

**CITY OF WESTMINSTER
SCHOOLS' FORUM – 13TH JANUARY 2020**

**REPORT BY THE LEAD STRATEGIC FINANCE MANAGER
CHILDREN'S SERVICES**

**EARLY YEARS BUDGETS 2019/20 (REVISED) AND
EARLY YEARS BUDGETS 2020/21 (INITIAL ALLOCATION)**

This report provides an update to Schools' Forum on 2019/20 early years budgets, following the revised allocations announced in July 2019. This report also provides information on initial 2020/21 early years budgets announced in December 2019 by the Education & Skills Funding Agency (ESFA).

FOR DECISION

1 INTRODUCTION

- 1.1 The Education, Skills and Funding Agency (ESFA) published revised 2019/20 Dedicated Schools Grant (DSG) allocations in July 2019 that saw a net increase to Westminster's Early Years Block budget of £1.146m on the original budget announced in December 2018.
- 1.2 No further changes were contained in the ESFA's update published in November 2019.
- 1.3 The revised budget for 2019/20 has been updated to reflect January 2019 census data. This follows the original and initial budget allocation received in December 2018, which was based on census data collected in January 2018.
- 1.4 The ESFA published initial 2020/21 early years budgets in December 2019. These budgets are currently based on the January 2019 census.
- 1.5 Budgets for 2020/21 will be further updated during the course of 2020/21 to take account of more recent census data once this is available.

2 EARLY YEARS BUDGETS 2019/20 (REVISED)

- 2.1 Key changes to the early years budget are increases to both the universal and working family entitlements for 3 to 4-year olds and a decrease to the funding for 2-year olds – each in recognition of changes to child numbers reported in the January 2019 census.
- 2.2 Please note that there will be a further and final post-year adjustment to the budget in summer 2020. This adjustment will take account of child numbers collected in the January 2020 census that partially impact 2019/20 funding.

- 2.3 The movements against each element of the budget are shown below in Table 1.

Westminster Budgets - £m	2019/20 Initial	2019/20 Revised	Movement
Universal Entitlement (3/4YO)	9.543	10.189	(0.646)
Working Family Entitlement (3/4YO)	1.094	1.488	(0.394)
Disadvantaged 2YO Entitlement	1.333	1.267	0.066
Early Years Pupil Premium (3/4YO)	0.090	0.086	0.004
Disability Access Fund (3/4YO)	0.033	0.033	0.000
Maintained Nursery Supplement (3/4YO)	1.399	1.574	(0.175)
Total	13.491	14.637	(1.146)

- 2.4 This additional funding for the universal and working family entitlements for 3 to 4-year olds is provided specifically to deliver the anticipated increase in take-up.
- 2.5 The expectation is that the number of children accessing 15 hours of free childcare will increase from 2,130 to 2,274 at a cost of £0.646m – and an additional 88 children from working families will access their entitlement to 30 hours of free childcare, up from 244 at the time the original budget was set, and this will cost Westminster an additional £0.394m to deliver.
- 2.6 The formula used to administer funds to providers has also been reviewed in light of the above increase to universal and working family budgets and costs incurred to date, and an additional £0.02 can now be applied to the 2019/20 hourly pass-through rate for all children, backdated to April 2019.
- 2.7 This will increase the hourly pass-through rate to £6.56 and equates to approximately £170 for a nursery with fifteen children attending for 15 hours per week across 38 weeks.
- 2.8 The hourly pass-through rate set by Westminster is impacted by budgets set aside for deprivation, contingency and the SEN inclusion fund. Any further changes to the rate will be subject to final expenditure against these budgets.
- 2.9 The budget for disadvantaged 2-year olds has been decreased by £0.066m to reflect the reduction in numbers accessing the free entitlement from 360 to 342, as reported in the January 2019 census. The hourly rate for this cohort is set by the ESFA and funding is passed on to providers in full, so this change has no further financial impact.
- 3.8 A further update on 2019/20 budgets will be brought to the Forum in March 2020.

3 EARLY YEARS BUDGETS 2020/21 (INITIAL ALLOCATION)

- 3.1 The ESFA published the 2020/21 early years allocation in December 2019 and budgets are set out below in Table 2.

Westminster Budgets - £m	2020/21 Initial	2019/20 Revised	Movement
Universal Entitlement (3/4YO) - 15hrs	10.189	10.189	0
Working Family Entitlement (3/4YO) – 30hrs	1.488	1.488	0
Disadvantaged 2YO Entitlement - 15hrs	1.283	1.267	(0.016)
Early Years Pupil Premium (3/4YO)	0.086	0.086	0
Disability Access Fund (3/4YO)	0.038	0.033	(0.005)
Maintained Nursery Supplement (3/4YO)	1.574	1.574	0
Total	14.658	14.637	(0.021)

- 3.2 The ESFA confirmed there will be no change to Westminster's Early Years National Funding Formula (EYNFF) hourly rate, which remains at £7.86 as in 2019/20.
- 3.3 The EYNFF rate is multiplied by the total number of children expected to access 15 or 30-hours of free childcare across the borough to produce the universal and working family entitlement budgets.
- 3.4 2020/21 budgets for the 3 to 4-year old universal and working family entitlements remain unchanged and are currently based on January 2019 census data as are the current revised budgets for 2019/20.
- 3.5 On this basis, the hourly rate is also expected to remain at £6.54 as per the original rate for 2019/20, however this is still subject to final confirmation and is largely dependent on spend against budgets set aside for deprivation, contingency and the SEN inclusion fund.
- 3.6 The budget for 2-year olds has increased in line with the ESFA's national hourly rate rise from £6.50 to £6.58, however the number of children from disadvantaged families accessing free provision is initially expected to remain the same.
- 3.7 The Disability Access Fund budget has also increased, and the expectation is that this will be passed on to providers in full by way of a lump sum payment of at least £615 per eligible child and on specific services to support children with disabilities.
- 3.8 2020/21 rates will be brought to the Schools Forum in March for approval and providers will receive notification of their early years' budgets by 31st March 2020.

4 RECOMENDATIONS

- 4.1 Schools' Forum is asked to consider the content of this report and:
- 4.2 Agree to the application of an additional £0.02 per hour to the current rate of £6.54 for 2019/20, in line with the ongoing review of budgets and the formula used to administer funds to providers;
- 4.3 Note the initial 2020/21 budgets announced by the ESFA in December 2019, and maintenance of the EYNFF hourly rate for 3 to 4-year olds at £7.86 as per the 2019/20 rate;
- 4.4 Note the 2020/21 increase to the EYNFF hourly rate for 2-year olds, which increases from £6.50 to £6.58 per hour and represents a direct increase to funds to be passported to providers.
- 4.5 Note that 2020/21 funding rates will be brought to the Schools' Forum in March for approval.

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Background Papers:

Early years entitlements: local authority funding of providers Operational guide 2020-21

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853644/Early_years_operational_guide_2020_to_2021.pdf