

Report of: Lead Officer Admissions and FIS

Agenda item

Report to Schools Forum

Date: February 2022

Subject: 2022/23 DSG Early Years Block



Summary of main issues

1. In 2022/23 Local authorities will continue to receive funding in line with the Early Years National Funding Formula to fund the Free Early Education Entitlement (FEEE) for 2, 3 and 4 year olds.
2. The DfE have increased the rate paid to the Local Authority by £0.21 per hour per child for 2 year olds and £0.17 per hour per child for 3&4 year olds.
3. The local authority is consulting with providers and School Forum on the proposed rates for 2022/23. The formula for allocating the DSG Early Years Block will be determined by the Local Authority following the conclusion of the consultation with providers and School Forum.
4. Schools Forum are required to agree the proposed allocation of the **centrally retained** element of the 3&4 Year Old DSG Early Years block funding stream (see 4.5).

Background information

1. The Dedicated Schools Grant includes an Early Years block which is made up of the funded early education entitlement for 2, 3s and 4 year olds. This funding is paid out to childcare providers (PVI nurseries, Childminders and Schools) where they deliver FEEE places.
2. A consultation on the proposed local funding formula commenced for providers on 17 January 2022. The consultation was sent to all registered childcare providers in Leeds setting out proposals for the FEEE rates that would come into force from April 2022. The consultation closed on 4 February 2022. The responses will be reviewed and considered prior to determination of the funding arrangements, which is a decision taken by the Director of Children and Families.
3. This paper sets out the proposals for the Early Years block of DSG, and Forum feedback is requested to inform final determination. It is a requirement that School Forum are consulted on changes to local early years funding formulae by 28 February, and all responses will be considered by the Local Authority.
4. The Early Years DSG allocation for Leeds is calculated by the DfE under the EY National Funding Formula. In 2022/23 Leeds will receive an £0.21 increase on its per

pupil funding allocation for 2 year olds and £0.17 per hour pupil funding for 3&4 year olds.

5. Initial feedback from providers on the proposal for the funding indicates that providers welcome the proposals, in particular the increases on the base rates.

Main Issues

1. Method of allocation

- 1.1 The annual DSG Early Years block allocation is based on the early years census taken in January each year. The number of hours claimed that week in January is multiplied 38 weeks, and then by the rate set by the DfE, which for Leeds in 2022/23 will be £5.57 per hour for 2 year olds and £5.12 per hour for 3/4 year olds.
- 1.2 Funding is allocated using a lagged model – January 2022 census generates the allocation for Autumn 2021, Spring 2022 and Summer 2022, with January 2023 generating the allocation for Spring 2023.
- 1.3 3&4 year old funding is not claimed equally across the year by providers, despite the funding methodology calculating income on this basis. The number of hours claimed in Autumn is the lowest in any year, increasing until the highest claims are seen in the Summer term. In addition, the Autumn term is often the longest term which leads to a surplus in funding when the lagged effect is adjusted for in the June/July the following year.
- 1.4 The expected DSG income for 2022/23 is projected based on previous allocations and census returns, patterns of take-up and population projections and is subject to change.
- 1.5 Providers will continue to receive payments from the LA monthly. During 2020/21, schools transitioned over to use the provider portal (Synergy) for claiming FEEE funding. As with all other providers, where schools choose to input estimates into the provider portal in advance of the term, they will receive monthly payments. Where they only provide data at the headcount point, they receive the single termly payment at the end of the term.
- 1.6 All settings are invited to provide an **estimate** of the number of funded hours they expect to provide over the following term. This generates a monthly payment throughout the term of the ‘base rate’ hourly funding.
- 1.7 Providers are required to confirm child level data which includes all relevant eligibility information at three fixed points in the year (once per term). This ‘**headcount**’ data generates the balancing payment in the final month of the term to ensure the settings have been funded for the number of children attending and the number of hours eligible for funding for that term.
- 1.8 The supplement payments (SENDIF and Deprivation Uplift) are paid in one payment to providers at the end of the term based on the child level data returned on ‘headcount’.

- 1.9 Disability Access Fund (DAF) payments are made to providers based on headcount claims where providers identify that a child is in receipt of Disability Living Allowance (DLA). The DAF allocation for 2022/23 will be £800 per eligible child per year (an increase of 30% on the 2021/22 DAF allocation). The payment is made in the first term that the child is recorded as being in receipt of DLA and covers 3 terms, regardless of the number of hours the child claims.
- 1.10 All providers will receive the same funding rates, as identified by the formulae set out in this paper.

2. Funding for two year olds

- 2.1 The 2 year old FEEE funding rate paid to Leeds City Council (the LA) by the DfE has increased from £5.36 to £5.57 for each eligible hour of entitlement.
- 2.2 In line with the decision in previous years to pass through the full 2YO FEEE funding to providers, the funding rate paid to providers for 2022/23 is proposed to increase to £5.57 per hour up to a maximum of £3,174.90 per child per annum for 15 hours x 38 weeks of early education.
- 2.3 Although providers continue to share their concerns that the DfE is under-funding the early years entitlement, responses from childcare providers have been positive and in favour of the proposed increase to their 2 year old FEEE rate.

3. Funding for three and four year olds

- 3.1 The 3 and 4 year old FEEE funding rate paid to Leeds City Council by the DfE has increased from £4.95 per eligible hour to £5.12.
- 3.2 Leeds has been able to increase the funding allocated to providers through the base rate year on year, by reflecting on the amounts claimed in previous years, and adjusting the formula in response to provider requests that the maximum amount possible is passed through via the base rate.
- 3.3 To offer a £0.24 increase on the base rate paid to providers, the full £0.17 increase in the LA allocation from the DfE will be passed through to providers, in addition to a £0.07 base rate increase made possible by reducing the deprivation supplement. The consultation sent to providers proposes:

3&4s	Total DfE Hourly allocation to LA	Centrally Retained	Deprivation Supplement	SEN Inclusion Fund (SENDIF)	Base hourly rate funding
	£	£	£	£	£
21/22 (current)	4.95	0.18	0.26	0.05	4.46
21/22 (proposed)	5.12	0.18	0.19	0.05	4.70

4. 3&4 YO Centrally retained funding

- 4.1 The Local Authority is permitted to retain centrally up to 5% of the £5.12 (£0.256 per pupil per hour) allocation for 3 and 4 year olds, to support the provision of central services or services in-kind.
- 4.2 Despite increases in the demand on services supported by the centrally retained grant, Leeds City Council has proposed not to increase the amount of per pupil funding retained centrally. This means that the current proposal is for 3.5% of the per pupil funding to be retained centrally (a reduction from the 3.7% centrally retained in 2021/22 due to the increase in the per pupil rate from the DfE).
- 4.3 The final Early Years block funding remains unconfirmed until after the end of the relevant financial year. Despite this, LAs do not adjust the centrally retained budget. This means that where there are fluctuations in the number of children on the January census, there is some risk of the centrally retained element being either under or overstated.
- 4.4 The amount to be centrally retained is projected to be less than in 21/22 due to the reduction in central retention (3.7% in 21/22 down to 3.5% in 2022/23) also impacted by an expected reduction in total hours funded by the DfE due to falling birth rates. There are corresponding reductions in the overall central retention costs, relating to the Early Years action plan which was a time limited commitment, and removing the contingency element which has not been utilised in previous years.
- 4.5 Table 2 outlines the proposed commitments for the centrally retained element of the Early Years block, with all other elements maintained at 21/22 levels.

Table 2:

		21/22 (central retention £0.18)		22/23 (indicative budget on projected hours)
		£		
1	Special Educational Needs Inclusion Team (SENIT)	460,000		460,000
2	Commissioned Service - Portage	140,000		140,000

3	Sensory Services	160,000		160,000
4	Education Psychology	70,000		70,000
5	Early Years Funding for Inclusion team. 3&4 YO Assessments.	30,000		30,000
6	Family Information Service	110,000		110,000
7	Family Services	500,000		500,000
8	Sufficiency	40,000		40,000
9	Commissioned Services - Northpoint Wellbeing (Leeds Counselling)	60,000		60,000
10	Learning Improvement	200,000		200,000
11	Early Years Action plan	35,000		0
12	Contingency	12,974		0
	Total	1,817,974		1,770,000

- 4.5.1 **SENIT EY** SENIT comprises Early Years Special Educational needs Co-ordinators (EY SENCos) and the EY inclusion workers. This is a City level offer to all educational settings (school nurseries, Childrens centres, PVIs, childminders) for 3 and 4 years olds to support children with special educational needs. SENCos offer high support and challenge to EY settings to develop their capacity in promoting equality and inclusion, the early identification of need, assessment, securing appropriate provision and improving outcomes. Inclusion Officers play a crucial role in supporting the planning of children transitioning from their EY setting to school. This is a contribution towards the overall cost of this service.
- 4.5.2 **Portage** This is a contribution towards the commissioned service for parents and families of children with identified SEN delivering home visits, information and support. This service is currently commissioned to Barnardo's by the Early Help service.
- 4.5.3 **Sensory Services** The Sensory Services support settings and families to meet the additional educational and developmental needs of children with visual and/or hearing impairment. This is a contribution towards the overall cost of the service. The support offered depends on the needs of the child and family, it could include support by a teacher of the deaf/visually impaired who will support and advise the family around educational support for the child. Support could also take the form of support for staff in the setting. A city wide training offer is also in place.
- 4.5.4 **Education Psychology** Supporting Educational Psychology consultations and input to EHC assessments. The team offer a city wide consultation service in children's centres across the city to support early intervention and support for children with complex needs. There is also individual support from the EPT for H-EN cases referred from SENIT on request. This is a contribution towards the cost of the EP offer to EY settings.
- 4.5.5 **Early Support & Inclusion.** This is a contribution towards the Early Years Funding for Inclusion Team who manage the EY FFI and SENDIF processes.

- 4.5.6 **Family Information Service** This contributes to the costs of eligibility checks, advice and support to all childcare providers, promotion of the 3&4 year old offer and audit checks by the Family Information Service for all funded providers.
- 4.5.7 **Family Services** Contribution towards the costs of family outreach workers and the GRT outreach team who promote the take up of FEEE for all settings, supporting 3&4 year old take up of the early education entitlement and attendance at early years provision and improving readiness for learning at 4/5 years old. The main offer for 3-4 year olds is the citywide play and stay offer where families bring children to play learn and communicate together and develop skills for school readiness. Family Outreach Workers also work intensively with targeted families. These are families who have been referred or refer themselves for short, but intensive support.
- 4.5.8 **Sufficiency** A contribution towards the cost of the Sufficiency and Participation team, who are responsible for ensuring the sufficiency of Early Years places on a citywide level, including 3&4 year old provision. The work undertaken is currently overseen by three members of the team and involves supporting providers, monitoring places and forecasting future demand, tracking take up of FEEE and assessing the sufficiency of places across a range of provision, which is accessible for families. Advice and support is available to school nurseries and other providers on improving their FEEE offer to ensure it meets the needs of their local families. Limited business advice is also provided to improve take up and in turn income, ensuring a more sustainable business model can be achieved. The outcomes of this support work can result in increased numbers of places in the city, improved access to local places, higher numbers of 3&4s accessing places and assisting provision to be more sustainable therefore ensuring longevity.
- 4.5.9 **Northpoint Wellbeing Counselling** A contribution towards the cost of a citywide parents counselling service. The purpose of the service is to deliver an individual counselling service to parents and carers of children aged 0-5 years. Northpoint Wellbeing delivers an early intervention responsive service which prevents unnecessary escalation to more targeted services. The contract has been in place since 1/7/2014.
- 4.5.10 **Learning Improvement** A contribution towards the cost of the Early Years Learning Improvement Team and the support they offer to settings in relation to improving outcomes for children, working directly in settings with children and offering generic leadership support across all types of settings. The team provide post-Ofsted support to Requires Improvement and Inadequate settings and childminders.

4.6 No comments were received from providers relating to the centrally retained funding.

5. Local Universal Base Rate (3&4 year olds)

- 5.1 Currently the base rate for FEEE is £4.46 per hour. The proposal is to increase this to £4.70 per funded hour, passing through the full increase of £0.17 per hour being received from the DfE, plus a further £0.07 made possible by reducing the deprivation supplement.
- 5.2 Responses to the proposal were positive, although many providers continue to share their concerns that the increase offered by the DfE is insufficient to meet the increasing

costs of delivering a quality early learning provision, in light of increased energy bills, national minimum living wage increases, food costs and other expenses.

6. Supplements

6.1 There are some discretionary supplements permitted within the funding guidance, however in Leeds we only use the mandatory supplements, in order to ensure that all providers receive as much funding through the base rate as possible.

6.2 Deprivation

6.2.1 There is a mandatory requirement for a supplement over the base rate for deprivation. The deprivation element from each hourly rate funds enhanced rates for those children living in areas of deprivation.

6.2.2 Historically deprivation uplift has been allocated to all children living in the Income Deprivation Affecting Children Index (IDACI) bands A, B, C, D E and F postcodes, with an uplift of £0.85 - £0.30 per hour based on the level of deprivation and the IDACI band. Meaning a child living in IDACI band A-F addresses are funded at a rate of £4.76 - £5.31 per hour.

6.2.3 Feedback from providers is that although the deprivation uplift is welcomed, the majority of settings focus on the base rate paid for all children, rather than the base rate + deprivation uplift, due to the mix of different children attracting different amounts of funding and the complication this brings to business and rate planning.

6.2.4 In order to pass through the maximum possible amount via the base rate, it is proposed that the deduction from the DfE rate for the deprivation element is reduced from a deduction of £0.26 per hour per child to £0.19 per hour per child.

6.2.5 There are two options to account for this reduction in deprivation funding.

6.2.6 **Option 1:** Children living in postcodes with IDACI band A, B, C, D, E and F continue to receive deprivation uplift but at a reduced rate per banding.

6.2.7 **Option 2:** Children living in postcodes with an IDACI band A, B, C, D and E ONLY receive deprivation uplift payment and those living in IDACI F postcodes no longer receive a deprivation uplift (along with those in G and H who do not currently receive this supplement).

6.2.8 Deprivation uplift payments are paid termly in the balancing payment for the term as child level information is required in order for the deprivation uplift to be allocated.

6.2.9 The majority of providers who responded to this element of the consultation stated that Option 1 was their preference, with 1 response (out of 35) suggesting option 2 was the preferred option.

6.3 SEND Inclusion Fund (SENDIF)

- 6.3.1 This is a mandatory supplement to be paid to providers where 3 and 4 year olds take up any number of hours of their free entitlement where the children have lower level or emerging SEND.
- 6.3.2 Providers apply to the Funding For Inclusion (FFI) Team, who assess the application and then award funding to support settings to meet children's emerging SEN needs. The funding is paid to providers at a rate of £3,600 per year where the child attends for 30 hours per week, or £1,800 per year where the child attends for 15 hours. This is the equivalent of an hourly supplement of **£3.15 per hour**. This funding rate is targeted at those children who do not yet need the support offered from the Funding For Inclusion offer (EYFFI).

6.3.3 There are no proposed changes to the approach to SENDIF.

7. Other

- 7.1 The Disability Access Fund is a fixed amount allocated by the DfE which is paid in accordance with national regulations to those children in receipt of Disability Living Allowance. The amount allocated by the DfE has increased from £615 per annum to £800 per annum. This is funded by the DfE based on DWP data and providers claim this funding when a parent identifies and can evidence that they are in receipt of Disability Living Allowance for their child.
- 7.2 Early Years Pupil Premium (EYPP) is paid to all providers where the child is eligible for pupil premium as outlined by the DfE. The rate paid is determined by the DfE and in 2022/23 will be £0.60 per hour (increased from £0.53 in 2021/22).
- 7.3 Under the proposed formula, all providers will receive £5.57 per hour for an eligible 2 year old.
- 7.4 Under the proposed formula, all providers will receive at least £4.70 per hour for an eligible 3 and 4 year old, with the range being £4.70 - £9.25 (with the maximum being paid to any child who is eligible for SENDIF at £3.15 per hour, IDACI A Dep uplift at £0.80 per hour and EYPP at £0.60 per hour in addition to the base rate).

Recommendations

Members of Schools forum are asked to:

1. Comment on the funding proposals for the Early Years Funding formula
2. Approve items 1 to 12 of the centrally retained funding identified in 4.5
3. Note that the Director of Children and Families will determine the Early Years Block Funding Formula and the rates to be paid to providers in 2022/23 by 25 March 2022.