

Division(s): All

**CABINET MEMBER FOR EDUCATION & CULTURAL SERVICES
10 FEBRUARY 2021**

Formal Approval of Early Years Funding Formula 2021/22

Report by Director for Children's Services

Recommendation

The Cabinet Member for Education & Cultural Services is **RECOMMENDED** to: -

- a) **Pass the funding increase received by Oxfordshire onto providers in full and approve the 2021-22 Early Years funding formula for 3 and 4-year old provision with an underlying hourly rate of £4.18 (excluding the Deprivation supplement, SEN Inclusion Fund and Contingency).**
- b) **Pass the funding increase received by Oxfordshire onto providers in full and approve the 2021-22 Early Years funding formula for 2- year old provision at an hourly rate of £5.68.**

Executive Summary

1. The local authority is required to set a funding formula for 2- year old and for 3 and 4-year old provision. The 2021-22 formula proposed is in line with the Department for Education (DfE) national formula introduced in 2017-18.
2. The local authority is responsible for making the final decisions on the formula.
3. Schools Forum will be consulted on 4 February and the decision from that meeting will be presented to this meeting.

Introduction

4. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). This sets out the hourly funding rates that each Local Authority (LA) is paid to deliver the universal and additional entitlements for 3 and 4-year olds. There is a separate formula which sets out the hourly funding rates for 2-year-olds. The DfE published the Early Years Entitlements: local authority funding for providers (the Operational Guide) in December 2020 and this sets out the overall framework and expectations on Local Authorities regarding the EYNFF for 2021-22.

5. The rate of hourly funding received from the DfE to deliver all elements of the formula for 3- and 4-year olds has increased by 6p to £4.53 per hour. The funding received for 2-year olds has increased by 8p to £5.68.

The Early Years Funding Formula

6. The DfE published the updated EYNFF Operational Guide (December 2020), which sets the overall framework and expectations on local authorities regarding the EYNFF.
7. Following consultation with all Early Years providers, an Oxfordshire Early Years Funding formula for 2017-18 was set and the proposed 2021-22 formula follows these principles.
8. The key elements of the formula, meeting DfE requirements, are:
 - a. The formula relates to both the universal 15-hour entitlement for all 3 and four-year-olds and the additional 15 hours for 3 and 4-year-olds of eligible working parents (the 30-hour childcare policy).
 - b. A minimum amount of funding to be passed through to providers –The pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level is 95%.
 - c. A local universal base rate for all types of provider – Local Authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider. The underlying base rate (excluding the mandatory Deprivation Supplement, SEN Inclusion Fund allocations and Contingency) was set by Oxfordshire at £4.12 in 2020-21 and is proposed at £4.18 in 2021-22.
 - d. A mandatory supplement for Deprivation. LAs have the freedom to choose the appropriate metric for allocating deprivation funding. Following earlier consultation, the method for allocating deprivation funding was agreed as an enhancement on top of the Early Years Pupil Premium (EYPP). The EYPP rate is 53p per hour and the deprivation supplement was set at 47p per hour, giving a total of £1 per hour for 15 hours of attendance. (The 47p supplement also applies to additional hours, although EYPP can only be paid on the universal 15 hours).
 - e. A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all three and four-year olds with SEN who are taking up free entitlements. This is to target funding at 3 and 4year olds with lower level or emerging SEN.
 - f. A contingency fund of £260,000. LAs may hold back a percentage of their allocation in a contingency fund. This is to reduce the risks associated with potential overallocation of funding should actual participation rates throughout the year be higher than those funded at the snapshot points of the January censuses. The January censuses determine the funding

to the LA and the final position on funding for 2021-22 will not be announced by the DfE until July 2022, after the end of the 2021-22 financial year.

Funding levels for 2021-22 are more uncertain than in previous years as the January census has taken place during lockdown when fewer children are attending provisions. The census allows for adjustments to compensate lower attendance but until the count is finalised, there remains considerable uncertainty over the level of funding.

Where the contingency funding is not required to meet actual participation levels, there is the opportunity to consider reallocating this funding back to providers at a later date. If any overallocation exceeds the level of the contingency, any DSG overspend would need to be recouped in future years which could potentially necessitate a future reduction and turbulence to the provider rate. Consequently, a prudent approach to maintaining a level of contingency is required in order to reduce the risk of turbulence of funding to providers.

9. Additional funding streams for eligible 3 and 4- year olds are as follows:
 - a. The disability access fund (DAF) – The DAF was introduced in April 2017 to support disabled children’s access to the entitlements for 3- and 4-year olds. Three- and four-year olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. LAs must fund all types of setting providing a place for DAF-eligible children at an annual rate of £615 per eligible child.
 - b. Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, where their family meets specified criteria/ they are being looked after by a LA or have left care through specified orders. As indicated above, the national rate is 53p per hour per eligible pupil up to a maximum of 570 hours (£302.10 per year). The Operational Guide indicates that in the “Where a child is also eligible for the additional 15 hours for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year”. The rate remains the same for 2021-22.
 - c. Supplementary funding for maintained nursery schools (MNS). The stated aim of the DfE was to enable local authorities to protect their 2016-17 funding rates for MNS (that is, the rates that existed before the EYNFF). For 2021-22, part of the supplementary funding allocations is published as indicative, and part as “conditional”.

Changes for 2021-22

10. The main change from the 2020-21 financial year (as outlined in the Operational Guide 2021-22) relates to Maintained Nursery Schools (MNS) Supplementary Funding. This has been used to protect at 2016-17 funding rates for the universal 15-hour entitlement. However, for 2021 to 2022, part of the supplementary

funding allocations is published as indicative, and part as “conditional”. The allocations for April 2021 to August 2021 are indicative and will be updated on the same basis as the universal entitlements, and that is the only adjustment that will be made to these figures. However, the MNS supplementary funding allocations for September 2021 to March 2022 are “conditional”: they may be subject to change and local authorities have been instructed to treat them as unconfirmed. The indicative allocations and the conditional allocations have been published as separate figures.

Proposed Universal Funding Rate for 2021-22

11. The Local Authority is proposing to pass on the full increase in the funding received and will therefore increase the 3 and 4- year old universal funding rate by 6p to £4.18 per hour and the 2- year old rate by 8p to £5.68

Financial and Staff Implications

12. The report deals with the funding formula for Early Years for 2021-22. The proposed formula for 3 and 4- year olds has been modelled in line with the initial allocation published by the DfE. The key risk remains the level of take-up of hours. Final DSG funding allocations will be based on data from two census dates – 5/12ths on January 2021 and 7/12ths on January 2022 censuses. The funding will not be confirmed until July 2022. There is risk that actual participation varies from these snapshot funding dates.
13. Each year, there is uncertainty around the take-up of the number of hours. If the contingency is exceeded, the overspend will be carried forward and funded from 2022-23 Early Years DSG.

Equalities Implications

14. Where the local authority continues to have discretion in funding decisions made, priority will be given to the needs of vulnerable pupils and the Council’s aims of raising attainment, narrowing the attainment gap and safeguarding children.

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