

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 18th January 2022	
EARLY YEARS FUNDING 2022/23		
Open		
Wards Affected: (All Wards); All		
Accountable Director: Jacqui Mc Shannon, Director of Children’s Services		
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Purpose of the report This report updates forum on the Initial Allocation of Early Years Block funding for 2022/23 based on January 2020 census numbers and explains the impact of this on the participation model for all providers. The focus is on the funding for the 3 and 4-Year Old (YO) offer and the steps required to set the 2022/23 Early Years budget. This report also outlines the 2020/21 final funding allocation published in November 2021 and the current 2021/22 funding forecast based on the revised methodology for calculation of entitlements notified by the Education and Skills Funding Agency in March 2021.		

1. Early Years Final allocation 2020/21 and Budget 2021/22

- 1.1. The 2020-21 provisional outturn on the DSG Early Years block reported to Schools Forum in June 2021 indicated a carry forward surplus of £1.418m into 2021-22 based on the published allocation of £16.882m.
- 1.2. The ESFA has now finalised the 2020/21 allocation of £16.381m which shows a clawback of £0.501m. This leaves a surplus of £0.917m related to 2020/21.
- 1.3. The published Early Years DSG allocation for 2021/22 is £17.008m. This is based on January 2020 numbers and has not been adjusted by the DfE from the initial allocation.

- 1.4. The initial early years funding allocations for the financial year 2021 to 2022 (published in December 2020) will be updated in January 2022 to show the adjustments for the summer and autumn terms. Local authorities will not see adjustments for payments until January 2022. Final funding allocations for 2021 to 2022 will be published in July 2022 as per the usual timetable.

Table 1: Breakdown of Initial Early Years Funding Allocations 2021/22

Element	Amount £m
3- and 4-YO universal offer	12.109
3- and 4-YO extended offer	2.751
Sub-total 3- and 4-Year Old Offer	14.860
2-YO Disadvantaged offer	1.161
EY Pupil Premium	0.089
Disability Access Fund	0.048
MNS supplementary funding	0.850
TOTAL	17.008

- 1.5. A review of the current spend on early years indicates a potential underspend of £0.3m due to unallocated contingency and lower than expected uptake on SENIF.
- 1.6. Following the retrospective funding adjustment for 2020/21 financial year there is a £0.917m brought forward surplus from 2020/21. It is proposed that the surplus will offset the HNB deficit (£16.679m as at 1st April 2021). Schools Forum are asked to note that the confirmed carry forward will be used to support the high needs transformation programme with expenditure on children in Hammersmith and Fulham with special educational needs.

2. Early Years Funding 2022-23 Initial Allocation

- 2.1. There are six funding streams in the Early Years Block of the DSG, as set out below. The focus of this paper is the early years entitlement for 3- and 4-year olds (YO), which constitutes the bulk of the funding and which is also subject to pass through and other requirements.
- 2.2. Since its introduction in April 2017 the EYNFF (Early Years National Funding Formula) has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for 3- and 4-YO. There is a separate established formula that sets hourly funding rates for 2-YO. Key points for 2022/23 are that Local Authorities are required to:
- Set a single funding rate (including the same base rate and supplements) for both entitlements for 3- and 4-YO
 - Must pass at least 95% of funding received to providers
 - Must use a universal base rate for all types of providers including maintained nursery schools

- Must use a deprivation supplement in their local 3- and 4-YO formula
- Must not channel more than 10% of funding to providers as supplements
- Must provide a SEN Inclusion Fund for 3- and 4-YO
- Monitored compliance through the S251 Budget and Outturn reporting process

2.3. Summary explanations including funding rates applicable in 2022/23 are set out below:

- Universal entitlement for 3- & 4-YO – 15 hours free childcare for all 3- and 4-YO available from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding will be received by LBHF at £8.23 per hour (2021/22 £8.06). This is a £0.17 per hour increase in funding or circa 2.1% versus 2021/22.
- Additional entitlement working parents 3- & 4-YO – additional 15 hours free childcare for eligible 3- and 4- YO from the term after their 3rd birthday for a maximum of 38 weeks. Parents are required to obtain a 30-hour code. Funding is received by LBHF at £8.23 per hour (2021/22 £8.06). This is a £0.17 per hour increase in funding or circa 2.1% versus 2021/22.
- Disadvantaged 2-YO – 15 hours free childcare for eligible 2-YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £6.87 per hour (£6.66 in 2021/22) and in 2021/22 this was passed on at the same rate to providers. This is a £0.21 per hour increase in funding or circa 3.1% versus 2021/22. The rate to be paid in 2022/23 will need to be agreed by Schools Forum.
- Early Years (EY) Pupil Premium – additional funding for disadvantaged 3- and 4-YO paid as a top up of £0.60 per hour up to a maximum of £342.00 per year (2021/22 £0.53 per hour and £302.10 per year). Eligibility relates to benefits received by the family and must be confirmed by the provider and recorded on the termly head count.
- Disability Access Fund – additional per pupil funding for those receiving DLA to access the 3- and 4-YO offer. This has been increased to £800 per eligible pupil per annum. (2021/22 £615)
- Maintained Nursery School Supplementary Funding – additional funding for maintained nurseries to reflect the higher running costs of a nursery outside a primary school setting. In previous years this was calculated by the ESFA based on 2016/17 baseline data provided by the Local Authority but for 2022/23 an additional 3.5% has been added to the hourly rate giving an estimated initial allocation of £875,600 in 2022/23 based on January 2020 census. This is also based on the number of pupils accessing the universal entitlement for 3 & 4 YO so is subject to change depending on participation rates.

2.4. Table 2 below shows the initial Early Years allocations for the 2022/23 Financial Year, based on January 2021 census figures and updated funding rates for 2022/23.

- 2.5. DfE funding for Early Years is based on the Spring term headcount i.e. January. The initial allocation detailed below uses the January 2021 headcount. This will be revised in July 2022 to take account of the January 2022 census and again in July 2023 to take account of the January 2023 census. This means that the final allocations for each of these funding streams (apart from the Disability Access Fund which is derived from DWP data) will be based on (five-twelfths January 2022 PTE census numbers) + (seven-twelfths January 2023 PTE census numbers).

Table 2: Breakdown of Initial Early Years Funding Allocations 2022/23 (January 2021 headcount)

Element	Amount £m
3- and 4-YO universal offer	11.256
3- and 4-YO extended offer	2.133
Sub-total 3- and 4-Year Old Offer	13.389
2-YO Disadvantaged offer	0.906
EY Pupil Premium	0.095
Disability Access Fund	0.051
MNS supplementary funding	0.733
TOTAL	15.173

- 2.6. These indicative allocations are based on January 2021 headcount which was affected by the pandemic restrictions at that time, when many nursery aged children were not accessing their free entitlements. These allocations are not suitable to produce a working budget for 2022-23 as uptake is expected to be at a level more in line with 2019-20 actual hours delivered. It may be misleading to assume the above allocation represents the level of expected activity in the 2022-23 financial year.
- 2.7. Taking this into account the draft budget has been based on the January 2020 headcount which we believe better reflects the estimated activity in 2022-23 – see Table 3. As described in paragraph 2.2 the allocation will be revised in July 2022 to take account of the January 2022 census which will give an indication of any changes required to remain within the Early Years funding regulations.

Table 3 Draft 2022/23 Early Years budget based on January 2020 headcount

Element	Amount £m
3- and 4-YO universal offer	12.364
3- and 4-YO extended offer	2.809
Sub-total 3- and 4-Year Old Offer	15.173
2-YO Disadvantaged offer	1.198
EY Pupil Premium	0.100

Disability Access Fund	0.051
MNS supplementary funding	0.880
TOTAL	17.402

- 2.8. There are always risks associated with the Early Years budget due to the link with activity measured in the Spring terms of 2 financial years.

3. 3- & 4-YO Offer 2022/23 DRAFT budget model

- 3.1. The 2022/23 draft budget model is based on the initial allocation detailed above and summarised in Table 4 below for the first two elements of funding in Table 3 (Universal 15 hours childcare and targeted additional 15 hours extended hours Childcare for 3- and 4-YO).

Table 4: Draft 2022/23 Early Years Budget – 3- & 4-YO Universal and Extended Offer

	21/22 Budget	22/23 Budget	Change year on year
	£000	£000	£000
A. Participation based on estimated hours - base rate	11,542	11,784	242
B. Participation based on estimated hours – deprivation.	1,302	1,329	27
C. SEN Inclusion Fund	500	629	129
D. Provision for Vulnerable & Additional Needs Children	550	562	12
E. Contingency	73	50	-23
F. Central services expenditure - 5% maximum allowed	743	759	16
G. G. Best Practice, Training and Network Building	150	60	-90
TOTAL SPEND	14,860	15,173	313
DSG EY funding	-14,860	-15,173	-313
NET POSITION	nil	nil	nil

- 3.2. The breakdown of the hourly funding rate of £8.23 is shown in the Table 5 below.

Table 5: Factors and Hourly Rates Applied (see paragraph 3.1 for full detail)

Factors	21/22 Rate Per Hour £	22/23 Rate per hour £	Change in Rate per hour £	21-22 % of funding	22-23 % funding	Change in % funding
A. Basic hourly rate per child	£6.26	£6.39	£0.13	77.7	77.7	nil
B. Deprivation hourly rate (average)	£0.71	£0.72	£0.01	8.8	8.8	nil
C. SEN Inclusion Fund	£0.27	£0.34	£0.07	3.3	4.1	0.8
D. Vulnerable & Additional Needs	£0.30	£0.31	£0.01	3.7	3.7	nil
E. Contingency	£0.04	£0.03	£-0.01	0.5	0.3	-0.2
F. Central Support Expenditure	£0.40	£0.41	£0.01	5.0	5.0	Nil
G. Best Practice Training and Networks	£0.08	£0.03	£-0.05	1.0	0.4	-0.6
Total	£8.06	£8.23	£0.17	100	100	Nil

4. Key Elements of the Proposed Budget Model 2022/23

- 4.1. All providers, both schools, private & voluntary nursery providers and childminders to be funded according to the DFE regulations through a universal base rate and a supplement for deprivation based on IDACI bandings for individual children. Deprivation is a mandatory supplement. The value of supplements must not exceed 10% of the total amount of the payments made.
- 4.2. Factor A - Universal base rate. The base rate used is £6.39 per hour which is an increase of £0.13 per hour versus 2021/22 (£6.26). This represents a 2.1% increase versus the 2021/22 hourly rate which mirrors the overall % funding increase for 3 & 4 year olds.
- 4.3. Factor B – Deprivation. The deprivation supplement must remain within the 10% limit set by the grant regulations. Current deprivation rates paid are shown in Appendix 1 of this report.
- 4.4. Factor C - SEN Inclusion Fund. All providers at some stage may require additional funding to help them support the needs of individual children with lower level or emerging SEN in their settings.

The Early Years Inclusion Fund has been set up to support 2, 3 & 4 year olds who get early education funding, and have a low level or emerging SEN. The funding is for use in the setting and is allocated to the provider. *(Note that Early Years Inclusion Funding for two-year olds will be from the High Needs Block rather than Early Years Block of the DSG in line with the regulations of grant).*

- 4.5. Factor D – Provision for Vulnerable & Additional Needs children (Previously referred to as EY CP/CiN). The model above shows funded childcare for vulnerable children & children with additional needs as a separate line; this includes funding for additional hours above entitlement and other costs associated with the provision. This is at the same level as the funding set aside in 2021/22 to support these children.
- 4.6. Factor E – contingency funding. This has been increased to £100,000 in 2022/23 draft budget. The contingency is proposed to manage volatility in funding versus activity between terms. In addition, there is volatility around the funding mechanisms in response to the Covid-19 pandemic.
- 4.7. Factor F - Central Services Expenditure. The model assumes a budget for central services of £762,000 which is the maximum amount allowed (5% of total 3- and 4-YO funding) under regulations. The proposed allocation of the central items is detailed in Table 6 below.
- 4.8. Factor G - Best Practice Training and Networks. It is proposed this will continue into the Summer Term 2022 to commission Maintained Nursery Schools to provide training and network. The aim is to build capability in the sector and provide additional training and support. From Autumn 2022 best practice support for the wider early years sector is proposed to continue.

5. Details of Proposed Early Years Central Budget

Table 6: Proposed Central Services Budget 2022/23

Item of Central Expenditure		Budget 2021/22 £000s	Budget 2022/23 £000s	Change on year £000s
i)	Education Early Years Team	322	329	+7
ii)	Children's Centres Offer including outreach, early identification and support to families	211	216	+5
iii)	Vulnerable & Additional Needs spot purchases non maintained nursery schools	70	71	+1
iv)	Finance Team	86	88	+2
v)	Statutory Education functions and strategic support	45	45	0
vi)	Business Intelligence for the termly census, EY Census and EYFS Assessments	9	10	+1
Total Central Spend from Early Years DSG		743	759	16

Note that: all the figures for 2022/23 are subject to further discussion. item iii. provides an allowance within the central budget for Vulnerable & Additional Needs provision outside of the maintained nursery sector in order to comply with grant funding regulations and per current levels of expenditure.

6. Recommendations and next steps

- 6.1. Schools Forum to note draft 2022/23 Early Year budget for consultation including an increase to the base rate from £6.26 to £6.39 (2.1%) and proposed hourly rates for deprivation detailed in Appendix 1 subject to consultation.
- 6.2. Detailed work will be done with the Maintained Nursery Schools to set up Service Level Agreements in order to commission work to provide training, build networks and disseminate best practice to the early years sector. This will also include work to ensure their ongoing financial sustainability.
- 6.3. Proposed timescale for Budget Consultation to Maintained Nursery Schools, Primary Schools with Nurseries, PVI providers and Childminders and the approval of final budget for Early Years Block is set out in Table 7.

Table 7: Budget Consultation Timescales

Date	Description
Week beginning 24 th January 2022	Circulation of consultation
Friday 11 th February 2022	Final date for responses
Tuesday 8 th March 2022	Schools Forum papers issued
Tuesday 15 th March 2022	Schools Forum
By 31 st March 2022	Providers notified of approved budget

- 6.4. Schools Forum to note offset of 2020/21 closing Early Years surplus to offset High Needs brought forward deficit.

Report ends

Appendix 1 – IDACI Sliding Scale of Rates 2021/22 –Early Years Deprivation Participation Rate Proposed

IDACI Bandings used for Deprivation Supplement to universal hourly rate

IDACI banding	Hourly rate 2021/22	Hourly rate 2022/23 Proposed
1	£1.30	£1.33
2	£1.20	£1.23
3	£1.10	£1.12
4	£1.00	£1.02
5	£0.90	£0.92
6	£0.70	£0.71
7	£0.50	£0.51
8	£0.30	£0.31
9	£0.10	£0.10
10	£0.00	£0.00

DFE Regulations state that the total amount paid as a supplement to the universal hourly rate must not exceed 10% of the total payable.

The IDACI bands used as this measure of deprivation have been updated. The hourly rates set for 2020/21 were based on 2015 IDACI data. 2019 IDACI data is now in use and this requires a change to the hourly rates to ensure that the total of the 10% of funding allowed is allocated to Early Years providers across the borough. A review of the latest census data indicates a downward shift between bands and the proposed rates have been set accordingly. The rates will be reviewed in year to ensure sufficient funding is being allocated to providers