

**Ealing Council Consultation on Early Years Funding Arrangements for  
2021-2022**

The purpose of this consultation is to seek the views, comments and where applicable, preferred options from key partners and stakeholders on arrangements of the Early Years funding arrangements for 2021-22.

Please provide feedback to us via the consultation response form attached to this document.

All responses must be in writing and submitted to; [TalwarR@ealing.gov.uk](mailto:TalwarR@ealing.gov.uk)

Or responses can be submitted via the online survey below;

<https://www.surveymonkey.co.uk/r/consultationonproposedfundingarrangements2021-22>

The consultation will close on **Friday 16<sup>th</sup> October 2020**.

**Timeline for the consultation and implementation of the new funding formula**

The proposed timetable is:

<b>Date</b>	<b>Action</b>
25 <sup>th</sup> September 2020	Consultation exercise commences
16 <sup>th</sup> October 2020	Consultation closes
November 2020	Report to School Forum

**1. Background information**

All children in England and Wales are entitled to 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up in a maintained school, nursery or in a private, voluntary or independent sector (PVI) early years setting or with a childminder.

The government extended the free entitlement to nursery childcare from 15 to 30 hours a week for working parents in September 2017. The aim was to reduce the cost of childcare for working families and break down the barriers to work, so that parents who want to return to work or work more hours can do so.

The early years block element, within the Dedicated Schools Grant (DSG) funds the universal provision for all 3 and 4-year-old children and the early years provision for disadvantaged 2-year-old children. Funding is also currently used to support the costs of under 5-year-old Children in Need places in order to meet the council's statutory duty in this area.

## 2. National Funding Formula Guidance

- LAs are required to allocate 95% of funding to providers since 2018/19.
- The government requires LAs to set up Inclusion Funds, to support children with additional needs.
- The formula requires using a single base rate for all providers regardless of sector.
- The formula may have a fixed number of supplements in addition to the required deprivation factor. There is a cap on all these supplements of 10% of the total allocated to providers.
- Maintained nursery schools are financially protected under the national proposals, in order to minimise disruption. To support this, the government has been providing supplementary funding for maintained nursery schools, we are awaiting updates on whether this will continue. This will be outside of the main early years' formula allocation.

## 3. Proposed funding formula for 2021/22

Ealing recognises the current difficult climate that many of our early years providers have faced over the last six months with the current worldwide pandemic of Covid-19. We recognise the importance of continuing to offer a stable funding rate and continue with high levels of inclusion support at a time that has been most testing for our provisions. In order to continue with this, we are proposing to keep funding arrangements stable at the current levels as in the previous year, with further views being taken around supplements in the formula.

The below table outlines the hourly funding rates for the Local Funding Formula 2020-21 and proposed rates for 2021-22;

<b>Early Years Funding Formula Factor</b>	<b>All Nursery Providers</b>	<b>All Nursery Providers</b>
	<b>2020-21</b>	<b>2021-22</b>
<b>Base Rate</b> <ul style="list-style-type: none"><li>• Universal 15 hours</li></ul>	90% of funding <b>£4.63</b>	90% of funding <b>£4.63</b>
<b>Deprivation (mandatory)</b>	5% of supplement funding <b>£0.26</b>	5% of supplement funding <b>£0.26</b>
<b>Quality</b>	5% of supplement funding <b>£0.26</b>	5% of supplement funding <b>£0.26</b>

**Question: Is 10% the correct amount that should be allocated via supplements?**

- **Deprivation** –reflecting the higher costs of providing quality early education for children from backgrounds of socio-economic disadvantage. This is the only mandatory supplement factor in the local formulae. This currently holds a 5% weighting of the 10% of funding allocated for supplements. The funding is allocated based on the 25% most deprived postcodes of the children attending provision as at the previous year's January census using the 'income deprivation affecting children index' dataset (IDACI)

**Question: Is 5% (0.26 per hour £148.20 per year) the correct amount to be funded via the mandatory deprivation supplement?**

- **Quality** –recognising the higher costs associated with employing staff with Qualified Teacher Status or Early Years Practitioners Status. This currently holds a 5% weighting of the 10% of funding allocated for supplements. The funding is allocated based on teaching in a provision being led by a qualified teacher or an early years practitioner.

**Question: Is 5% (up to 0.26per hour £148.20 per year) the correct amount to be funded via the quality supplement?**

- **Efficiency** –Encouragement of providers to exploit the considerable scope for efficiencies, to improve the sustainability of businesses and ensure childcare is provided at good value to parents and the taxpayer.
- **Flexibility** – Encouragement of provision of a 'stretched offer' including holiday care, 'wraparound' to extend the day or 'out of hours' provision.

**Question: Should Ealing consider reducing the value of the Deprivation and Quality supplement and include Efficiency and Flexibility into our formula?**

#### **4. Children with special educational needs**

Local authorities are required to have **SEN Inclusion Funds** to provide additional top up funding to providers to improve outcomes for children with special educational needs.

In order to establish a SEN inclusion fund, Ealing combine funding from the early years block and high needs block of the DSG.

Ealing manage funding of £3.539m for the provision of approximately 314 places and central high needs services across the early years and high needs blocks of the DSG and as such existing costs apply to the inclusion fund. The value of the fund must take into account the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children and has created additional funding of £0.5m for children with emerging and less complex needs.

It is proposed to continue with an allocation of 9% or £2.1m of the provider pass through to an inclusion fund with around 50% of the cost of early years high needs being funded by the early years block and 50% from the central early years and high needs block combined.

Ealing's Inclusion Fund is set out as below;

Description	Draft Budget 2021/22	Funding streams:		
		Inclusion Fund Early Years Block	Early Years Centrally Retained	High Needs Block
Speech and Language Places	210,000	210,000	-	-
Central Services for Children with High Needs	320,000	0	320,000	-
Specialist Nursery Places	2,359,052	1,000,000	-	1,359,052
Children in Need Support	650,000	290,000	-	360,000
Early Start Inclusion support to mainstream providers	500,000	500,000	-	-
<b>Total Early Years High Needs</b>	<b>4,039,052</b>	<b>2,000,000</b>	<b>320,000</b>	<b>1,719,052</b>
Increase in Fund for additional eligible 15 hours at 7/12ths	239,108	118,398	-	101,766
<b>Total Funding forecast 2021/22</b>	<b>4,278,160</b>	<b>2,118,398</b>	<b>320,000</b>	<b>1,820,818</b>

**Question: Do you support the proposal to continue with the current arrangements of the Early Years Inclusion Funding? If you do not support the arrangement what changes do you suggest.**

## 5. Central Spend

Under guidance of the National Funding Formula, authorities can retain up to 5% of funding to support central services. For 2021/22 Ealing propose to continue to keep this at the full 5% allocation. The table below reflects proposals of how the 5% allocation is used;

<b>Description</b>	<b>Budget 2020-21 £m</b>	<b>Proposed Budget 2021-22 £m</b>
Family Information Service and Early Years Quality Improvement	0.605	0.605
Central Services for Early Years Supporting High Needs Administration	0.320	0.320
Service Planning, Management Business Support and Overheads including IT Contract and System Management	0.317	0.317
Quality Improvement Consultancy Buy Back (PVI)	(0.048)	(0.048)
<b>TOTAL</b>	<b>1.194</b>	<b>1.194</b>

***Question: Do you support the proposal to continue with the current arrangements of the Early Years Central Spend? If you do not support the arrangement what changes do you suggest?***

## **6. In addition to the formula**

### **6.1. 2 Year Old Funding**

Ealing's 2 year old funding allocation is £5.92, this is allocated in full to providers and Ealing propose to continue with this arrangement.

### **6.2 Early Years Pupil Premium**

From 2015 the government introduced the Early Years Pupil Premium to 3 and 4 year olds from disadvantaged backgrounds. This will not change in line with the changes above. £302.10 is paid to each qualifying child.

### **6.3 School budget allocations**

Schools are funded based on participation over the whole year and not just the highest count, this ensures that funding is realistic and adjustments for over/under occupancy at the end of the year are more manageable. This will not change in line with the changes above.