

## **D EARLY YEARS FUNDING PROPOSALS FOR 2021/22**

### **Key Issues**

In 2021/22 no changes are proposed to the key principles of Surrey's approach to early years funding. We expect to pass through 95% of DfE funding for 3-4 year olds to providers as funding following individual children, with 5% of funding centrally retained, and to continue to pass 100% of funding for 2 year olds to providers.

Following a review of recent years' outturn, we are proposing an increase of between 5p and 8p in the hourly rate funding for 3-4 year olds, over and above any increase funded by the DfE.

### **Background**

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

In 2020/21 DfE increased hourly early years funding rates to Surrey by 8p/hour (1.5% for 3-4 year olds and 1.3% for 2 year olds) and Surrey increased provider funding rates (including deprivation) by the same percentage. We do not expect to know what increase, if any, DfE will provide in 2021/22 until the autumn, but we propose, once again, to increase the basic hourly rates to providers and the hourly deprivation supplement and other elements by the same percentage as any increase in the hourly rate received by Surrey from DfE.

As we have gained more experience of take-up of the extended entitlement, we have been able to reduce the level of funding held for unexpected changes in demand during the year. In planning for 2020/21, we identified a continuing underspend in the budget for 3-4 year olds and took the opportunity to significantly increase the Inclusion Fund by £2m. This enabled us to target funding to children with SEND and to the most disadvantaged children in order to facilitate early identification and implement effective interventions. This supports our focus on closing the attainment gap and driving up quality of provision in the most disadvantaged areas. We propose to maintain the inclusion fund at this increased level in 2021/22.

### **D1 Basic hourly rates**

Following a review of 2019/20 outturn we have identified scope to reallocate a further £1.0m within the current budget (or 1.7% of budget). We are proposing to use this to increase the hourly rate funding for 3-4 year olds. This would support an increase in hourly rate of up to 8p. The actual increase would be determined in January. Part of the £1.0m is available due to take up of deprivation funding being

below budget. Increased take up of the funded entitlement by disadvantaged groups is a priority and a combination of greater promotion of funded entitlement to disadvantaged groups, a focus on encouraging settings and schools to draw down all the funding they are entitled to and the impact of COVID 19 may mean an increase in demand for deprivation funding. This would need to take priority over delivering the whole of the 8p increase proposed above, if our objectives of greater inclusion and closing the attainment gap remain paramount.

We propose this increase in the hourly rate in preference to an additional increase to the Inclusion Fund as there was such a significant increase in the inclusion fund in 2020/21, the impact of which has not been fully evaluated due to the lack of time and the COVID-19 pandemic interrupting provision delivery. In addition we are acutely aware of the sustainability issues affecting the sector and believe the increase in the base rate would go some way to ameliorate this. The basic hourly rate must be the same for all categories of providers (ie both maintained and PVI), except where a difference is justified by the costs of different statutory requirements.

We propose to maintain hourly rate funding for deprivation at present levels and to increase the funding rate for free meals provision in line with DfE assumptions for schools.

The proposals above assume that there will be no significant reduction in the maintained nursery schools transitional grant (which currently averages £0.2m per maintained nursery school and which is currently guaranteed only to July 2021). Should there be a significant reduction in this grant, it may be necessary to provide some local transitional funding, which would mean a reduction in the proposed hourly rate increase above. We will aim to consult separately on this later if the grant is reduced.

Annex 10 provides an overview of the current and proposed budgets for 3-4 year olds.

## **D2 Inclusion Fund**

Early intervention funding (EIF) replaced Inclusion Funding and Discretionary Funding as of April 2020 for Early Years and is a supplement of the Early Years Funded Entitlement for 2, 3 and 4 year olds. EIF can only be awarded for Early Years Funded Entitlement hours. Any setting, school or childminder who is registered to deliver Early Years Funded Entitlement can apply for funding to support children with SEND. This funding is awarded by the Early Years Governance Panel which is made up of multi-disciplinary professionals with specialist knowledge of Early Years and interventions. Focus for interventions include closing the attainment gap, supporting emotional resilience, addressing childhood trauma and supported transition. There is built in monitoring and evaluation within the funding process and data collected will be carefully and regularly monitored to ensure the funding is effective. We expect to see an

improvement in the number of children achieving a Good Level of Development at the Early Years Foundation Stage, especially in the groups identified as disadvantaged. (See Annex 10)

### **D3 Maintained nursery school transitional grant**

We propose to distribute this grant in 2021/22 using the same principles as in 2020/21;

- Use first to fund business rates at actual cost (excluding income generating space) and split site funding in maintained nursery schools on the current basis;
- Distribute the remainder equally among the four maintained nursery schools.

It should be noted that, even if it continues beyond July 2021, the maintained nursery school transitional grant could be less in 2021/22 than in 2020/21.

### **D4 SEN resource places in maintained nursery schools and nursery classes**

We are not proposing any changes to the funding of SEN resource places in 2021/22 ie they will continue to attract place funding at £9,145 per fte and hourly rate funding at the normal rate. Hourly rate funding for Universal hours and for DfE funded extended hours in resource places will continue to be funded from the Early Years budget.

### **D5 Early Years Specialist Places**

We are proposing that from September 2021 all Early Years specialist places including Resource places and nursery places in Special Schools are offered at 15 hours per week term time only. Currently, although the majority are offered at 15 hours (86%), which is the entitlement for all children, some places are offered at 25 hours and others at 30 hours, for children not entitled to 30 hours under DfE criteria for working families. This proposal seeks to create a fair and equitable offer for all children who require access to Early Years specialist provision and would mitigate the risk of challenge. Current funding arrangements will continue (i.e. places will continue to be funded pro rata to £9,145 per 25 hr place), and there will be an opportunity to consider whether additional 15 hour places might be created if required. No children currently attending will have their hours reduced. Dorking and Chertsey Nursery Schools will need to carry out HR consultation with staff as there would be an impact on contractual arrangements.

### **D6 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 annex 10). It should be noted that a significant part of this funding is distributed to individual providers. We are not proposing to transfer any of this funding out of the early years block.

**D7 Proposed Headlines: Principles for Early Years Funding distribution**

- Increase the basic hourly rate for 3-4 year olds (currently £4.72) by the same % as any increase in DfE funding rates, plus up to an additional 8p;
- Increase the two year olds basic rate of £5.96 per hour in line with any increase in DfE funding rate, retaining the 100% pass through for two year old funding;
- Maintain the current level of the inclusion fund;
- Continue to deliver a deprivation supplement with funding criteria linked to Early Years Pupil Premium criteria, and increase it in line with any percentage increase in DfE hourly rates. Taken together with the Early Years Pupil Premium rate of 53p per hour this generates an uplift of at least £3.34 per hour for the benefit of disadvantaged children;
- Continue with current approach to Maintained Nursery Schools Transitional Grant – subject to government announcements and to possible transitional protection if it is withdrawn or reduced by government;
- 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 funding rate for free school meals for eligible children aged 2, 3 & 4 years attending a full day of funded entitlement at Surrey state maintained provision to £2.44 (in line with DfE assumptions on meal costs).

**Assessment of impact of proposals on protected groups under the Equalities Act**

The funding proposals are for an increase in the funding rate to all children (including deprivation supplement) and increasing takeup among disadvantaged and hard to reach groups is a specific priority. As such, while the funding rate changes should be neutral in impact the overall impact on priority groups is expected to be positive.

**Consultation questions 21-29**

**Question 21**

Do you agree that the hourly rates in the early years funding formula for 3-4 year olds (both basic and deprivation) should increase by the same percentage as the funding rates paid by DfE to Surrey? YES/NO/NO VIEWS

**Question 22**

Do you agree that the hourly rates in the early years funding formula for 2 year olds should increase by the same percentage as the funding rates paid by DfE to Surrey? YES/NO/NO VIEWS

**Question 23**

Do you agree that the basic hourly rate should then increase by a further 8p/hr, subject to affordability? YES/NO/NO VIEWS

**Question 24**

Do you agree that the inclusion fund for 3-4 year olds should be maintained at the same level in 2021/22 as in 2020/21? YES/NO/NO VIEWS

**Question 25**

Do you support the continued provision of an Inclusion Fund for 2 year olds? YES/NO/NO VIEWS

**Question 26**

Do you support the continued retention of 5% of funding for 3-4 year olds for 2021/22 for use as described in annex 10? YES/NO/NO VIEWS

**Question 27**

Do you support the proposal to offer all Early Years specialist places at 15 hours per week for 38 weeks per year in line with entitlement? YES/NO/NO VIEWS

**Question 28**

Do you support the proposed changes to the funding rate for free meals provision for entitled pupils in state maintained schools? YES/NO/NO VIEWS

**Question 29**

Do you have any other comments on the early years funding proposals in this paper?

## Annex Early Years Funding

The table shows a breakdown comparison of distribution of funding for 3-4 year olds 2020/21 and proposed 2021/22

<b>Based on 14,246 fte 3 &amp; 4 year olds census Jan 2020</b>		
	<b>2020/21 £000s</b>	<b>2021/22* £000s</b>
Base rate	62,625	62,625**
Deprivation	1,572	1,572**
Inclusion	3,429	3,429
Central retention	3,559	3,559
Total from DFE hourly rate funding	71,185	71,185
Transitional grant for maintained nursery schools***	786	TBA
Disability Access Fund***	243	TBA
Early Years Pupil Premium***	278	TBA
Total	72,494	TBA

*\*based on 2020/21 DFE hourly rates*

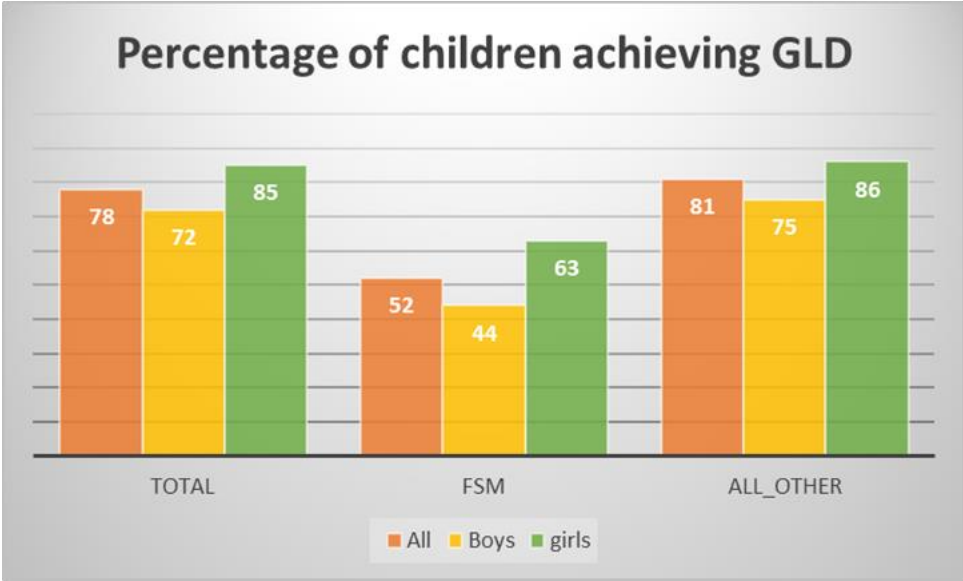
*\*\*plus a transfer of up to 300k from deprivation to base rate if incidence of deprivation remains at current levels*

*\*\*\*restricted funds for specific purposes. Funding will be as allocated by DfE*

*Note : estimates for both years are based on estimated Jan 2020 school and early years census data.*

*The impact of the proposed changes is that Surrey estimates that it will fund fewer hours, but at a higher rate (because in previous years the number of hours has been overestimated). The number of hours funded to providers by Surrey is not the same as the number funded to Surrey by the DfE.*

**Surrey children reaching a Good Level of Development (GLD) under the early years foundation stage profile 2019**



## **Purposes for which centrally retained early years funds are used**

The following teams work together to support Early Years provision across all sectors including state 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. This year there is an additional focus on transition as part of the COVID-19 recovery programme.

**Graduated Response Early Years 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.

**Early Years Commissioning & Team Family Resilience** - 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. Brokerage of places for vulnerable children and children identified as disadvantaged and those eligible for FEET funding.

**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 the following.

**2 year old Inclusion Fund** –enable eligible children with low and emerging to access their funded entitlement.

**Sufficiency Fund** – Grant funding to create new provision and to support sustainability in areas of identified need.

**Provider Portal and Parent Portal** - Maintenance and development

**Early years Census** – statutory requirement and method used by DfE to calculate budget

**Communications and publicity** – promotional activities to support FEET, 30 hours, Early Intervention Fund, EYPP, Deprivation and DAF uptake.



**Early Years Phase Council Budget – To meet expenses as necessary.**

Note: the cost of processing funding and census data for three and four year olds in state maintained providers is met from the centrally managed Schools Budget (and census data in part from the central services levy). The number of early years pupils does not feature in the calculation of either.

**Breakdown of Centrally Retained Funds**

Breakdown of Centrally Retained Funds	
Sufficiency Fund	£200,000
Early Intervention Fund	£280,000
Inclusion 2 year olds	£200,000
Census	£10,000
Communications	£10,000
Portal Maintenance	£50,000
Contingency	£66,927
Staffing	£2,658,712
<b>Total</b>	<b>£3,475,639</b>

Teams Funded and Partially Funded
Educational Effectiveness
Early Help
Partnership with Parents (SSIASS)
CSF Performance Improvement Team
Early Years Commissioning
Funded entitlement finance Team
Education Safeguarding

