

## Appendix A: Background to determined FEEE Arrangements 2023/24

- 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 document.*
- The local authority has consulted with providers and Schools Forum on the proposed rates for 2023/24 and this paper 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 made

a) 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).

b) 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 uplift to avoid grant surplus (no change from 2022/23)  
£4.92 base rate paid to all providers (up £0.14 from 2022/23)

### Background to the recommendations made

1. A consultation with providers commenced 13<sup>th</sup> January 2023. The consultation was sent to all early years' providers in Leeds, setting out proposals for the rates that come into place from April 2023. This consultation closed on 10<sup>th</sup> February 2023. In addition, Schools Forum were asked for their views on the proposed funding rates. The responses were collated and analysed to inform the recommendations.
2. The EY (Early Years) DSG allocation for Leeds is calculated by the DfE under the EY National Funding Formula. In 2023/24 Leeds will receive a £0.30 increase on per pupil funding allocation for 2YOs. In total, the increase on our 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.

3. Provider feedback on the proposed funding formula indicated that providers would prefer as much of the funding as possible to be paid via the base rate, as this is used by providers as their assured minimum funding and has the greatest influence on their business planning. The recommended rates reflect this.
4. Nationally the Early Years funding is known as the Free Early Education Entitlement. In Leeds, a commitment was made in 2019 to all providers that we would refer to this funding as the Funded Early Education Entitlement, due to local and national concerns that the funding allocated by the DfE does not meet the full cost of the delivery of early education provision.
5. **DSG Income:** 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.
6. The DSG grant income for 2023/24 will only be confirmed in July 2024 following the January 2023 and January 2024 census. The early years block value is therefore projected based on previous allocations and patterns of take-up.
7. **Payments to providers:** Providers will continue to receive payments from the local authority on a monthly basis subject to providing their termly estimates.
8. Estimates are submitted in the provider portal to indicate the number of hours the provider expects to deliver in the following term. Any setting which submits an estimate will receive a monthly payment of the base rate allocation for those hours.
9. A termly headcount is taken in January, June, and November. This confirms the actual children attending the setting during this headcount week, with child level detail. This child level information generates the final balancing payment of the term.
10. The supplement payments (SENDIF, EYPP and Deprivation Uplift) will be paid in one lump sum to providers at the end of the term based on the number of eligible children returned on the census for that term.
11. Disability Access Fund (DAF) payments are made to providers based on census claims where providers identify that a child is in receipt of Disability Living Allowance (DLA). The payment of £828 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.
12. All types of providers will receive the same funding rates, as identified by the formulae set out in the recommendations.

**13. Funding for two-year-olds. Hourly Rate to be paid to providers: £5.87**

14. 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.

15. As in previous years, it is recommended that the FEEE funding for 2-year-olds is passed through in full to providers. Therefore, the funding rate paid to providers in 2023/24 increases 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.

**16. Funding for 3 and 4-year-olds. Hourly rate to be paid to providers: £4.92 (+ Dep Uplift, & SENDIF supplements where appropriate).**

17. 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).

18. 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.

19. 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. The table below and points 19a, 19b, 19c and 19d provide the calculations and rationale for arriving at the rate of £4.92:

<i>3&amp;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>
	£	£	£	£	£	£
<b>22/23 (current)</b>	<b>5.12</b>	<b>0.18</b>	<b>0.19</b>	<b>0.05</b>	<b>0.08</b>	<b>4.78</b>
<b>23/24 (proposed)</b>	<b>5.28</b>	<b>0.20</b>	<b>0.19</b>	<b>0.05</b>	<b>0.08</b>	<b>4.92</b>

a. **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 appendix.

b. **Deprivation supplement** - Listening to the views of providers, it is proposed that the status quo of £0.19 is maintained for 2023/24.

- c. **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.
- d. **£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.

## 20. **Former Teachers' Pay and Pensions Grant (TPPG)**

- a. 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.
  - b. 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".
  - c. The DfE advised that "local authorities may choose different approaches to implementing the change locally depending on their provider make-up and local circumstances".
  - d. The consultation proposed that we encompass the former TPPG through the base rate and distributing to all providers. This takes 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. Incorporating the £0.11 former TPPG enables the local authority to pass 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.
  - e. Respondents to the consultation agreed with the recommendation to encompass the former TPPG through the base rate, with the exception of one.
21. 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.

22. Providers continue to report that the base rate is the most important element of the funding to them 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 the deprivation uplift, SENDIF, DAF and EYPP are.
23. In response to this feedback, and in recognition of the ongoing expectation of surplus income, it is recommended that the formula continues to commit the £0.08 uplift into the base rate.
24. 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".

#### **25. 3&4 YO Centrally retained funding**

- a. Under the funding agreement with the DfE, the local authority is permitted to retain up to 5% of the hourly rate per hour per child for services delivered centrally by the local authority and with Schools Forum approval.
- b. In Leeds we have not sought to retain the maximum for over 3-years, and we have managed to maintain central services without increasing the amount which is centrally retained. 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.
- c. This will continue to support the delivery of services such as the Early Years Learning Improvement Team, SENIT, Sufficiency & Participation, Sensory Service and Education Psychology.
- d. The increase will see a rise of the percentage centrally retained from 3.5% to just below 3.8%.

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

		<b>22/23 central retention £0.18</b>	<b>23/24 central retention £0.20</b>
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
	<b>Total</b>	<b>£1,770,000</b>	<b>£1,832,000</b>

27. The final Early Years Block allocation remains unconfirmed until after the end of the relevant financial year. Despite this, local authorities do not adjust the centrally retained budget. This means that where there are fluctuations in the number of children on the January censuses, there is some risk of the centrally retained element being either under or overstated.

28. **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.

29. **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.

30. **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.

31. **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.
32. **Early Support & Inclusion £31k** This is a contribution towards the Early Years Funding for Inclusion Team who manage the EY FFI and SENDIF processes.
33. **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.
34. **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.
35. **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.
36. **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.
37. **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.

38. Schools Forum agreed, line by line, the use of the centrally retained element as outlined above as required by the DfE regulations.

### **39. Supplements**

40. 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.

### **41. Deprivation**

42. 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.

43. 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.

44. 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.

45. 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.

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

47. 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.

### **48. SEND (Special Educational Needs and Disabilities) Inclusion Fund (SENDIF)**

49. 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.



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

51. **Other**

52. **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.

53. **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).