

Background

The National Early Years Funding Formula came into effect in April 2017. The government wanted to create a formula to provide a strong and sustainable early years funding system that is fair, transparent and maximises funding to providers.

The formula consists of a universal base rate, plus proxy indicators; Free School Meals, English as an Additional Language, Disability Living Allowance and an area cost adjustment multiplier to reflect variations in local costs.

The funding rates remained the same for the first three years however in 2020-21 the DfE allocated an extra £66 million nationally, in Kirklees this additional funding was passed onto providers by a permanent increase to both base rates.

Funding from 2021-22

In November 2020, at the Spending Review, the Chancellor announced a £44 million investment in 2021-22, for local authorities to increase hourly funding rates paid to childcare providers.

The government have now confirmed that in 2021-22 they will increase the hourly funding rates for all local authorities by 8p an hour for the two-year-old entitlement and, for the vast majority of areas, by 6p an hour for the three-and four-year-old entitlements. The funding rate for the Early Years Pupil Premium will remain the same at 53p per hour per eligible child, and the Disability Access Fund at £615 per eligible child per year.

Although this adds further investment to early years, Kirklees along with approximately one third of other local authorities will still receive the lowest funding base rates for two, three-and four-year olds from April 2021.

Kirklees Early Years Funding Formula rates history

Year	DfE rate paid to Kirklees for 2 year olds	Kirklees rate paid to providers for 2 year olds	DfE rate paid to Kirklees for 3- and 4-year olds	Kirklees rate paid to providers for 3- and 4-year olds
2016-17	£4.85	£4.85	£4.47	£4.19
2017-18	£5.20	£5.00	£4.30	£4.14 £4.19 ¹
2018-19	£5.20	£5.00	£4.30	£4.14
2019-20	£5.20	£5.00 £5.06 ²	£4.30	£4.14 £4.20 ²
2020-21	£5.28	£5.09 £5.15 ² £5.38 ³	£4.38	£4.21 £4.27 ² £4.40 ³
2021-22	£5.36	£5.17 (proposed)	£4.44	£4.27 (proposed)

¹ In the first year of the national funding formula transitional protection for the 3 and 4-year-old funding rate was given.

² Temporary increase of 6p from Autumn 2019 to Summer 2020, using the underspend from 2018-19.

³ Temporary increase of 19p from Autumn 2020 to Spring 2021, using the underspend from 2019-20.

Early Years Funding Formula proposals 2021-22

Proposal to pass on 100% of the extra funding from the government to increase both base rates on a permanent basis.

Proposed permanent base rates for 2021-22

- £5.17 for two-year olds
- £4.27 for three- and four-year olds (universal and extended hours)

Deprivation

Propose no change, allocate the same amount that is currently distributed (approximately £306,000) using the current metric IDACI (Income deprivation affecting children index) and retain the current IDACI rates:

- Band 1: £0.05
- Band 2: £0.11
- Band 3: £0.14
- Band 4, 5 and 6: £0.21

SEN Inclusion Fund for three- and four-year olds

Propose no change, contribution of £50,000 for low level and emerging needs SEN to support providers from all sectors delivering the free entitlement (up to 30 hours).

Central retention

Propose no change to the current level of £708,600 (refer to Appendix A for a detailed breakdown). Local Authorities are permitted to retain 5% of the Early Years Block budget to fund quality improvement and administration costs associated with delivery of the free entitlements, Kirklees retains only 2.5%).

Additional funding for eligible three- and four-year olds

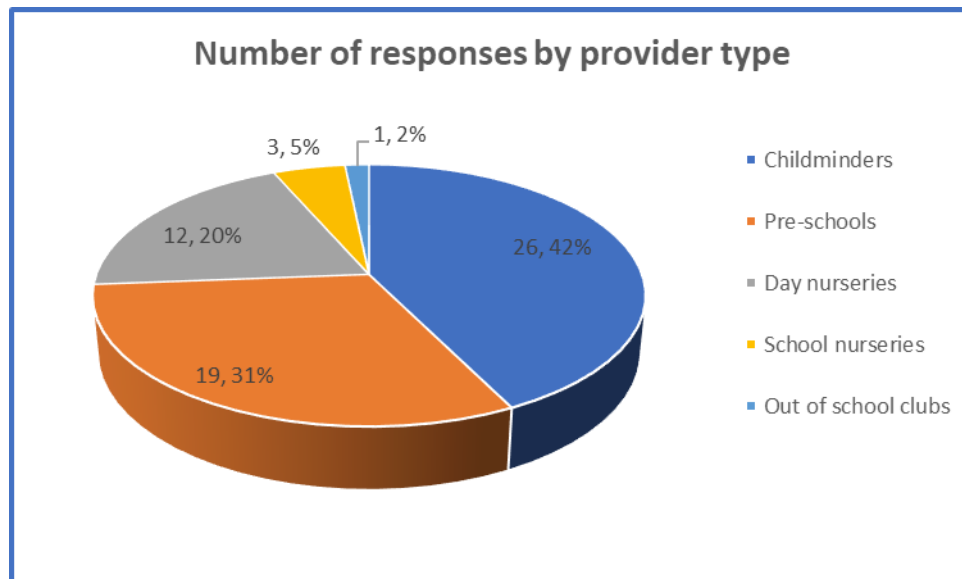
100% of additional funding is passed directly onto providers, the DfE are not changing the funding rates for 2021/22 therefore the rates remain the same.

- a) Early Years Pupil Premium, applicable to universal entitlement hours only, the hourly rate is £0.53.
- b) Disability Access Funding (DAF), a lump sum payment of £615 is available each year to funded children in receipt of Disability Living Allowance (DLA).

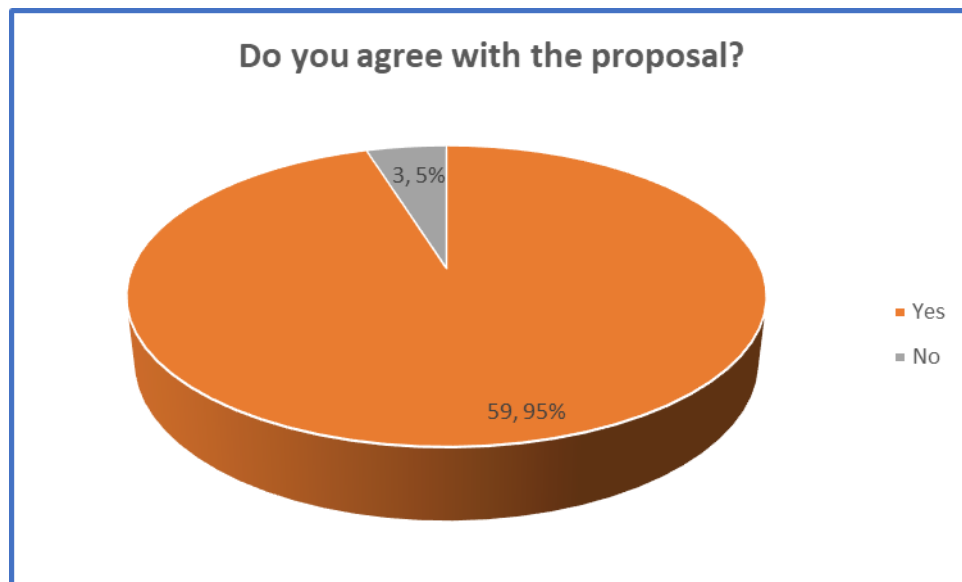
Provider engagement

An online survey was launched early in 2021 on 4th January and ended at midnight on 18th January 2021. All 465 early learning and childcare providers registered for funding (465) were invited to complete the survey.

A total of 61 responses were received (14% response rate) 26 childminders, 12 day nurseries, 19 pre-schools, 3 school nurseries and 1 out of school club.



58 (95%) of the respondents agreed with the proposal, whilst 3 (5%) did not agree.



Comments:

- Some providers said that the sector is underfunded and the rate increases are not in line with the national minimum and living wage increases.
- Some providers commented that the rate is going down, this is because we are currently paying a temporary uplift using carryforward funding from last year.
- One provider would prefer some or all of the extra funding to be used to increase deprivation and the SENDIF to address the inequalities that have been intensified over the last year.

Recommendation

It is clear that the majority of providers who responded to the survey agreed with the proposals to pass on 100% of the extra funding from the government to increase both base rates on a permanent basis. This resonates with feedback received during previous funding formula engagement.

The Early Years Reference Group (which includes provider representation for childminders, pre-schools, day nurseries, primary schools and academies) convened via a Microsoft Teams meeting on 20th January 2021. The group was in agreement with the majority of providers who responded to the survey which is to pass on 100% of the extra funding to increase both base rates. The group also acknowledged the comment made from one provider regarding the need to increase funding in the deprivation supplement and SENIF and agreed this would be kept under review should opportunities arise in the future.

The Early Years Reference Group recommends that 100% of the extra funding from the government is used to increase both base rates on a permanent basis, therefore increasing the base rates to £5.17 for two-year olds and £4.27 for three- and four-year olds.

Breakdown of funding retained within the Early Years Block

Budget provision	Proposed Budget	Notes
Early Learning and Childcare	£585,000	Free Early Education & Childcare Sufficiency Team – administration of funding to schools and childcare providers and sufficient place planning. Early Years Outcomes Team - support attainment of good standards in delivery.
Back office / management costs	£71,200	Finance, payroll, HR, Legal, IT etc.
Inclusion Support	£40,400	Contribution to the Inclusion Officer team
Miscellaneous	£12,000	Contribution to admissions, maternity, union duties etc.
TOTAL	£708,600	

The proposed Early Years Block retention is 2.5%, well within the 5% level permitted by the government.