LANCASHIRE SCHOOLS FORUM
Date of meeting 6 July 2021

Item No 9

Title: Recommendations of the Early Years Block Working Group

Executive Summary

On 17 June 2021, Early Years Block Working Group considered a number of reports, including:

- Schools Forum Early Years Block Membership
- Funding Agreement for the Provision of Early Education Funding 2021/22, including sector consultation responses on PVI Headcount Dates and Interim Payments Terms
- Funding for local authorities in financial year 2021 to 2022
- Maintained Nursery School (MNS) Review
- Schools Budget Outturn 2020/21
- School Balances and Clawback 2020/21
- Schools Forum Annual Report 2020/21
- SEN Inclusion Fund

Recommendations

The Forum is asked to:

a) **Note the report from the Early Years Block Working Group held on 17 June 2021**
b) **Ratify the Working Group's recommendations.**

Background
On 17 June 2021, the Early Years Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Schools Forum Early Years Block Membership
As part of the Schools Forum annual membership review, 2 of the 3 early Years PVI representatives on the Forum, Peter Hindle and Anne Peet, indicated that they did not wish to continue their membership from September 2021.

The county council sought replacement nominees from the sector in May 2021, but only one self nomination was received.

Phillipa Perks has therefore been formally appointed as one of the early years PVI representatives on the Schools Forum form September 2021.

As only one new representative was obtained through the nomination process, Peter Hindle has kindly agreed to continue as a Forum representative for an interim period. Nominations will be sought again in the autumn term 2021.

The Working Group

- **a) Noted the report.**
- **b) Welcomed Phillipa Perks as one of the formal Schools Forum representatives from September 2021.**
- **c) Thanked Anne Peet for her contribution to the work of the Forum**
- **d) Thanked Peter Hindle for agreeing to extend his membership**

2. Funding Agreement for the Provision of Early Education Funding 2021/22, including sector consultation responses on PVI Headcount Dates and Interim Payments Terms
This report provides information on changes to the Private, Voluntary and Independent Sector (PVI) Funding Agreement, and Schools Sector Memorandum of Understanding for Early Education Funding for the 2021/22 academic year.

The DfE have recently announced that for the summer and autumn terms 2021 the way in which local authorities will be funded for the early years element of the Dedicated Schools Grant (DSG). Rather than using the spring term census counts, DSG allocations will be based on actual attendance levels in each term.

As such they have asked all local authorities to align the dates of their PVI headcount with the dates of the school census for the summer and autumn 2021 terms.

In light of this, the county council undertook a consultation with the early years sector in April 2021 to seeks their views on the following:

- Whether the termly PVI headcount dates should be realigned with the termly school census dates on a permanent basis.
- What the future early education payment terms for PVI settings should be.

The response to the consultation was 6% (64 settings) and the table below provide summary of responses:

Type of Setting	Option 1	Option 2	Option 3	Not Sure	Totals
Private, Voluntary and Independent	19	14	4	0	37
Childminder	8	11	5	1	25
Other	0	0	1	1	2
Totals	27	25	10	2	64
	42%	**39%**	**16%**	**3%**	**100%**

As the response to the consultation did not provide a definitive preference, officers met with members of the Early Years Consultative Group (EYCG) on 7 May 2021 to discuss the options in more detail.

In relation to the termly PVI headcount dates the group felt that the best option would be to move to a permanent alignment of dates with the school census, particularly as there is a good chance the DfE will continue with this beyond spring 2022. As such this meant that options 2 or 3 would need to be implemented in relation to the payment terms, because option 1 is not possible with later headcount dates. Whilst there are pros and cons for each, the group's overall view was that the county council should move to option 2. This was also in line with the sector feedback exercise as more settings opted for option 2 than option 3.

However, the group asked if the county council could increase the interim payment for the summer term from 80% to 90%. This is because interim payments are based on a percentage of the previous term's headcount hours. Paying 80% of spring hours would mean that settings would only be receiving approximately 57% of the total funding due to them for summer up front. Whereas, paying an interim of 90% increases that to approximately 65% which is in more in line with 3 months due to them (i.e. a full year setting would be due 60% payment for April to June and a term time only setting would be due 75% April to June).

The county council has agreed the recommendations made by the Early Years Consultative Group.

The Local Authority Agreement for the Provision of Early Education Funding (EEF) and the Schools Memorandum of Understanding for the provision of Early Education Funding (EEF) had been updated to reflect the agreed changes to the headcount dates and payment terms. A summary of the changes to the documents and copies of the full agreements were provide for the group.

Members sought clarification on a small number of additional changes to the documents, and officers present explained the rationale for some adjustment. However, it was agreed that further clarification would be sought in connection with clauses 14.11 and 16.15b.

A paper was also tabled from the Working Group Chair, which asked for consideration of an amendment to the arrangements set out in the funding agreement when a PVI setting receives an Inadequate judgement from OfSTED that did not receive good for the education element and proposed that the setting could continue to receive EEF subject to certain conditions and limitations.

The proposal was brought forward to with the aim to promote quality improvement in PVI and to provide time and the resources for that improvement, especially as the sector attempts to recover from the significant impact of covid.

Members debated the proposal and were largely supportive of the proposed amendments.

Officers agreed to consider the proposal further and feedback to the Chair.

The Working Group:

a) **Noted the report, including the feedback from the consultation with the sector**
b) **Noted that recommendations from the Early Years Consultative Group about PVI Headcount Dates and Interim Payments Terms had been accepted by the county council and built into the updated funding agreement and memorandum of understanding**
c) **Requested clarification around a small number of amended clauses in the documents**
d) **Recommended that the county council consider the proposed amendment to the funding agreement arrangements relating to funding for settings that received an Inadequate judgement from OfSTED**

3. Funding for local authorities in financial year 2021 to 2022

The normal process for determining EYB funding allocations for LAs is to take an annual census count of the number of hours taken up by children in January each year. Normally, this would mean the LA would be paid for the summer term 2021 based on the January 2021 census data, and for the autumn term 2021 and spring term 2022 based on the January 2022 census data.

However, due to the ongoing Covid implications, the DfE acknowledge that the January 2021 census data may be lower than normal, and are therefore introducing revised arrangements for FY 2021/22, where funding will be based on a termly attendance count, which will align PVI headcount and school termly census dates for this period. A summary of the early years funding allocation methodologies for 2020/21 and 2021/22 was provided for members.

Implications for this change have been factored into consideration of the local Funding Agreement and responses to the consultation on PVI Headcount Dates and Interim Payments Terms, which were reported elsewhere on the agenda.

This move to funding the LA based on termly counts is welcomed, as it minimises a considerable risk factor that had been identified if the standard payment methodology had been implemented in 2021/22, where a low spring term 2021 census figure used for funding purposes would not have provided sufficient income to pay for increased attendance in summer 2021, with the additional costs needing to be met from reserves.

It is not clear if the revised termly count arrangements for funding EYB payments will continue beyond 2021/22, but the county council believes that the system is clearer, more sensible and more financially stable than using the historic methodology, regardless of current Covid uncertainties.

The Working Group

a) **Noted the report**

4. Maintained Nursery School (MNS) Review

The LCC Cabinet agreed to conduct a review of maintained nursery school provision in the county in January 2020. However, whilst a review prior to further consultation was started, it was put on hold due to the covid-19 pandemic.

The decision to consult on maintained nursery schools remains a priority for the local authority. In May 2021 a revised review recommenced with maintained nursery schools to progress this. The review is intended capture qualitive information relating to provision and service delivery, including the financial position of each of the 24 maintained nursery schools.

The local authority has a duty to ensure that such decisions for consultations are based on valid evidential information, with a pro-active position to mitigate and manage future risk, whilst also exploring potential growth opportunities. The review and consultation focus is to provide the level of information required for a full analysis of the maintained nursery schools as individual settings.

This stage formally closed on 28 May 2021, and the LA is in the process of analysing responses and information received. A report arising from the analysis will be shared with MNS headteachers and governors, due to be published the week beginning 5 July, to help shape discussions about the service and individual schools going forward.

The Working Group

a) **Noted the report.**

5. Schools Budget Outturn 2020/21

A copy of the Schools Budget Outturn report for 2020/21 was presented to the meeting. A copy of the full report is provided as an Appendix to the Schools Block Recommendations item on the agenda.

The Overall Schools Budget outturn position for 2020/21 shows an underspend of circa £5m

The Early Years Block outturn position for 2020/21 indicates a circa £1.5m underspend. However this does not include implications from the January 2021 census, indicating a reduced level of funding for the year, with the adjustment occurring in July 2021.

Information suggested that the adjusted funding may be circa £1.4 lower, meaning that the final budget figure for 2020/21would be approximately balanced.

Further information was provided in the report on budget issues and variances and some key points were highlighted, including:

- The actual expenditure for both maintained and PVI providers incorporates additional funding distributed to the sector in accordance with financial protections agreed by the Forum in response to the COVID-19 pandemic. These payments totalled almost £4.5m in 2020/21 across the whole EYB.
- Disability Access Fund (DAF) was circa £200k below budget, and it was noted that the LA was promoting eligibility to Disability Living Allowance (DLA) , which parents needed to apply for in order to generate a DAF allocation to settings. Individual providers shared some of the ways they supported parental applications, which also generated DAF funding for their setting, which could be used to support the child.
- The Inclusion Fund expenditure was circa £340k below budget. Previous years underspends on this budget have prompted the Working Group to establish a dialogue with the Inclusion Service to consider the scope, accessibility and level of the fund and further information on this issue is provided elsewhere on the agenda.

It was noted that the changes to how DfE allocate funning for Early Years Block in 2021/22 would assist the stability of the DSG budget position.

The Working Group

a) Noted the report and the 2020/21 Schools Budget final financial outturn position.

6. School Balances and Clawback 2020/21

A copy of the School Balances and Clawback 2020/21 report was presented to the meeting. A copy of the full report is provided as an Appendix to the Schools Block Recommendations item on the agenda.

The final outturn position against schools delegated budgets at 31 March 2021 was an underspend of £42.832m. This means that school balances have increased by £42.832m in 2020/21, to a total of £90.151m.

The 2020/21 financial year has clearly been an exceptional one in terms of the covid pandemic and for many mainstream schools extended periods when many schools were closed to the majority of pupils, have provided some savings against some planned expenditures. In addition, mainstream schools considerable additional funding was allocated during 2020/21 in the form of Government grants and expenditure had been curtailed by the pandemic, and the associated conditions of grant may require the funding to be utilised during FY 2021/22, especially as schools continue to respond to the challenges of supporting pupils catch up on learning. Such grants could include Pupil Premium, PE Sports premium, and the Coronavirus (COVID-19) catch-up premium.

Further analysis of the year end school balances position was provided for the working group and particular attention was shown to the nursery school positions.

The working group welcomed that fact that a large number of nursery schools were in a healthy financial position at March 2021, and it was noted that any good practice highlighted from the MNS review.

The report also included about the movement in balances at an individual school level in 2020/21

Forum had agreed to suspend clawback of excess balances in 2019/20 or 2020/21 and members were asked to consider the school balances and clawback policy to be applied at 31 March 2022.

Clearly, the year end position at 31 March 2021 has been impacted by the exceptional circumstances faced during the year. There has been a significant increase in aggregate school balances in 2020/21, but substantial funding held in the reserves is earmarked for use in 2021/22, much of this will relate to DfE grant funding that will be utilised to support pupils catch up on learning during 2021/22.

The annual Analysis of Balances Return to the authority shows that of the school balances held at 31 March 2021, £36m is committed across 473 schools. This compares to a figure of £6.8m identified by 157 schools at 31 March 2020 and may suggest that aggregate balances could reduce during 2021/22.

Representations about the application of clawback at 31 March 2022 have also been received on behalf of some Lancashire schools and these were shared with the group

A number of schools balances and clawback options are available to the Forum for 2021/22, which were considered by the group, including:

- Suspend the application of clawback at March 2022 due to the continued uncertainties around the COVID-19 pandemic.
- Reintroduce a clawback policy in 2021/22, as per previous arrangements set out below, or with amended rates:
  - A clawback rate of 50% is to be applied to any balance above guideline in the first year a school exceeds the guideline (after adjusting for exemptions)
  - A clawback rate of 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years (after adjusting for exemptions)

    (Note: As clawback was suspended in 2020/21, not school would be subject to the 100% clawback rate in 2021/22).
- Suspend clawback in 2021/22, but give notice that it will be reintroduced at the end of 2022/23, if there are no significant covid related impacts in the intervening period.
- Other suggestions that members may have or have been suggested by Lancashire schools, including
  - Enabling schools to transfer above threshold Reserves into the Capital pot for future investment thereby ensuring that the individual school benefits and the authority school building infrastructure improves.
  - Increase of the threshold percentage – currently 12% to 20%.

Information was also shared with the group setting out the 31 March 2021 position on Schools Budget Reserves. The DSG reserve therefore ended the year with a balance of £16.096m.

One adjustment to the DSG reserve that was highlighted related to the one-off covid payment agreed by the Forum for early years providers. The final amount charged to the DSG reserve is only £24k, which concerns support specifically provided for maintained nursery schools.

The original estimate for the cost of support to DSG funded early years providers was circa £600k, as the forecast cost also included allocations to PVI providers. During discussions around the source of funding for these allocations, the county council ultimately agreed to meet the costs for all the PVI support (LCC had already agreed to meet the costs of one-off covid allocations for early years PVI providers not in receipt of DSG funding) from its own covid allocation. .

The year end position on the School Teaching and Support Staff Supply Reimbursement Scheme was highlighted with an underspend of circa £0.9m, leaving an outturn position of circa £1.9m. Options for the use of the reserve were discussed by members.

The Working Group:

a) **Noted the report.**
b) **Noted the overall school balances position at 31 March 2021, including the individual school level information provided in the report.**
c) **Noted the previous Forum decision to suspend the application of clawback at 31 March 2021.**
d) **Noted the increase in committed balances at 31 March 2021.**
e) **Recommended that clawback be again suspended in 2021/22, but that notice be given to schools that it will be reintroduced at the end of 2022/23 (if there are no significant covid related impacts in the intervening period) at the historic levels:**
    - **A clawback rate of 50% is to be applied to any balance above guideline in the first year a school exceeds the guideline (after adjusting for exemptions)**
    - **A clawback rate of 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years (after adjusting for exemptions)**
f) **Noted the underspend on the supply scheme budget at 31 March 2021.**
g) **Recommended that the scheme reserve be held at the current time to mitigate against the risk of high costs being incurred in 2021/22.**
h) **Recommended that the supply scheme position be reassessed at March 2022, when judgements could be made about the appropriate level of reserves going forward, if 2021/2223 has been a stable year for the scheme.**

7. Schools Forum Annual Report 2020/21

Since 2005/06, the Forum has produced an Annual Report, which is circulated to all schools via the Schools Portal and made available on the Forum website.

A draft Forum Annual Report for 2020/21 was provided for the working group. A copy of the full report is provided as an Appendix to the Schools Block Recommendations item on the agenda.

Members considered the draft report and supported its publication.

The Working Group

a) **Noted the report**

b) **Recommended to the Schools Forum that the 2020/21 Annual Report be approved for publication.**

8. SEN Inclusion Fund

On 17 May 2021, the latest meeting of the group established to consider matters around the SEN Inclusion fund took place. This report provided an update on key issues.

- **Feedback from Task and Finish Group**

The Task and Finish group had met and were now considering the relevant forms (e.g. RfI, Inclusion Fund, and EP) for finalisation. The intention was to share updated information and forms at the summer term EY networks and update website content as required.

- **Childminder Access to Inclusion Fund**

Officers confirmed that investigation had revealed that there were no reasons in the original Inclusion Fund conditions that prevented childminders from accessing the fund.

It was therefore intended to extend the fund to include this group, for implementation from September 2021, and discussions were ongoing about the extension of the fund access could be shared with childminders.

One ongoing issue to be resolved before any formal announcements could be made centred on the issue of ensuring adequate support could be available to assist with queries from any eligible childminders.

- **Inclusion Fund Funding Levels**

Officers had met to discuss the funding levels for the Inclusion Fund and increased levels of funding were proposed., including an increased level of Fund B payments of £74.00 per week (£2,812 for a full academic year)

The Group supported the proposals, but did suggest that confirmation letters for the service should perhaps just set out the total allocation and not subdivide the allocations into a Notional SEN funding element and a Top up funding element.

Other issues being considered included:

- Portage Service transition
- Specialist teacher role
- Educational Psychologists visits

The Working Group

a) **Noted the report.**
b) **Welcomed the progress being made on this issue through the task and finish group.**

9. Education recovery announcement for early years providers

It was noted that funding had been made available nationally to assist educationally recovery, which included the provision of £153m for training for early years staff to support the very youngest children's learning and development.

Lancashire colleagues were involved in discussions around this funding, but were awaiting further details from DfE.

The Working Group

a) Noted the report.

10. Early Career Teachers (ECTs)

A query was raised at the about whether a private nursery could support an ECT through their two year pathway.

Officers agreed to check and confirm the position.

The Working Group

a) Noted the question raised and that an answer would be circulated to members.

Subsequent to the meeting it was confirmed that NQTs/ECTs can undertake Induction in a PVI if there is a Headteacher in post with QTS in the setting and the NQT/ECT is paid as a Teacher and is predominantly working with three year olds and above.