

D EARLY YEARS FUNDING PROPOSALS FOR 2020/21

Key issues

In 2020/21 no changes are proposed to the key principles of Surrey's approach to early years funding. We will continue to pass through 95% of DfE funding to providers with 5% of funds centrally retained.

We are proposing an increase in the inclusion fund, and some other changes to the distribution of the funding which are outlined below. These proposed changes will support Early Intervention in line with the Graduated Response Programme which was launched September in 2019. We are also proposing increases in basic funding rates in proportion to the increase in DfE funding rates.

Background

DfE funds Surrey for the free entitlement for three and four year olds at an hourly rate and funds Surrey for disadvantaged two year olds at a separate, and higher, hourly rate.

In the government's spending review, £66m was allocated nationally in 2020/21 to increase the hourly rate paid to Early Years providers through the government's free entitlement offers. We are proposing to increase basic hourly rates, the hourly deprivation supplement and other elements by the same % as the increase in the hourly rate received by Surrey. We do not yet know what that increase will be.

The National Funding Formula for Early Years was introduced in April 2017 in anticipation of the launch of Extended Entitlement in September 2017. Initially, to mitigate risk around predicted eligibility and take-up, Surrey allocated a high level of contingency. Now that we have 2 full years of data we have established that the termly average take-up (on which Surrey must fund providers) is consistently lower than the average of January take-up (on which the DfE funds Surrey), leading to an in-year underspend. We estimate that this difference allows up to £2m pa to be redirected within existing budgets in 2020/21 and later years.

In 2020/21 we are proposing to increase the Inclusion Fund by £2m, in order to facilitate early identification and intervention, with targeted support for disadvantaged children, to enable children to achieve their potential and to minimise the need for more extensive interventions throughout their educational pathway to independent adulthood. The funding will be distributed via both Inclusion Funding and Discretionary Funding.

The funding will be drawn down via extended criteria and application process and will be available to all settings delivering funded entitlement for 3 and 4 year olds. This would include maintained, academies, private, voluntary and independent. The additional funding will be directed to support children who are at risk of not reaching their full potential due to disadvantage.

Proposed Headline Principles for Early Years Funding distribution

- Increase the basic hourly rate for 3-4 year olds (currently £4.65) by the same % as the increase in DfE funding rates (yet to be advised)
- Increase the two year olds basic rate of £5.88 per hour in line with DfE funding rate, retaining the 100% pass through for two year old funding
- Increase Inclusion Fund significantly to approximately £3.4m
- Continue to deliver a deprivation supplement with funding criteria linked to Early Years Pupil Premium criteria, taken together with the Early Years Pupil Premium rate of 53p per hour this generates an uplift of at least £3.30 per hour for the benefit of disadvantaged children
- Maintain contingency funding at current level
- Continue with current approach to Maintained Nursery Schools Transitional Grant – subject to government announcements
- Maintain centrally retained funds at 5% of funding for 3-4 year olds to meet all the costs of support and administration to deliver funded entitlement for 2, 3 & 4 year olds and to support a sufficiency of provision and on-going provision of 2 year old Inclusion Fund
- increase the contribution for free school meals for eligible children aged 2, 3 & 4 years attending a full day at Surrey state maintained provision from £1.66 to £2.35 to bring into line with actual cost. (This would cost approximately £6,000 and would come from centrally retained funds for two year olds and from the budget identified for deprivation for 3-4 year olds and would address a very visible anomaly and source of complaints. Provision of free school meals is a statutory responsibility for state maintained providers only.)

Inclusion Fund

The proposal to significantly increase the contribution to the Inclusion Fund is intended to create the opportunity for Early Years providers to target support at those children who would most benefit from early identification and intervention. The funding will be used to enable interventions at a time in the children's development when they are likely to have maximum impact on reducing the gap between these children and their peers so that they have the best chance of a successful transition into school. These interventions are being piloted this year 2019/20.

The key areas of focus will be:

- Early communication and closing the word gap
- Emotional resilience
- Supported transitions

These programmes will be in addition to existing funding which will continue to support children with special educational needs and disabilities to access the Early Years Foundation Stage. There is an expectation that all Early Years costs will be funded from the Early Years Block.

Maintained nursery school transitional grant

We are proposing to maintain the current principles for the use of the maintained nursery school transitional grant in 2020/21

- Use first to fund business rates and split site funding in maintained nursery schools
- Distribute the remainder equally among the four maintained nursery schools

It should be noted that the maintained nursery school transitional grant could be more, or less, in 2020/21 than in 2019/20.

SEN resources in maintained nursery schools and nursery classes

We are not proposing any changes to the funding of SEN resource places, they will continue to attract place funding at £9,145 per fte and hourly rate funding at the normal rate. Universal funding for resource places will continue to be funded from the Early Years budget. This may be extended to all specialist maintained nursery provision – subject to impact analysis.

Centrally retained funds

We propose to continue to retain 5% of the funding for three and four year olds in order to meet statutory duties in administering and distributing the funding, ensuring that there are sufficient places for eligible two, three and four year olds and providing a range of support to individual providers (see appendix 10).

Questions

E1. Do you support an increase of £2m in the inclusion fund, to increase targeted support for early intervention and vulnerable children?

E2. Do you agree that the hourly rates in the early years funding formula for both 2 and 3&4 year olds should increase by the same percentage as the funding rates paid by the DfE to Surrey to allow resources to be concentrated on supporting vulnerable children, as above?

E3. Do you support the continued provision of an Inclusion Fund for 2 years olds?

E4. Do you support the continued retention of 5% of funding for 3&4 years olds for 2020/21 for use as described above and in appendix 10?

E5. Do you have any other comments on the funding proposals in this paper?

ADDITIONAL INFORMATION TO SUPPORT THE PROPOSALS FOR CHANGES TO EARLY YEARS FUNDING

Breakdown comparison of distribution 2019/20 and proposed 2020/21 allocations for 3-4 year olds

Based on 23,281 3 & 4 year olds census 2019		
	2019/20	2020/21
Base rate	61,920,100	61,920,100
Less estimated underspend reallocated		-2,000,000
Contingency	648,940	648,940
Deprivation	1,562,190	1,562,190
Inclusion	1,429,700	3,429,700
Central retention	3,416,770	3,416,770
	68,977,700	68,977,700
Transitional grant for maintained nursery schools*	954,000	TBA
Disability Access Fund (DAF)*	213,000	TBA
Early Years Pupil Premium*	254,000	TBA
Total	70,398,700	

**restricted funds for specific purposes*

Purposes for which centrally retained early years funds are used

The following teams work together to support Early Years provision across all sectors including maintained, private, voluntary, independent sectors to promote quality and improve outcomes for children in Surrey

Educational Effectiveness Team

Provides support and advice to settings in relation to quality of early education and childcare, Ofsted and statutory requirements, with a focus on settings at requires improvement or inadequate, as well as providing targeted support around work with vulnerable groups.

Special Educational Needs and Disability Team

Provides support and advice to settings in relation to support for children with SEND, with a particular focus on inclusion, quality and early identification of need. Access to Inclusion and discretionary funding.

Family Resilience & Early Years Commissioning Team

Meeting the Council's statutory duties to ensure a sufficiency of places for funded 2, 3 & 4 year olds across Surrey. Monitoring and delivering sufficiency; providing support, advice and to promote business sustainability; and individual commissioning of provision for the most disadvantaged families. Delivering census, compliance with DfE statutory guidance and requirements.

Funded Early Education Team

Managing the funded entitlement by advising providers, processing, administrating and making payments, including support for the FEE portal. Delivering census.

In addition to funding teams as described above centrally retained funds are used for;

- 2 year old Inclusion Fund – for short term intervention to enable eligible children to access their funded entitlement
- Sufficiency and Sustainability Fund – Grant funding to create new provision and to support sustainability in areas of identified need
- Maintenance and development of Provider Portal and Parent Portal