

2.2 – Annex D Early Years Block Funding 2021/22

Sonia Hattle – Senior Finance Business Partner
01908 253524
Sonia.Hattle@milton-keynes.gov.uk

1 Purpose

- 1.1 To advise the Schools Forum of the Early Years (EY) block funding for the financial year 2021/22.

2 Recommendations

- 2.1 To **note** the final Early Years central expenditure budget for 2021/22, as agreed at the [10 December 2020](#) schools forum meeting.
- 2.2 To **note** the remainder of the Early Years budget for 2021/22.

3 Early Years Provision – 2, 3 and 4 Year Olds

- 3.1 Since its introduction in April 2017, the Early Years National Funding Formula (EYNFF) has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for 3 and 4 year olds.
- 3.2 There had not been funding increases in 2018/19 and 2019/20 but there was a small increase in the 2020/21 funding rates of £0.08 per hour for 2, 3 and 4 year olds. For 2021/22 there is a further funding rate increase of £0.08 per hour for 2 year olds and £0.06 per hour for 3 and 4 year olds. The LA hourly funding rate is shown in the following table:

Table 1: LA Funding Rates

Hourly Funding Rates	2020/21 £	2021/22 £	Change £
Funding 2 Year Olds	5.80	5.88	0.08
Funding 3 & 4 Year Olds (Universal)	5.32	5.38	0.06
Funding 3 & 4 Year Olds (Extended)	5.32	5.38	0.06

- 3.3 Local authorities with Maintained Nursery Schools (MNS) continue to receive supplementary funding in 2021/22. This funding is provided in order to enable local authorities to protect their 2016/17 funding rates for MNS (that is, the rates that existed before the EYNFF) and the Government expects it to be used this way. The MNS 2021/22 allocations use the part time equivalent (PTE) pupil counts from the January 2020 school census for maintained nursery schools. The total allocation for 2021/22 is provisionally £0.117m (£0.127m was the original 2020/21 allocation, before being revised for a decrease in take up). There is no indication of funding beyond 2021/22.
- 3.4 The EY Pupil Premium (EYPP) gives providers additional funding to support disadvantaged 3 and 4 year old pupils. The pupil premium budget for 3 and 4 year olds in 2021/22 is £0.096m. This is payable at a rate of £0.53 per hour per eligible children up to a maximum of 570 hours per year. The calculation is based on the January 2020 census and these indicative allocations will be reviewed in spring 2021.
- 3.5 The Disability Access Fund (DAF) was introduced in April 2017 to support disabled children's access to the entitlements for 3 and 4 year olds. This will continue in 2021/22 and the initial allocation is £0.067m. Providers will receive £615 per eligible child per year, but this must be claimed and is not paid out automatically.
- 3.6 The block allocation is usually based on the actual numbers of children participating on the January count days apportioned across the two academic years (5/12 and 7/12 respectively). However, it has been confirmed by the DfE that the 2020/21 funding allocation will be based on the January 2020 census, due to the pandemic. For 2021/22 the DfE recognise that attendance may not be fully back to normal for all areas at the January 2021 census, and it may not represent the mid-year attendance in the normal way. Therefore the DfE announced in December that by exception, in a local authority where attendance is below 85% of their January 2020 census levels, and where that local authority can provide evidence of increased attendance during the spring term, they will provide a top-up to the January 2021 census. The top-up, which would be made on a case-by-case basis, would only fund the additional places taken up after the January 2021 census week count and the total allocation for spring term will be limited to a cap equivalent to 85% of the January 2020 census level. This is intended to give LA's additional financial confidence to pay providers for an increase in attendance later in the term. Further guidance for local authorities will be provided in the new year, setting out the details of how the top-up will be applied and the evidence required from local authorities to receive the top-up. However, it must be noted that this announcement was made before England entered into this latest lockdown and therefore we await further guidance from the DfE whether this remains their intention or if there will be any changes to the basis of the 2021/22 funding allocation. The DfE will also be following up early in the new year on their plans for summer term funding.
- 3.7 The budget for the EY Inclusion Fund will be £0.270m; a decrease of £0.040m from 2020/21, due to the pressure on the EY block there will be a £0.040m contribution from the high needs block. The 2020/21 funding is paid to settings based on an

hourly rate of £12.28 per hour and this rate will remain unchanged for 2021/22. This rate is in line with the rate now paid for mainstream top ups.

- 3.8 The provisional allocations (as outlined in the DfE settlement) will be used for the purpose of setting the 2021/22 budget. Whilst changes in take up will affect the income budget, reductions in the expenditure budget would then be expected. The table below shows the budget breakdown for early years:

Table 2: Early Years Budget

Early Years Budget	Budget	Forecast	Budget
	2020/21	2020/21	2021/22
	£m	£m	£m
3 & 4 Year Old Entitlement	18.368	18.032	18.699
2 Year Old Entitlement	2.151	2.225	2.181
Nursery Supplementary Funding	0.127	0.127	0.117
Pupil Premium	0.096	0.096	0.096
Disability Access Fund	0.061	0.061	0.067
Inclusion Fund	0.230	0.230	0.230
Central Expenditure	0.618	0.618	0.514
Total Expenditure	21.651	21.389	21.904

4 Central Expenditure

- 4.1 The total central funding request for 2021/22 is £0.514m (2020/21 was £0.618m) for funding to cover the administration of the funding, quality and improvement (including training for providers), early intervention, access to early years education and supporting inclusion and ensuring children are school ready. For 2021/22, there is a net reduction of £0.104m. This funding request was agreed at the [10 December 2020](#) (item 2.6):

Early Years Central Budget	2020/21	2021/22	Change
	£m	£m	£m
Core Staffing	0.498	0.401	-0.097
Supplementary Requests:			
Additional inclusion and intervention worker	0.035	0.000	-0.035
Speech and language therapy contract	0.000	0.023	0.023
Early Years Assistant/Participation Officer	0.030	0.033	0.003
Early Years Quality Improvement Practitioners	0.010	0.012	0.002
Marketing, communications and professional engagement	0.045	0.045	0.000
Total Central Budget	0.618	0.514	-0.104

- 4.2 Holding some of the funding centrally will also mean that the impact of any reductions in take up (and therefore reducing income) can first be achieved by reducing central budgets as opposed to increasing provider rates but then needing to decrease them at a later date. This is a particular risk given the volatility of take up on the block.

- 4.3 Local authorities are required to pass-through 95% of their 3 and 4 year old funding plus inclusion grant to early years providers. The pass-through rate for 2021/22 is 97.36% (2020/21 96.78%).

5 Provider Rates

- 5.1 For 2 year olds the rate will be paid at £5.34 per hour, an increase of £0.04 per hour from the 2020/21 rate. The same rate will be payable to all provider types.
- 5.2 For 3 and 4 year olds the rate will be paid at £4.71 per hour, an increase of £0.03 per hour from the 2020/21 rate. The same rate will be payable to all provider types.
- 5.3 The above increase represents 50% of the funding increases that the DfE are giving to LA's. The remaining 50% will be held back to manage the volatility within the block as a result of lower January census numbers on which funding is based. It is expected that take up will increase later in 2021 but we may not receive the funding to fully cover that and future funding of the early years block is unknown however the DfE have confirmed that they will protect LA's by applying a top up but only to the value of 85%.
- 5.4 We will look to review these rates in June 2021 following further clarification from the DfE on EY funding and the basis of the calculations. At this point in time we do not know whether there will be a pressure within either of the blocks for Spring 2021. Future funding of the EY block remains uncertain and whilst we are expecting a surplus in 2020/21 of £0.427m this represents only 2% of the DSG allocation. The EY block remains very volatile and Covid impacts this further. The funding allocation is usually based on January census numbers however it is expected that settings will not see their 'normal' level of children attending as a result of Covid. We await further guidance from the DfE on whether the 2021/22 funding allocation will be calculated using a different basis.
- 5.5 Under the 3 and 4 year old funding formula a deprivation allowance will continue to apply. The funding rate will be in addition to the main provider hourly rate and will be tiered dependant on the provider's level of deprivation:
- 80% or more pupils are from a deprived postcode £0.72 per hour
 - 60% or more pupils (but less than 80%) £0.56 per hour
 - 40% or more pupils (but less than 60%) £0.42 per hour