
Report of: Lead Officer for Admissions and Family Information Service (FIS)

Report to Schools Forum February 2023

Subject: 2023/24 DSG Early Years Block

Summary of main issues

1. Local authorities will continue to receive funding via the DSG Early Years Block in the financial year 2023/24 to fund the Early Education Entitlement (FEEE) for 2, 3 and 4-year-olds.
2. The rate of funding Leeds City Council receives from the Department for Education is increasing for the 2023/24 financial year by £0.30 for 2-year-olds per eligible hour and £0.16 for 3&4-year-olds per eligible hour (£0.11 former TPPG* + £0.05 general uplift to base rate). **Following the DfE's funding formulae consultation, the decision has been taken by the DfE to 'mainstream the funding previously distributed through the teachers' pay grant and the teachers' pension employer contribution grant (TPPG)'. More details of this can be found later in this document.*
3. The local authority is consulting with providers and Schools Forum on the proposed rates for 2023/24. 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 is 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 of the Main Issues section of this report).

Background information

1. The Dedicated Schools Grant includes an Early Years Block made up of the funded early education entitlement for 2, 3 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 13th January 2023. 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 2023. The consultation closed on 10th February 2023. The responses are 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 Schools Forum is consulted on changes to local early years funding formulae by 28th February, and all responses will be considered by the Local Authority.
4. The Early Years (EY) DSG allocation for Leeds is calculated by the DfE under the EY National Funding Formula. In 2023/24 Leeds will receive an £0.30 increase on per pupil

funding allocation for 2YOs. In total, the increase on per pupil funding allocation for 3 & 4-year-old FEEE compared to the 2022/23 is £0.16. This includes a £0.05 general uplift in addition to rolling in the £0.11 early years element of the former teachers' pay grant and teachers' pension employer contribution (TPPG). The former TPPG has historically only been paid to mainstream schools by the DfE scheme of grant and not to private settings.

5. Providers indicated in their feedback that they would prefer the most amount possible to be paid via the base rate, as this is used as their assured minimum funding and has the greatest influence on their business planning. The recommended rates reflect this.

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 2023/24 will be £5.87 per hour for 2-year-olds and £5.28 per hour for 3&4-year-olds.
- 1.2 Funding is allocated using a lagged model – January 2023 census generates the allocation for Autumn 2022, Spring 2023, and Summer 2023, with January 2024 generating the allocation for Spring 2024.
- 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. 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 2023/24 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 monthly payments from the LA. 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 2023/24 will be £828 per eligible child per year (Up from £800 in 2022/23). 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 £5.57 to £5.87 for each eligible hour of entitlement.

2.2 In line with the decision in previous years to pass through the full 2-year-olds FEEE funding to providers, the funding rate paid to providers for 2023/24 is proposed to increase to £5.87 per hour up to a maximum of £3,245.90 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 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-olds FEEE funding rate paid to Leeds City Council by the DfE has increased from £5.12 per eligible hour to £5.28 (including the £0.11 rolled in former TPPG).

3.2 Leeds has been able to increase the funding allocated to providers through the base rate year on year, by reflecting on our local formula including the amounts claimed in previous years and the amount of centrally retained funding for contingency.

3.3 It was proposed in the consultation that the base rate be increased by £0.14 from £4.78 in 2022/23 to £4.92 in 2023/24.

3.4 The table below provides the calculations and rationale for arriving at the rate of £4.92:

<i>3&4s</i>	<i>Total DfE Hourly allocation to LA</i>	<i>Centrally Retained</i>	<i>Deprivation Supplement</i>	<i>SEN Inclusion Fund (SENDIF)</i>	<i>£0.08 Uplift</i>	<i>Base Funding</i>
<i>22/23</i>	<i>£5.12</i>	<i>£0.18</i>	<i>£0.19</i>	<i>£0.05</i>	<i>£0.08</i>	<i>£4.78</i>
<i>23/24 (proposed)</i>	<i>£5.28</i>	<i>£0.20</i>	<i>£0.19</i>	<i>£0.05</i>	<i>£0.08</i>	<i>£4.92</i>

- 3.5 **Centrally retained** - For the past three years, the local authority has sought to maintain centrally retained services by absorbing increases, such as pay awards, without increasing the costs to the Early Years Block. As a result of unavoidable inflationary increases, for 2023/24 the proposal is to increase the amount centrally retained by £0.02, an increase from £0.18 to £0.20. Further information can be found in point 4 of this paper.
- 3.6 **Deprivation supplement** - Listening to the views of providers, it is proposed that the status quo of £0.19 is maintained for 2023/24.
- 3.7 **SENDIF** - No changes are proposed to the £0.05 per hour per child supplement for the SEND Inclusion Fund (SENDIF). Providers access the SENDIF by applying to the funding for inclusion team, as per the current arrangements, and are paid termly – a maximum of £1,800 per year for a child attending 15 hours and £3,600 for a child attending 30 hours.
- 3.8 **£0.08 Uplift** - Following the review of expenditure on the Early Years Block in previous years, in 2022/23 the local authority included an additional £0.08 in the base rate to all providers, to maximise the Early Years Block funding paid out and to minimise the potential for any overall grant surplus at year end. It is proposed that this £0.08 uplift is maintained for 2023/24.

3.9 **Former Teachers' Pay and Pensions Grant (TPPG)**

- 3.9.1 The DfE's total hourly allocation increase to the local authority of £0.16 includes a £0.05 general uplift in addition to rolling in the £0.11 early years element of the former teachers' pay grant and teachers' pension employer contribution (TPPG). The former TPPG has historically only been paid to mainstream schools by the DfE scheme of grant and not to private settings.
- 3.9.2 Between 4 July 2022 and 16 September 2022, the DfE held a consultation on reforms to the early years funding formulae. As part of the consultation, they proposed "to mainstream the early years element of the funding currently distributed through the teachers' pay grant and the teachers' pension employer contribution grant (TPPGs) by rolling it into the overall quantum of the 3 and 4-year-old entitlements funding, for consistency with other formulae and simplicity".
- 3.9.3 The DfE advised that "local authorities may choose different approaches to implementing the change locally depending on their provider make-up and local circumstances".
- 3.9.4 The consultation proposed that we encompass the former TPPG through the base rate and distributing to all providers. This considered the cost and sustainability pressures in the early years sector. The £0.05 general uplift is only a slight rise of 1% to support settings with their increased costs. Incorporating the £0.11 former TPPG enables the local authority to pass through the maximum amount via the base rate across the sector. Whilst acknowledged that mainstream schools will see a slight decrease in funding, it is felt that this is the fairest distribution of the overall grant in supporting the sector.

3.9.5 Respondents to the consultation agreed with the recommendation to encompass the former TPPG through the base rate, with the exception of one.

- 3.10 Although providers are not able to charge a top up (the difference between their daily rate and the amount of funding they receive from the DfE) many settings do charge for extras that they offer over and above the EYFS (Early Years Foundation Stage) requirements to ensure the sustainability of provision.
- 3.11 Providers continue to report that the base rate is the most important element of the funding and that this influences their business models, budgeting, planning, and charging policies as this is the amount they can rely on each term as it is not affected by individual children's eligibility in the way that EYPP, Deprivation Uplift, SENDIF and DAF are.
- 3.12 In response to this feedback, and in recognition of the ongoing expectation of surplus income, it is recommended that the formula also continues to commit the £0.08 uplift agreed in 2022 into the base rate.
- 3.13 The view of the majority of respondents to the consultation is summed up in one response "the level of the increased DfE funding does not feel linked to the increases in costs faced by schools and other providers in terms of staff and other operational costs".

4. 3&4 YO Centrally retained funding

- 4.1 The Local Authority is permitted to retain centrally up to 5% of the £5.28 (£0.26 per pupil per hour) allocation for 3 and 4-year-olds, to support the provision of central services or services in-kind.
- 4.2 In Leeds we have not sought to retain the maximum funding and for over three years we have managed to maintain central services without increasing the contribution from the Early Years Block. As a result of unavoidable inflationary increases, for 2023/24 the proposal is to increase the amount centrally retained by £0.02, an increase from £0.18 to £0.20.
- 4.3 The increase will see the percentage centrally retained rise from 3.5% to just below 3.8%.
- 4.4 The final Early Years Block funding remains unconfirmed until after the end of the relevant financial year. Despite this, LA's 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.

4.5 Proposed commitments for the centrally retained element of the Early Years block:

		22/23 central retention £0.18	23/24 central retention £0.20
1	Special Educational Needs Inclusion Team (SENIT)	£460,000	£478,000
2	Commissioned Service - Portage	£140,000	£140,000
3	Sensory Services	£160,000	£166,000
4	Education Psychology	£70,000	£73,000
5	Early Years Funding for Inclusion team. 3&4 YO Assessments.	£30,000	£31,000
6	Family Information Service	£110,000	£114,000
7	Family Services	£500,000	£520,000
8	Sufficiency	£40,000	£42,000
9	Commissioned Services - Northpoint Wellbeing (Leeds Counselling)	£60,000	£60,000
10	Learning Improvement	£200,000	£208,000
	Total	£1,770,000	£1,832,000

- 4.6 **SENIT £478k** EY SENIT comprises Early Years Special Educational Needs Co-ordinators (EY SENCOs (special educational needs coordinators)) and the EY inclusion workers. This is a city level offer to all educational settings (school nurseries, children' centres, PVI's (Private, Voluntary, and Independent), 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.
- 4.7 **Portage £140k** This is a contribution towards the commissioned service for parents and families of children with identified SEN (Special Educational Needs) delivering home visits, information, and support. This service is currently commissioned to Barnardo's by the Early Help service.
- 4.8 **Sensory Services £166k** 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 to advise the family around educational support for the child, or staff in a setting. A city-wide training offer is also in place.
- 4.9 **Education Psychology £73k** Supporting Educational Psychology consultations and input to EHC (Education, Health, and Care) assessments for Early Years children. The team offer a city-wide consultation service to support early intervention for children with

complex needs. This is a contribution towards the cost of the EP (Education Psychology) support offered.

- 4.10 **Early Support & Inclusion £31k** This is a contribution towards the Early Years Funding for Inclusion Team who manage the EY FFI and SENDIF processes.
- 4.11 **Family Information Service £114k** This contributes to the costs of eligibility checks, advice and support to all childcare providers and their families, promotion of the 2, 3 & 4-year-olds offer and audit checks by the Family Information Service for all providers.
- 4.12 **Family Services £520k** Contribution towards the costs of family outreach workers who promote the take up of FEEE for all settings, improving readiness for learning at 4 & 5 years old. Family Outreach Workers also work intensively with targeted families. Additionally, there is a city-wide play and stay offer for 3&4-year-olds where families bring children to play learn and communicate together and develop skills for school readiness.
- 4.13 **Sufficiency £42k** 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 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 are available to school nurseries and other providers on improving their FEEE offer to ensure it meets the needs of their local families. Some limited business advice is also available to improve take up and in turn income, ensuring a more sustainable business model can be achieved.
- 4.14 **Northpoint Wellbeing Counselling £60k** A contribution towards the cost of a citywide parents' counselling service. The service delivers an individual counselling service to parents and carers of children aged 0-5 years which is an early intervention responsive service preventing unnecessary escalation to more targeted services. The contract has been in place since 1/7/2014 and is managed by the Early Help Service.
- 4.15 **Learning Improvement £208k** 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. This work includes delivering training, running networks, and 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.
- 4.16 No comments were received from providers relating to the centrally retained funding.
- 4.17 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.

4.18 **Supplements**

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

4.20 **Deprivation**

4.21 There is a mandatory requirement for a supplement over the base rate for deprivation. Under the proposal the allocation from the £5.28 per hour per child to the deprivation budget is £0.19 and no change from 2022/23.

4.22 The supplement retained for deprivation is paid out to providers where they have children attending who are claiming FEEE and live in an identified area of deprivation. Deprivation uplift payments are paid termly in the balancing payment for the term as child level information is needed to be able to determine how much deprivation uplift is to be allocated.

4.23 We have heard from providers that although the deprivation uplift is welcomed, the majority of settings focus on the base rate paid, rather than the base rate + deprivation uplift, due to the mix of different children attracting different amounts of funding.

4.24 In order to pass through the maximum possible amount via the base rate, it was proposed for 2022/23 that the deduction from the DfE rate deprivation element be reduced from a deduction on the DfE rate per child of £0.26 to £0.19. This reduced the amount available to be paid out to providers as deprivation uplift.

4.25 Listening to the views of providers, it is proposed that the status quo of £0.19 is maintained for 2023/24.

4.26 Deprivation uplift has been historically paid as an hourly supplement with those in the most deprived postcodes (IDACI A) receiving the highest uplift per hour, with a sliding reduction in uplift down to IDACI F, with IDACI bands G and H receiving no uplift payment.

4.27 **SEND (Special Educational Needs and Disabilities) Inclusion Fund (SENDIF)**

4.28 No changes are proposed to the £0.05 per hour per child supplement for the SEND Inclusion Fund (SENDIF). Providers access the SENDIF by applying to the funding for inclusion team, as per the current arrangements, and are paid termly – a maximum of £1,800 per year for a child attending 15 hours and £3,600 for a child attending 30 hours.

4.29 None of the providers responding to the consultation made reference to this element of the funding.

4.30 **Other**

4.31 **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 £800 per annum to £828 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.

4.32 **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 2023/24 will be £0.62 per hour (increased from £0.60 in 2022/23).

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 10 of the centrally retained funding identified in 4.5 within the Main Issues section of this paper.
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 2023/24 by 24 March 2023.