

Determination of FEEE rates 2023/24

Date: February 2023

Report of: Lead for Admissions and Family Information Service

Report to: Director of Children and Families

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- 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.
- The rate of funding Leeds City Council receives from the Department for Education is increasing for the 2023/2024 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 paper.
- The local authority has consulted with providers and Schools Forum on the proposed rates for 2023/24 and this report sets out the recommended rates taking into account the consultation responses.
- Schools Forum have agreed the proposed allocation of the centrally retained element of the 3 & 4-year-olds funding.

Recommendations

- The Director of Children & Families is recommended to approve that the entire £5.87 per child per hour paid to the local authority in the DSG Early Years grant for 2-year-olds is paid in full to providers (increase of £0.30 per hour per child on 2022/23).
- The Director of Children & Families is recommended to approve the breakdown of the Funded Early Education Entitlement for 3 and 4-year-olds as follows:
 - £0.20 centrally retained (increase of 2p from 2022/23)
 - £0.19 deprivation supplement (no change from 2022/23)
 - £0.05 SENDIF (no change from 2022/23)
 - +£0.08 to minimise potential for overall grant surplus at year end
 - £4.92 base rate paid to all providers (up £0.14 from 2022/23)

What is this report about?

- 1 Each year the Director of Children and Families is required to determine the local formula for distributing the DfE Early Years Block Funded Early Education Entitlement (FEEE) funding. This report and appendix outline the proposals, consultation outcomes and recommended rates to be paid to childcare providers during the financial year 2023/24.
- 2 As in previous years, the allocation for FEEE in 2023/24 will be paid to Leeds City Council by the DfE based on the per pupil per hour rates confirmed in December 2022, allocated to the authority according to January census returns.
- 3 All types of childcare provider in the Local Authority area (Childminders, Private, Voluntary, Independent, School and Little Owls) will receive the same rates as per the formulae set out in this paper, to ensure fairness across the sector.
- 4 The recommendations take into account feedback from providers and Schools Forum, in particular, to pass through as much FEEE funding as possible to providers via the base rate.

What impact will this proposal have?

- 5 Providers will receive a £0.30 increase on their hourly funding for eligible 2-year-olds, and a £0.14 increase on their hourly funding base rate for 3 and 4-year-olds. The proposed formula takes into account the historical annual surplus on the Early Years Block and seeks to commit this through the formula for 3 & 4-year-olds in advance.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 6 The Local Authority is responsible for ensuring that sufficient places are available for 2, 3 and 4-year-olds to take up their free early education entitlement should their families choose to. The funding rates are one way of the LA supporting providers to ensure that they can continue to offer places under the FEEE programme in all areas across the city.
- 7 Widespread access to funded early education places supports children and families to have their best start in life, supporting school readiness and engagement in early learning and development opportunities.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

What are the resource implications?

- 8 The DfE will allocate the DSG Early Years Block funding to the local authority using the national Early Years funding formulae, based on January 2023 and January 2024 censuses. Leeds will receive a £0.30 increase on the 2-year-old funding and £0.16 increase on the 3 and 4-year-old funding.
- 9 The increase in the base rate to be paid to providers will be £0.30 for 2-year-olds and £0.14 for 3 & 4-year-olds. The increase for 3 & 4-year-olds accounts for the DfE uplift of £0.16 (Incorporating £0.11 for the former teachers' pay grant and the teachers' pension contribution grant (TPPG)), and the local authority retaining £0.02 for centrally retained services.
- 10 The DSG grant income for 23/24 will only be confirmed in July 2024 following those January 2023 and January 2024 censuses. The early years block value is therefore currently projected based on previous allocations and patterns of take-up.

What are the key risks and how are they being managed?

- 11 The allocation of funding from DfE to the Local Authority for 2023/24 is based on the January 2023 census and the January 2024 census, which means the budget is projected and is always at risk of being over or understated. The projection is informed by population projections, historical claim patterns and early January 2023 census indications.
- 12 There is a risk that in anticipating the ongoing funding surplus and proposing that this is included in the local formula, this will lead to an overspend on the EY (Early Years) block funding and removes the option of offsetting overspends on other elements of the DSG. We do recognise the concern that the surplus may not arise has been held for over five years and has never yet been realised.

What are the legal implications?

- 13 The funding regulations require that at least 95% of the DfE hourly funding is passed through to childcare providers. The LCC (Leeds City Council) rates and arrangements for the use of this funding aim to pass through to childcare providers 96.2% of the hourly rate per pupil funding received.
- 14 The Local Authority is required by law to inform the DfE of the locally agreed funding rates for 2, 3 and 4-year-old places and to ensure this is a universal base rate for all types of providers. Leeds City Council has been meeting this requirement since 2017.

Options, timescales and measuring success

What other options were considered?

- 15 The requirements and expectations on the 2-year-olds element of the funding mean that there are few options other than to pass through the entire per hour funding to providers.
- 16 The DfE suggested two options with regards to the distribution of the former TPPG funding:
 - Option 1 – Establish a quality supplement payable to all providers with QTS (Qualified Teacher Status) staff working directly with funded children on a consistent basis, with a requirement for providers to pay employer contributions to the teachers' pension scheme.
 - Option 2 – Encompass the former TPPG through the base rate and distributing to all providers.
- 17 The local authority proposed option 2, taking into account the cost and sustainability pressures in the early years sector. The £0.05 general uplift constitutes only a slight rise of 1% to support settings with their increased costs. Option 2 passes through the maximum amount via the base rate across the sector. Whilst it is 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.
- 18 It was considered whether to include the projected surplus in the formula; continue with the existing approach of leaving any surplus within the overall DSG; or taking account of any surplus at the end of the financial year and considering how this can be best paid out. Providers and Schools Forum all fed back that the priority was to ensure that providers received as much of the Early Years block funding as possible, particularly as elements of the centrally retained early years block funding are contributing towards the costs of services which may need High Needs block contributions if they weren't supported by the Early Years block.

How will success be measured?

- 19 With the exception of one, respondents to the consultation were in agreement with the formula proposed by the local authority. Providers also fed back that funding from the DfE is insufficient when considering the rising cost of living.

What is the timetable and who will be responsible for implementation?

20 The first payments will be made to providers from 1 April based on the 2023/24 rates.

Appendices

- Appendix 1: Overview and background.
- Appendix 2: EDCI

Background papers

- None.