

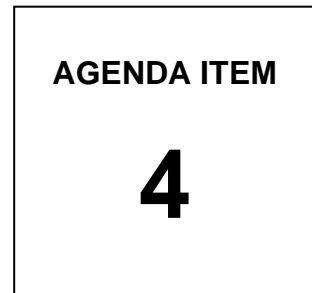
**HERTFORDSHIRE COUNTY COUNCIL  
SCHOOLS FORUM**

**25 FEBRUARY 2020**

**EARLY YEARS BUDGET 2020-21**

*Report of the Director of Children's Services*

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**1. Purpose**

1.1 To seek the support of the Forum for the 2020-21 early years budget.

**2. Summary**

2.1 This report provides an update on the early years budget proposals for 2020-21, including an increase in the unit funding rates in early years budget shares and changes in central early years budgets.

**3. Recommendations**

3.1 The Forum is asked to

- i) support the early years budget proposals set out in this paper,
- ii) support the increase in the unit funding rates for early years set out in annex A.
- iii) agree the central early years budgets for 2020-21 set out in annex C.

**4. Background**

4.1 Previous reports to Forum have outlined that it is intended to set the early years budget in 2020-21 at the level of the early years DSG block, plus £360k use of carry forward to fund the early years transition project. The DfE has increased the unit funding rates in the early years DSG by approximately 1.5% for 3 and 4 year olds and 1.4% for 2 year olds (equating to 8p per hour in each case). This is, however, less than estimated inflation of approximately 2.8%.

4.2 Early years central budgets for 2020-21 were outlined to the Forum at its November meeting. However, there were several outstanding issues which are considered in this paper.

**5. Central Budgets**

5.1 Further consideration has been given to several of the early years' central budgets.

5.2 School Improvement

There are currently two school improvement budgets within early years:

Quality Improvement (relating to PVI providers):	£664k
HfL nursery class/school improvement:	£250k

The £250k forms part of the budget for the main Herts for Learning (HfL) contract, combined with resources from de-delegation and the central services budget. Both budgets support contractual commitments with HfL.

The question has been raised as to whether the level of funding for each sector remains appropriate, in particular in relation to limitations in the level of support offered to some schools.

Given the contractual commitments in place it is not proposed to amend these budgets at this point, pending further discussions with HfL and stakeholders, other than adding a 2% inflation uplift which has been agreed for the overall HfL contract.

5.3 SEN budgets

5.3.1 SEN Emerging needs budget

Following changes to simplify the application process in 2019-20 the existing budget of £200k is overspending. It is intended to introduce additional cross referencing with the SEN team in assessing claims but, to reflect demand, it is intended to increase the budget for the emerging needs fund in 2020-21 to £300k.

5.3.2 SEN Support

The current SEN support budgets are as follows:

Primary and Maintained Nursery Schools SEND support	£700k
PVI SEND support	£560k

All primary schools with nursery classes and maintained nursery schools receive funding for children with SEND. The funding is allocated according to the same funding formula used to distribute deprivation funding. In contrast PVI providers are not allocated a cash allocation but receive SEN support from Inclusion Development Workers and other staff based in the EY SEN team within ISL.

The relative balance of resources between sectors, resulting from these arrangements, has been raised, given that approximately 60% of early years pupils are in PVI providers and 40% in schools.

However, it is not intended to amend the current budgets for 2020-21 for the following reasons:

- The Authority does not want to reduce the SEND funding allocated to schools in 2020-21 with little notice,
- ISL is currently undertaking a restructuring of its teams (including their roles) and it is appropriate that this should be concluded before assessing whether extra resource is necessary,
- Further work needs to be done on the relative balance of SEND needs between schools and PVI providers, as a split of resources based on pupil numbers alone would be too superficial.

### 5.3.3 SEND Development Fund

This budget of £600k is intended to fund improvements in provision or new initiatives. Several proposals are under development including early years specialist provision. However, it is considered unlikely that the entire budget will be required in 2020-21. It is therefore intended to reduce the budget by £200k in 2020-21 to provide the extra £100k for the emerging needs fund and an additional £100k for managing free early education (below)

### 5.4 Managing free early education and childcare

The majority of the cost of managing the early years' free places scheme is funded from the early years block central budget. The remainder is met from the HCC budget. It is proposed to charge a further £100k of this cost to the central early years budget (as well as increasing the current budget by 2% for inflation).

The resource freed up in the HCC budget would be used to provide funding of £100k for school family workers (to enhance the £891k allocation from the central services block budget).

### 5.5 Ludwick Enrichment Group

A separate paper on this agenda outlines proposals to re-target this budget to cover all maintained nursery schools. The budget would be increased by 2% for inflation.

### 5.7 Early Years Transition Project

The Forum has previously supported funding this project from carry forward DSG and it is included in the list of central early years budgets to be agreed.

### 5.6 Limit on central expenditure

Annex C gives details of the early years central budgets that the Forum is asked to agree for 2020-21. The DfE limits the amount that local authorities are able to centrally retain to 5% of the DSG allocation for 3 and 4 year olds. The 2020-21 central budget headings which relate to the DfE limit on central budgets are indicated in annex C and total £3.016m. However, it is only the element relating to 3 and 4 year olds that counts against the limit. The split of the central budgets between 3 and 4 year olds and 2 year olds is as follows:

## Central budgets

3 and 4 year olds	£2.818m
2 year olds	£0.198m
Total	£3.016m

The 3 and 4 year olds share of £2.818m equates to approximately 3.5% of the estimated 2020-21 DSG for 3 and 4 year olds (excluding nursery schools transitional funding). Thus the central budgets proposed are less than the DfE limit of 5%. Annex B gives further details of the overall early years budget.

5.7 The Forum is asked to agree the 2020-21 central budgets set out in Annex C.

## 6. Early Years Funding Formula

### 6.1 Increase in funding rates

As outlined above, the hourly funding rates in the early years DSG have increased by 8p per hour. It is intended to pass on this increase to providers with an 8p increase in the base rates per hour for 3 and 4 year olds and 2 year olds and an equivalent proportional uplift in the funding rates for the deprivation supplement and the SEN funding allocated to nursery classes and schools.

### 6.2 Nursery schools' protection

6.2.1 Under the Early Years National Funding Formula (EYNFF) local authorities are restricted in the number and type of supplements they can include in their early years funding formula. Authorities are also required to use the same base rate to fund all types of settings. Maintained nursery schools across the country have historically been funded at a higher level than other settings due to the particular requirements on them, for example the need for a headteacher. As a result, the DfE has made nursery schools an exception to the general requirements of the EYNFF and it is expected that local authorities will protect them at the funding levels they received in 2016-17, the year before the introduction of the EYNFF. There are two aspects to this protection:

1) Specific nursery school funding factors.

These comprise lump sums, a rates factor and an allocation for London fringe to schools in the London fringe area.

2) A supplement to the base rate

Nursery schools currently receive a 4p per hour supplement to the base rate, to increase it from the current £5.10 payable to other settings to the £5.14 level which was paid to nursery schools in 2016-17.

6.2.2 The DfE provides an additional amount of DSG to fund nursery schools' protection. Since the introduction of the EYNFF in 2017-18, this has been calculated as the difference between nursery schools funding levels per pupil

in 2016-17 and the funding per pupil provided through the early years DSG for 3 and 4 year olds.

Although the funding per pupil in the early years DSG will increase in 2020-21 (reducing the gap between the DSG level and nursery schools' historic costs), the DfE has announced that the nursery schools' protection funding will continue at its 2019-20 rate per pupil. This suggests that the DfE's expectation is that the level of protection funding for nursery schools should be maintained in 2020-21.

- 6.2.3 Therefore, it is proposed that the specific factors within the nursery school protection funding (lump sums, rates and London fringe) would remain unchanged in 2020-21 and continue to be based on the funding arrangements in place in 2016-17. The supplement to the base rate for nursery schools would continue at its 2019-20 level of 4p per hour.

### 6.3 IDACI data

Deprivation and SEN funding in early years budget shares is based on data from the Income Deprivation Affecting Children Index (IDACI). New IDACI data has recently been published. However, the DfE is not using this new data for primary and secondary school funding for 2020-21, in order to give time to review the effect of any changes. The DfE is continuing to use the existing data from 2015.

It is intended to adopt the same approach with early years budget shares and continue to use the 2015 IDACI data to calculate 2020-21 budget shares.

### 6.4 2020-21 early years funding rates

Annex A sets out the proposed funding rates for the 2020-21 early years budget shares and also shows the 2019-20 funding rates. The Forum is asked to support the increase to the early years funding rates shown in the annex.

- 6.5 In addition to funding from the budget share, early years settings are also eligible to receive allocations from the Early Years Pupil Premium and the Authority's SEN Inclusion Fund, where applicable.

## 7. **Conclusion**

- 7.1 Annex B sets out the 2020-21 early years budget. The total early years DSG shown is taken from the DfE's funding announcement in December. There will be an adjustment to the 2020-21 early years DSG when the allocation is redetermined in the Summer, based on the January 2020 census. The 2020-21 budget will be adjusted at that point, to reflect the change in DSG.

- 7.2 Proposals are being developed for specialist nurseries and support for providers for children with SEN. Consideration will be given to making budget provision for these initiatives in due course, when further information is available.

- 7.3 The Forum is asked to agree the recommendations in section 3 of this paper.

Formula factors in early years budget shares	2019-20 Unit funding rates	2020-21 Unit funding rates	Change
<b><u>3 and 4 year olds</u></b>			
<b>Base rate</b>	£5,10 per hour	£5,18 per hour	1.57% increase
<b>Deprivation supplement</b>			
Allocation based on children's IDACI scores	£255.30 per IDACI score of 1	£259.30 per IDACI score of 1	1.57% increase
Additional allocation to settings with higher IDACI scores	£892.28 per IDACI score of 1	£906.28 per IDACI score of 1	1.57% increase
Allocation per looked after child (LAC)	£1,333.20 per LAC	£1,354.11 per LAC	1.57% increase
<b>Protection for nursery schools</b>			
Supplement to base rate	£0.04 per hour	£0.04 per hour	No change
London fringe allocation (where applicable)	£0.09 per hour	£0.09 per hour	No change
Lump Sum	£88,703 per school	£88,703 per school	No change
Small School Lump Sum	£6,019 per eligible school	£6,019 per eligible school	No change
Rates	Estimated actual	Estimated actual	
<b>Special Education Needs (Nursery schools and classes only)</b>	£404.13 per IDACI score of 1	£410.47 per IDACI score of 1	1.57% increase
<b><u>2 year olds</u></b>			
<b>Base rate</b>	£5.35 per hour	£5.43 per hour	1.50% increase

## Notes on early years formula factors

### A.1 3 and 4 year olds

#### A.1.1 Base rate

This is paid to all settings based on the number of children at the setting and their hours of attendance (up to the permitted maximum). The same rate applies to both the universal entitlement and the additional entitlement (up to 30 hours) for children of working parents.

#### A.1.2 Deprivation Supplement

Authorities are required by the DfE to have a deprivation supplement in their early years funding formula. Hertfordshire's deprivation funding is largely based on data from the Government's Income Deprivation Affecting Children Index (IDACI). Each locality is assigned an IDACI score. Children are matched to their home locality using their post codes and attract funding based on the IDACI score of their home area.

Settings where the average IDACI score is above 17% attract additional funding for the difference between their IDACI score and 17%.

In addition, there is an allocation per looked after child.

#### **A.1.3 Nursery Schools protection funding**

Nursery schools are protected at the levels of funding they received in 2016-17 – before the introduction by the DfE of the EYNFF.

#### **A.1.4 SEN Funding**

An allocation for SEN, based like deprivation funding on IDACI scores, is paid to nursery classes and nursery schools. SEN support for PVI settings is provided through a different route. PVI settings are supported by Hertfordshire's early years SEN team and this support is funded from the early years central budget.

#### **A.2 2 year olds**

A base rate of funding per hour is paid to settings with eligible 2 year olds.

### Early Years Budget 2020-21

<u>Estimated DSG</u>	£m
Universal entitlement for 3 and 4 year olds	60.165
Nursery schools protection funding	1.769
Additional hours for 3 and 4 year olds 2 year olds	21.478
Early Years Pupil Premium	7.126
Early Years Disability Access Fund	0.691
	0.253
<b>Total</b>	<b>91.482</b>
Use of DSG carry forward	0.360
<b>Total including carry forward</b>	<b>91.842</b>

### Budgeted expenditure

#### a) Allocated to settings

Budget shares for 2, 3 and 4 year olds	86.626
SEN Inclusion Fund	
Emerging needs fund	0.300
SENCO support	0.200
SLC support in maintained nursery schools	0.056
Primary and Maintained Nursery Schools SEND support	0.700
Early Years Pupil Premium	0.691
Early Years Disability Access Fund	0.253

b) Central budgets (including SEND development fund and PVI SEND support)	3.016
<b>Total</b>	<b>91.842</b>



## Early years block centrally retained budgets

		<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>Budget part of 5% limit on central retention</b>
1. Quality improvement	HfL commissioned to deliver quality improvement	£664,000	£678,000	Yes
2. Business support	Bespoke business support commissioned for all EY providers	£50,000	£25,000	Yes
3. Full time places	Additional 15 hours of education for vulnerable children	£25,000	£25,000	Yes
4. Managing free early education and childcare schemes	To ensure the LA is able to manage and develop the entitlements	£503,000	£613,000	Yes
5. Early Years Sufficiency	Start-up revenue funding for new provision in identified areas of need	£80,000	£80,000	Yes
6. HfL nursery class/school improvement	Previously agreed by Forum	£250,000	£255,000	Yes
7. IT Infrastructure	To develop and maintain the bespoke payment and progress system required for EY entitlements	£20,000	£20,000	Yes
8. Early Years Transition Project	To support the transition between early years and reception	£360,000	£360,000	Yes
<b>SEN Inclusion Fund</b>				

		<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>Budget part of 5% limit on central retention</b>
<b>Central support</b>				
9. SEND development fund	To be used as a result of SEND transformation	£600,000	£400,000	Yes
10. PVI SEND support	Setting support delivered by ISL	£560,000	£560,000	Yes
Sub total		£3,112,000	£3,016,000	
<b>Allocated to settings</b>				
11. Emerging needs fund	To fund settings for individual children with lower level or emerging needs	£200,000	£300,000	No
11. SENCo Support	Supporting all settings who require a SENCo by law	£200,000	£200,000	No
12. Speech, language and communication support in maintained nursery schools	See separate paper	£55,000	£56,000	No
13. Primary and maintained Nursery SEN support	Each schools receive funding based on funding formula	£700,000	£700,000	No
Total		£4,267,000	£4,272,000	

## Details of centrally retained funding

c.1 Quality Improvement **£678k**

To continue to commission HfL to support PVI providers and childminders to offer high quality education and childcare in Hertfordshire. HfL deliver a programme of interventions based on progress data obtained termly by HCC from settings. They also offer an extensive series of training opportunities.

c.2 Business support **£25k**

Bespoke business support is offered to all early education providers including maintained schools. The budget was reduced in 2019-20 without a significant drop in effectiveness and is being reduced further in 2020-21.

c.3 Full time places scheme **£25k**

To continue to fund emergency childcare for the most vulnerable three- and four-year olds already accessing free early education. The scheme enables professionals to work with parents whilst their child is in good quality childcare. The scheme has seen a significant drop in applications which is being addressed by promoting the scheme to EY providers.

c.4 Managing free early education and childcare schemes **£613k**

To administer and manage the free early education and childcare schemes for two three- and four-year olds. This is a resource heavy activity. The LA is responsible for managing the early years market to ensure that all families regardless of income or situation are able to access a high-quality place. This is paramount to the closing the attainment gap work which is currently being undertaken.

c.5 Early Years Sufficiency **£80k**

The LA has a statutory duty to ensure there is sufficient early education and childcare places for those parents who wish to use them. Where current provision is insufficient to meet parent demand, there is a need to support existing and new providers to create additional places.

c.6 HfL nursery class/school improvement **£255k**

Previously agreed at forum

c.7 I.T Infrastructure **£20k**

The early years portal has been developed and improved over the past five years and now offers a level of specialism which is unique to Hertfordshire. Improvements over the coming year will enable all EY's providers to provide progress data on individual children which will support the work to close the attainment gap.

c.8 Early Years Transition Project **£360k**

The project is supporting closing the gap in the transition from early years provision to reception.

c.9 SEND Development Fund **£400k**

This funding will be used to implement the improvements identified from the Early Years SEND workstream currently underway.

c.10 PVI SEND support **£560k**

PVI providers receive SEN support from Inclusion Development Workers based in the EY SEN team within ISL.

c.11 Emerging Needs Fund **£300k**

All LA's are required to have an inclusion fund for lower level needs to support children accessing free early education and childcare, children who do not meet the threshold to receive exceptional needs funding. This funding was reviewed by the EY SEND workstream and as a result the application process was simplified, resulting in a significant improvement in allocation and a need to increase the fund by £100k.

c.12 SENCo Support **£200k**

In recognition of the additional cost faced by providers who by law have to have access to a SENCo, each provider will receive £250.

c.13 Speech Language and communication support in maintained nursery school **£56k**

This is covered by a separate paper on this agenda.

c.14 Primary and Maintained Nursery Schools SEND support **£700k**

All primary schools with nursery classes and maintained nursery schools receive funding for children with SEND. The funding is allocated according to the same funding formula used to distribute deprivation funding.