

Oxfordshire County Council
Schools Forum – 4 February 2021
Early Years Funding Formula 2021-22

Settings		Sector	
Academies	✓	Foundation Stage	✓
Maintained Schools	✓	Primary	✓
PVI Nurseries	✓	Secondary	✓
Special Schools		Special	
Local Authority	✓	16+	
Schools Forum	✓	High Needs	✓

1. Item for Consultation and Decision

2. Purpose of Report

- 2.1 The purpose of this report is to update Schools Forum on the proposed funding arrangements for early years for 2021-22.
- 2.2 The Early Years Entitlements Operational Guide 2021-22 states that Schools Forums must be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February 2021, although the final decision rests with the local authority. The structure of the local formula for Oxfordshire reflects the 2021-22 requirements of the Operational Guide.

3. Recommendations

- 3.1 School Forum is asked to:
- a) Comment on the Early Years Funding Formula for 3 and 4-year olds for Oxfordshire for 2021-22, including agreeing the Early Years centrally retained funding.
 - b) Note the funding rate for two-year olds and the provisional published Dedicated Schools Grant (DSG) figures for Early Years Pupil Premium, Disability Access Fund and Maintained Nursery Schools Supplementary Funding.

4. Background and overview

- 4.1 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 LAs regarding the EYNFF for 2021-22.

4.2 The key elements of the 3 and 4-year olds formula are as follows:

- 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. No further supplements have been used, thereby maximising the base rate to providers.
- f. A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all 3 and 4-year olds with SEN who are taking up free entitlements. This is to target funding at children with lower level or emerging SEN.
- g. A contingency fund.

4.3 Additional funding streams for eligible three- and four-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. 3 and 4-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. (If a child receiving DAF moves setting, the new setting is not eligible to receive DAF funding until a year after the initial payment and DAF funding will not be recouped from the original setting). Funding is based on Work and Pensions (DWP) data on DLA (adjusted for children in reception). Any funding not directly allocated can therefore be used by the LA “on services in line with the principles and aims of DAF”.

- b. Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support disadvantaged three and four-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 “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). Further details, and changes for 2021-22, are outlined below.

5. Changes for 2021-22

- 5.1 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.
- 5.2 The EYNFF hourly funding rate that Oxfordshire receives from the DfE to deliver all elements of the formula for 3 and 4-year olds has increased by 6p from £4.47 to £4.53.
- 5.3 The EYNFF hourly rate that Oxfordshire receives from the DfE for 2-year olds has increased by 8p from £5.60 to £5.68.

- 5.4 No other changes are proposed to the Early Years Funding Formula other than passing on rate increases to providers.

6. Early Years Block Funding for Oxfordshire

- 6.1 The DfE published figures for the initial 2021-22 Early Years allocations on 17 December 2020. These will be updated later in 2021, using data from the January 2021 censuses. Final funding allocations to the LA for 2021-22 will be based on 5/12th of January 2021 child numbers and 7/12th of the January 2022 child numbers. Final allocations will not therefore be known until July 2022 – after the end of the 2021-22 financial year. This means that there is considerable uncertainty regarding the final level of funding for 2021-22, as in previous years. However, there is added uncertainty because of the impacts of the pandemic on the census data for January 2021.
- 6.2 The total allocation (universal and additional eligible working parents' entitlement) published on 17 December 2020 for Oxfordshire is £35.4m for 7.8 million hours, at an hourly rate of £4.53. This is inclusive of amounts for central services, supplements (mandatory deprivation supplement only for Oxfordshire), the Contingency and the SEN Inclusion Fund delegated funding.
- 6.3 The figures published on 17 December 2020 also included an initial allocation of £243,363 for Early Years Pupil Premium and £143,910 for the Disability Access Fund. The indicative funding for 2-year olds was published as £2.98m at an hourly rate of £5.68.

7. Centrally Retained Funding

- 7.1 The EYNFF Operational Guidance outlines the percentage pass-through funding to providers that LAs are required to meet and thereby the level of funding for centrally retained funding. For 2020-21 the rate is 95%, meaning that 5% can be retained to be spent centrally on early years.
- 7.2 The operational guidance says that the “5%” could include the following:
- centrally retained funding (for central services or services in-kind, including specialist SEND services)
 - transfer of any funding to 2-year olds
 - any extra hours that local authorities choose to fund in addition to the government entitlement hours for 3- and 4-year olds
 - any funding movement out of the early years block

The table below summarises the retained services functions and further detail is included in the supporting report at Annex 1.

	RETAINED SERVICES		Staffing	Other	FTE
Service Area	Description	£	£	£	£
Quality Improvement	Early years advisor team including interventions around literacy, school readiness.	1,191,358	844,384	346,974	13.1
Managing the Early Years scheme	including information to providers, helping providers claim maximum entitlements, checking entitlement, making the payments	231,594	225,652	5,941	6.1
Access & sufficiency	Contribution to Information service for parents and to employees who work on new provision	108,845	108,845	-	1.4
EYSENIT team	Specialist support to the SEN Inclusion Fund	101,003	101,003		2.0
	Total	1,632,800	1,279,884	352,916	22.6

7.3 The centrally retained spend is £1.6m which equates to a passthrough rate of 95.39%. This expenditure has to flex to remain within the 95% limit, depending on actual funding. The pass-through rate will be monitored in terms of future updates to DSG funding and further refinement to meet the compliance requirements of the DfE. The DfE have provided details of how compliance is to be checked. Data will be collected from LAs as part of the returns to the DfE known as Section 251 (s251) returns.

8. Early Years Funding Formula for 2021-22

8.1 It is proposed that the rate increases for both 2-year olds (8p per hour) and 3 and 4-year olds (6p per hour) are passed on in full to providers. The proposed allocations are summarised in the table below, which reconciles to the provisional Early Years DSG Block figures published on 17 December 2020.

Summary of Early Years provisional funding 2021-22	£	%
3 and 4-Year Olds:		
Hourly funding - Universal and additional	32,666,471	
Deprivation supplement funding	200,000	
SEN Inclusion Fund	640,000	
Contingency	262,293	
Total 3 and 4-Year olds DSG to providers	33,768,764	95.39%
Retained	1,632,938	4.61%
Total 3 and 4-Year Olds DSG	35,401,702	100.00%
2-Year Olds DSG - all to providers	2,984,971	100.00%
Early Years Pupil Premium	243,363	
Disability Access Fund (DAF)	143,910	
MNS Supplementary Funding	502,549	
Total Early Years Provisional DSG Block 2021-22	39,276,495	

9. Equivalent average rate to providers

- 9.1 The pass-through requirement for 3 and 4-year old funding is that the equivalent average rate to providers must be equal to or greater than 95% of the EYNFF hourly rate published by the DfE (£4.53 for Oxfordshire). This therefore needs to be at least £4.30 (£4.53 x 95%). This requirement has been met, with an equivalent average rate to providers of £4.32 (£4.18 plus averaged allocations for the Deprivation supplement, SEN Inclusion funding and Contingency).
- 9.2 When the Deprivation supplement funding, SEN Inclusion funding and Contingency funding is deducted, the underlying provider base rate is £4.18 up from £4.12 in the current year (and this in the form more familiar to providers when comparing with prior year rates).

10. Risks and uncertainties

- 10.1 There are significant risks in setting the EYNFF for 2021-22 due to the funding being set on census data at January 2021 (as yet unknown) and January 2022 data. There is therefore a risk that DSG funding and payments will not match. Final funding allocations will not be known until July 2022 – after the end of the 2021-22 financial year. The level of risk for 2021-22 is, however, increased further, compared to previous years, because of the impact of the pandemic on the January 2021 censuses. Specific census guidance was released by the DfE, recognising that attendance will be lower than previous years. The revised Early Years Census guidance indicates that “where a child is reasonably expected to attend Early Years provision, and that provision is made available to them by the provider, their expected hours should be recorded in the Early Years Census”. This gives some parity of approach to the Schools Census. There is also specific instruction regarding closed settings, and this too will have an impact on funding, as well as where a child moves to another setting where their usual setting is not available. Early Years and Data Analysis (census) team colleagues will need to liaise regarding verification of allowable hours and maximalisation of related funding.
- 10.2 Registrations are also affected by parental concern regarding the pandemic. The DfE have said that where attendance is below 85% of the previous January 2020 census levels, and where evidence is provided for increased attendance during the spring term, they will provide a top-up to the January 2021 census. The top-up would only fund the additional places taken-up after the January 2021 census week count and would be limited to a cap equivalent to 85% of the January 2020 census. There remains great uncertainty on the impact on funding for 2021-22. The DSG funding is currently wholly based on January 2020 census data, the next update will be based wholly on January 2021 census data (with a potential decrease in funding), final funding will be based on 5/12ths of January 2021 census data and

7/12ths of January 2022 census data, but this will not be published until July 2022, after the end of the 2021-22 financial year. There are therefore very significant risks and uncertainties.

- 10.3 The levels of actual take up throughout the financial year, compared to the snapshot January censuses for funding, affects the final outcomes. This can also impact on the pass-through calculation and the Retained funding amount.
- 10.4 The Contingency fund is held in response to these risks. In previous years, the contingency has been reviewed and, on occasions, reduced in order to support increases in the provider rate where there has been no rate increase from the DfE. For 2021-22, with increases from the DfE proposed to be fully passed on to providers, it is proposed that the contingency is retained at £262k - because of significant risks, including uncertainty regarding the impact of the pandemic on the January 2021 censuses, and therefore funding.
- 10.5 The majority of funding is allocated out on an hourly basis so is proportional to take up, on a participation model. In contrast elements of the formula are fixed, such as the SEN Inclusion Fund and Deprivation supplement, and these do not therefore move proportionally to take up. If take up for the SEN Inclusion Fund and the Deprivation supplement are lower or higher than the fixed funding, this can affect the pass-through rate achieved. Demand in the current year is high for both of these elements and the contingency in 2021-22 may also be required to help offset these pressures if they continue in 2021-22.

11. Maintained Nursery Schools (MNS) Supplementary Funding

- 11.1 A figure of £502,549 was published for MNS Supplementary funding on 17 December 2020. As this is a specific amount, outside of the universal rate calculation, it does not impact on the universal rate. This is payable only on Universal hours, not on extended hours and has been used to protect 2016-17 funding rates for the universal 15-hour entitlement
- 11.2 As indicated in Section 5 above, for 2021-2022, 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: £209,395 indicative allocation (April to August 2021 5/12ths) and £293,154 conditional allocation (September 2021 to March 2022 7/12ths).

12. Two-Year-Old Funding

It is proposed that the rate for 2-year-olds is increased in line with the 8p per hour increase in funding, from £5.60 in 2020-21 to £5.68 in 2021-22 and is allocated to providers in full. For 2-year-old funding, there is no mandatory pass through rate as the DfE expects LAs to continue with existing practice of high pass-through to providers. There are no supplements for providers and no requirement to establish a SEN Inclusion Fund (SENI). Risks and uncertainties relating to 3 and 4-year old funding, as outlined above, also apply to 2-year old funding.

13. Financial and Staff Implications - centrally and for providers

This paper already deals with the financial implications of the EYFF and other Early Years DSG funding streams for 2021-22, so no further comment is made.

14. Equal Opportunities Implications and Impact on Equality Groups

Where the LA continues to have discretion in funding decisions, it will continue to give priority to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

15. Conclusions

This paper updates and consults with Schools Forum on the proposed funding arrangements for early years for 2021-22.

16. Contact Details of Lead Officer/Author

If you have any queries or comments in advance of the Schools Forum meeting about this report, please contact:

Name: Margaret Whitaker, Senior Financial Adviser (Schools)

Telephone Number: 07393 001263

Email Address: margaret.whitaker@oxfordshire.gov.uk

Name: Sarah Fogden, Finance Business Partner, Children's Services

Telephone Number: 07557 082613

Email Address: sarah.fogden@oxfordshire.gov.uk

Annex 1 - Early Years Funding Formula 2021-22 - Retained funding

1. Introduction

1.1 At the School Forum Schools & High Needs Sub-committee, the committee requested further detail when the Early Years retained funding was presented to School Forum as part of the Early Years Funding Formula.

This report updates the information presented in June to include the requested break down in costs and fte.

It updates the detailed data presented on training, interventions, contacts and outcomes etc, since the last report in June.

2. Centrally Retained Funding

2.1 The main report sets out the statutory context.

2.2 The operational guidance says that the “5%” could include the following:

- centrally retained funding (for central services or services in-kind, including specialist SEND services)
- transfer of any funding to 2-year olds
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EYSEMIT team	Specialist support to the SEN Inclusion Fund	101,003	101,003		2.0
	Total	1,632,800	1,279,884	352,916	22.6

3. Early Years Centrally Retained expenditure and Outcomes

3.1 Quality Improvement

A full explanation of the statutory functions of this team is included in the embedded report (referred to as Annex A).



Annex A Statutory
Early Years functions

3.2 Managing the Early Years Scheme

Most of the expenditure in this area is spent on the salaries to run the funded entitlements. At busy times of the year this staffing complement is supplemented by staff paid by Local Authority budgets, in order to have the capacity to run the headcount processes and make the payments in a timely way.

Information on funded entitlements is at:

<https://www.oxfordshire.gov.uk/residents/children-education-and-families/early-years-education/free-education-3-4-year>

Included within this spend is a £43,000 contribution to the Family Information Service and £5,000 is set aside for rurality. This is primarily for rural settings where the intake is fewer than 8 children in any term, to ensure longer term sustainability in areas where the council continues to need the places. This funding is paid on an application basis.

3.3 EYSENIT Team

A contribution to the Early Years SEN Inclusion team who support access to the Early Years SEN Inclusion Fund.