGROUND

2.1 The Early Years National Funding Formula provides a local authority funding rate for three and four olds in North Yorkshire at the funding floor level of £4.38 per hour. This funding rate provides the calculation basis for the 2020/21 three and four year old Early Years DSG allocation. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years provision that are provided free at the point of delivery.

2.2 On the 17th December 2020, the DfE announced an increase in the early years' local authority funding rate for the 2021/22 financial year. The funding rate for three and four year olds in North Yorkshire will increase by 6p per hour from £4.38 per hour to £4.44 per hour. The level of funding for disadvantaged two year olds will also increase by 8p per hour from £5.28 per hour to £5.36 per hour. There is no increase in the level of the early years' pupil premium and the disability access funding.

2.3 The regulations accompanying the Early Years National Funding Formula restrict the level of three and four year old funding which can be retained for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is 5%.

2.4 In addition to the three and four year old funding, the Early Years DSG allocation also includes funding for disadvantaged two year olds, early years pupil premium, disability access funding and maintained nursery school supplementary funding.

2.5 The three and four year old funding rate paid to early years providers consists of a base funding rate and funding supplements. The provider base funding rate for 2020/21 is £4.09 per hour. Within North Yorkshire, funding supplements are paid for deprivation, which is a mandatory funding supplement, and sparsity.

3.0 CONSULTATION ON THE PROVIDER BASE FUNDING RATE FOR DISADVANTAGED TWO YEAR OLDS AND THREE & FOUR YEAR OLDS FOR THE 2021/22 FINANCIAL YEAR

3.1 Early years' providers within North Yorkshire are currently being consulted on the level of base rate funding for providers for the 2021/22 financial year. The proposed base rate funding levels are as follows:

Early Years Funding Update

	Proposed 2021/22 hourly base funding rate	<i>2021/22 proposed increase in hourly base funding rate</i>	<i>2020/21 hourly base funding rate</i>
Disadvantaged 2 Year Olds	£5.36	£0.08	£5.28
3 & 4 Year Olds Universal & Extended Entitlement	£4.15	£0.06	£4.09

No changes are proposed to the funding rates for the deprivation and sparsity funding supplements

3.2 The consultation is being undertaken over a 4-week period between the 13th January 2021 and 10th February 2021.

3.3 The views of the Schools Forum are requested on the proposed funding rate changes for the 2021/22 financial year.

4.0 2021/22 OTHER EARLY YEARS FUNDING ELEMENTS & LOCAL AUTHORITY EARLY YEARS DSG FUNDING ARRANGEMENTS

4.1 The funding levels received from the DfE for the other early years funding rates have remained unchanged for 2021/22. In this respect the 2021/22 rates for the other funding elements are as follows:

Funding Element	Funding Level
Early Years Pupil Premium	£0.53 / Per Hour (Universal Hours)
Disability Access Funding	£615 per annum per eligible child

4.2 The DfE have provided specific supplementary funding for maintained nursery schools to enable their 2016/17 funding levels related to the delivery of universal provision to continue to be maintained. This enables a higher level of funding to continue to be paid to maintained nursery schools during the period which the supplementary funding is in place. For the 2021/22 financial year, the DfE have stated that part of the supplementary funding allocations are published as indicative, and part is conditional. The allocations for April 2021 to August 2021 are indicative and will be updated on the same basis as the universal entitlements. However, the MNS supplementary funding allocations for September 2021 to March 2022 are conditional and may be subject to change. The DfE has advised that local authorities should treat the MNS supplementary funding allocation for this period as unconfirmed. The DfE have indicated that more information on funding arrangements in this period will follow. The Schools is asked to note this position.

Early Years Funding Update

- 4.3 The DfE have stated that they will fund local authorities on the basis of their January 2021 early years census for the spring term. However, the DfE have recognised that that the number of children attending childcare may not have returned to normal levels by the date of the January 2021 census, and it may not therefore represent the mid-year point in the normal way. Funding protection arrangements have been announced where, by exception, in a local authority where attendance is below 85% of the January 2020 census levels, and where the authority can provide evidence for increased attendance during the spring term, a top-up will be provided to the January 2021 census. The top-up would only fund the additional places taken-up after the January 2021 census week count and the total allocation for spring term will be limited to a cap equivalent to 85% of their January 2020 census.
- 4.4 The early years DSG funding allocations for the 2021 summer term are also driven by the January 2021 census count. The DfE have stated that it is their current intention to use the normal funding process of the January 2021 census count to drive funding allocations for the 2021 summer term. However, they indicate that, given current uncertainties related to the Covid pandemic, plans for funding local authorities for the 2021 summer term will be kept under review. Further DfE guidance is expected in the new year on the funding approach to be adopted for summer 2021.

5.0 2021/22 EARLY YEARS DSG ALLOCATION – PLANNED EXPENDITURE

- 5.1 A summary of the 2021/22 Early Years DSG allocation is detailed below:

	£'000
Funding Direct To Providers	
Universal entitlement 3&4 year old places (incl. Deprivation Funding Supplement, Sparsity Funding Supplement)	18,719
Extended entitlement 3&4 year old places (incl. Deprivation Funding Supplement, Sparsity Funding Supplement)	8,899
2 year old places	2,911
Early Years Pupil Premium	227
EY Disability Access Fund	105
Maintained Nursery Schools Transition	279
Sub Total	31,140
Centrally Managed Services – funded by 3&4 Year Old DSG Funding	1,415
Expenditure Funded by Early Years DSG	32,555
Early Years Centrally Managed Services	96
TOTAL EXPENDITURE	32,651
Funded By:	
2020-21 baseline	31,856
EYNFF Funding Rate Increase	432
Increased 3&4 year old universal entitlement	384

Early Years Funding Update

Increased 3&4 year old extended entitlement	437
2 year old places	-508
Early Years Pupil Premium	-37
EY Disability Access Fund	1
Maintained Nursery Schools (MNS) Transition – Reduction in the universal 3 & 4 year old funded hours delivered by MNS between January 2019 and January 2020	-10
Total Early Years DSG	32,555
Early Years Centrally Managed Services	96
TOTAL INCOME	32,651

The final figures in relation to the funding to Early Years Providers and the DSG allocation are subject to in-year adjustments to reflect actual hours delivered during the year.

The early years' provider funding rates for disadvantaged two year olds and three and four year olds for the 2021/22 financial year are subject to the outcome of the base funding rate consultation. The 2021/22 rates for the other funding elements are proposed to remain unchanged as follows:

Funding Element	Proposed Funding Level*
Early Years Pupil Premium	£0.53 / Per Hour (Universal Hours)
Disability Access Funding	£615 per annum per eligible child
Sparsity Funding Supplement Provision (applications required for this funding & eligibility criteria applied)	£50,000

*subject to approval from NYCC CYPS Executive Members

6.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

6.1 As stated above, the local authority is allowed to retain no more than 5% of the three and four year old Early Years DSG funding allocation for early years centrally managed service provision in 2021/22. As the funding allocation will vary dependent on demand for the provision of 3 and 4 year old funded childcare, the centrally managed service budget which can be retained is also subject to some fluctuation. For 2021/22, the level of expenditure for this service provision funded from the early years DSG will be £1.415m. Prior to the implementation of the Early Years National Funding Formula the funding allocation for these services was £2.17m; over recent years a budget saving of approx. £600k has been required in order to meet the 5% requirement. During this period some central expenditure on early years' service provision has come from local authority expenditure.

A breakdown of the centrally retained service provision planned expenditure is shown:

	2021/22
	£000's
Early Help	280.4
Early Years Sufficiency	76.8
School Improvement (includes Family Information Service)	317.3
Portage	279.0
Financial support (EY payments team, funding formula review etc)	192.0
Provider Email System	6.0
Operational Overheads	263
Total	1,414.5

7.0 2020/21 EARLY YEARS FUNDING POSITION INCLUDING COVID 19 FUNDING ARRANGEMENTS.

7.1 For the Autumn 2020 term the DfE requested Local Authorities to fund early years providers at broadly the levels they would have expected to see in the term had there been no Covid-19 outbreak. Within North Yorkshire, the following approach was adopted:

- a. Maintained nursery schools, schools and private, voluntary and independent sector providers:

The early years funding payment for the three & four year old universal and extended entitlement and the funded entitlement for vulnerable two year olds for the Autumn 2020 was based on the higher of the Autumn 2019 headcount or the Autumn 2020 headcount

- b. Childminders:

The early years funding payment for the three & four year old universal and extended entitlement and the funded entitlement for vulnerable two year olds for the Autumn 2020 was based on the actual Autumn 2020 headcount for childminders who are fully open for the Autumn 2020 term. In circumstances where the overall number of early years' (age 0 - 4) children which were in the care of a childminder was lower in Autumn 2020 compared to Autumn 2019 due to Covid-19 reasons, the higher of the Autumn 2019 headcount or the Autumn 2020 headcount for funded entitlement children was paid.

7.2 The guidance provided by the DfE on the 17th December 2020 stated that "local authorities should return to the normal funding approach (that is, 'funding following the child') for all providers from 1 January 2021". Subsequent guidance received from the DfE on the 7th January 2021 states:

"The government continues to prioritise the wellbeing and long-term futures of our young children. Early years provision should remain open and continue to allow all children to attend full time or their usual timetable hours. This includes early years registered nurseries and childminders, maintained nursery schools, as well as nursery classes in schools and other pre-reception provision on school sites. This is the default position for all areas irrespective of national lockdown restrictions. Only

Early Years Funding Update

vulnerable children and children of critical workers should attend on-site reception classes.”

- 7.3 In response to the latest DfE guidance, the LA confirmed to all early years providers the following funding arrangements for the Spring 2021 term:
- All early years’ providers, including school and academy based provision, are expected to reopen or remain fully open for all children.
 - If an early years’ provider decides to close for a reason not directly related to a public health incident in their setting, they will not be funded for the Spring 2021 term.
 - If an early years provider is temporarily closed for a public health reason, but is planning to fully reopen as soon as they are able to do so, funding will continue to be paid.
 - If an early years’ provider restricts their provision to only vulnerable children and children of critical workers, they will only receive funding for those children who are attending the provision. Funding will not be paid for children who would have normally attended the provision but are restricted by the provider from doing so.
 - If a provider is fully open, but children’s attendance is reduced due to parents choosing not to take up their child’s funded entitlement during the lockdown period, the provider will be able to claim funding for those children. Any children who are taking up their funded entitlement for the first time in Spring 2021 but are currently choosing not to attend the provision should be included on the January 2021 headcount submission where they are registered to attend your provision and you have a parental agreement in place for them.

The Local Authority funding arrangements will be kept under review and updated in response to any further announcements from the DfE.

- 7.4 A financial review will be undertaken with each of the three maintained nursery schools starting this term in order to determine the financial impact of the Covid-19 crisis on each individual establishment. Maintained nursery schools have suffered significant financial challenges as a result of the Covid pandemic with limited access to financial support mechanisms available to schools and private sector providers. If deemed appropriate, consideration will be given as to the provision of additional financial support to assist with the recovery of any budget deficits incurred as a result the Covid-19 restrictions.

8.0 RECOMMENDATIONS

- 8.1 The North Yorkshire Schools Forum is asked:
- i. To note the funding consultation currently being undertaken with early years’ providers with North Yorkshire. The views of the Schools Forum are requested on the proposed funding rate changes for the 2021/22 financial year.
 - ii. To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2021/22 financial year.
 - iii. To note the 2021/22 Early Years DSG allocation and to approve the associated planned expenditure.

Early Years Funding Update

- iv. To note the 2020/21 Early Years funding position including the impact of Covid 19 funding arrangements.

STUART CARLTON

Corporate Director – Children and Young People’s Service



NORTH YORKSHIRE COUNTY COUNCIL

EARLY YEARS FUNDING RATES

(Disadvantaged 2 year olds and 3 & 4 year olds)

A CONSULTATION PAPER

13 January 2021

Deadline for responses: 5pm

10th February 2021

- 1.0 Background and introduction**
- 2.0 Disadvantaged two year old proposed 2021/22 provider funding rate**
- 3.0 Three and four year old proposed 2021/22 provider funding rate**
- 4.0 Three and four year old funding supplements**
- 5.0 Consultation process**

1.0 Background and Introduction

- 1.1 On 17th December 2020 the Department for Education (DfE) confirmed that the early years funding rates used to distribute funding to local authorities will increase in North Yorkshire by 8p per hour for disadvantaged two year olds and by 6p per hour for three and four year olds.
- 1.2 The DfE have also confirmed that the national funding rate for the early years' pupil premium is 53p per eligible child per hour, and the Disability Access Fund is £615 per eligible child per year. Both of these rates are unchanged from 2020-21. Indicative funding allocations have been received for the Maintained Nursery Schools Supplementary Funding Grant for the period April to August 2021 and conditional allocations, which may be subject to change, have been received for the period September 2021 to March 2022.

2.0 Disadvantaged Two Year Old Proposed 2021/22 Provider Funding Rate

- 2.1 It is proposed to increase the disadvantaged two year old hourly funding rate paid to providers by 8p per hour from £5.28 to £5.36 for the 2021/22 financial year.

3.0 Three and Four Year Old Proposed 2021/22 Provider Funding Rate

- 3.1 In respect of the three and four year old funding rates, North Yorkshire will receive an increase in the local authority rate from £4.38 per hour to £4.44 from 1st April 2020. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years' provision that are provided by the Local Authority free at the point of delivery.
- 3.2 The regulations accompanying the Early Years National Funding Formula (EYNFF) restrict the level of the three and four year old funding rate which can be retained by the local authority for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is a maximum of 5%.
- 3.3 It is proposed to increase three and four year old universal and extended entitlement hourly funding rate paid to providers by 6p per hour from £4.09 to £4.15 for the 2021/22 financial year.

4.0 Three and Four Year Old Funding Supplements

- 4.1 The three and four year old funding rate paid to early years providers consists of a base funding rate hour and funding supplements. Within North Yorkshire the funding supplements are:
 - deprivation (mandatory funding supplement), and
 - sparsity (optional supplement)

4.2 Deprivation funding is paid at the end of each term, and is based on the hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

The deprivation funding rates for the 2021/22 financial year will be unchanged as follows:

Band	2021/22 Deprivation Hourly Funding Rate	IMD Score
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

4.3 Sparsity funding within North Yorkshire is used to support providers in areas where there is limited choice of early years provision, and for whom without sparsity funding they would struggle to remain viable. Providers must apply for the funding and meet the following criteria:-

- There is not a similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider within 3 miles
- Provider is projecting that they will be operating at a loss in the next 12 months
- Provider has less than 3 months operating costs within their reserves
- Funding is based on a financial assessment carried out by NYCC
- Maximum award £16k

An overall allocation of £50,000 will be available in the 2021/22 financial year to provide sparsity funding support.

5.0 Consultation Process

Providers are asked to complete the online survey at [link to be added](#) to tell us your views on the proposals for early years funding rates for the 2021/22 financial year detailed in sections 2 and 3 above. The survey will be open until 5.00pm on Wednesday, 10th February 2021.

The responses received to this consultation will be considered by the NYCC Executive Members for the Children & Young People’s Service in their decision making process in relation to early years’ funding rates for the 2021/22 financial year.