

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 17th January 2023
EARLY YEARS FUNDING 2023/24	
Open	
Wards Affected: (All Wards); All	
Accountable Director: Jacqui Mc Shannon, Strategic Director of Children’s Services	
Report Authors: Peter Haylock Operational Director of Education and SEND Tony Burton Head of Finance for Children’s and Education	Contact Details: E-mail: Peter.Haylock@lbhf.gov.uk Tony.burton@lbhf.gov.uk
Purpose of the report This report updates forum on the initial allocation of Early Years Block funding for 2023/24 based on January 2022 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 2023/24 Early Years budget.	

2. Early Years Funding 2023-24 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 – in Hammersmith and Fulham supplements are budgeted for deprivation
- 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 2023/24 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 £8.42 per hour in 2023/24. This is a £0.08 per hour increase or 1% increase on 2022/23 funded rates at £8.34 per hour inclusive of Teachers Pay and Pension Allowance of £0.11 per hour.
- 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 will be received by LBHF at £8.42 per hour in 2023/24 financial year.
- 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 £7.56 per hour (£6.87 in 2022/23) is a £0.69 per hour increase in funding or circa 10% versus 2022/23. The rate to be paid in 2022/23 will need to be agreed by Schools Forum. The full funded rate is passed through to providers with eligible two year olds.
- Early Years (EY) Pupil Premium – additional funding for disadvantaged 3- and 4-YO paid as a top up of £0.62 per hour up to a maximum of £353.00 per year (2022/23 £0.60 per hour and £353.00 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 £828 per eligible pupil per annum. (2022/23 £800)
- Maintained Nursery School Supplementary Funding – additional funding for maintained nurseries to reflect the higher running costs of a nursery outside a primary school setting. An estimated initial allocation of £814,100 in 2023/24 based on January 2022 census. This figure includes the allowance for MNS share of Teachers Pay and Pension Grant. 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 1 below shows the initial Early Years allocations for the 2023/24 financial year, based on January 2022 census figures and updated funding rates for 2023/24.

Table 1: Breakdown of Initial Early Years Funding Allocations 2023/24 (January 2022 headcount)

Element	Amount £m
3- and 4-YO universal offer	11.101
3- and 4-YO extended offer	2.257
Sub-total 3- and 4-Year Old Offer	13.358
2-YO Disadvantaged offer	1.153
EY Pupil Premium	0.095
Disability Access Fund	0.051
MNS supplementary funding	0.814
TOTAL	15.471

- 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 2022 headcount. This will be revised in July 2023 to take account of the January 2023 census and again in July 2024 to take account of the January 2024 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).
- 2.6. 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 2023/24 DRAFT budget model

- 3.1. The 2023/24 draft budget model is based on the initial allocation detailed above and summarised in Table 2 below for the first two elements of funding in Table 1 (Universal 15 hours childcare and targeted additional 15 hours extended hours Childcare for 3- and 4-YO).

Table 2: Draft 2023/24 Early Years Budget – 3 & 4 YO Universal and Extended Offer

	22/23 Budget	23/24 Budget	Change year on year
	£m	£m	£m
A. Participation based on estimated hours - base rate	11.784	10.280	-1.504
B. i. Supplement for Deprivation - Participation based on estimated hours	1.329	1.142	-0.187
B. ii. Supplement for Quality - mainstreaming of teachers' pay grant and the teachers' pension employer	0	174.5	174.5

contribution grant			
C. SEN Inclusion Fund	0.629	0.548	-0.081
D. Help and Support for Families in Need via Maintained Nursery Schools	0.562	0.543	-0.019
E. Contingency	0.050	0.020	-0.030
F. Central services expenditure - 5% maximum allowed	0.759	0.650	-0.109
G. Best Practice, Training and Network Building	0.060	0	-0.060
TOTAL Planned Expenditure	15.173	13.357	-1.816

3.2. The proposed breakdown of the use of the new hourly funding rate of £8.42 is shown in the Table 3 below. The full £0.08 per hour funding increase in 2023/24 is proposed to be added to the Basic Hourly rate paid to providers.

Table 3: Factors and Hourly Rates Applied (see paragraph 3.1 for full detail)

Factors	22/23 Rate per hour £	23/24 Rate per hour £	Change in Rate per hour £	22-23 % of funding	23-24 % funding	Change in % funding
A. Basic hourly rate per child	£6.40	£6.48	£0.08	77.8	77.0	-0.8
B.i. Supplement for Deprivation - Participation based on estimated hours	£0.72	£0.72	£0	8.7	8.6	-0.2
B.ii. Supplement for Quality - mainstreaming of teachers' pay & pension grants	£0	£0.11	£0.11	0	1.3	1.3
C. SEN Inclusion Fund	£0.34	£0.34	£0	4.1	4.0	-0.1
D. Help and Support for Families in Need	£0.31	£0.34	£0.03	3.8	4.0	0.3
E. Contingency	£0.03	£0.02	-£0.01	0.4	0.2	-0.1
F. Central Support Expenditure	£0.41	£0.41	£0	5.0	4.9	-0.1
G. Best Practice Training and Networks	£0.02	£0	-£0.2	0.2	0	-0.2
Total	£8.23	£8.42	£0.19	100	100	

4. Key Elements of the Proposed Budget Model 2023/24

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 proposed base rate for 2023/24 is £6.48 per hour which is an increase of £0.08 per hour versus 2022. The full increase

in the funded rate is proposed to be passed through the basic rate to providers in 2023/24.

- 4.3. Factor B.i. 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. These are proposed to be unchanged from 2022/23 with the full increase being applied to the basic rate in Factor A.
- 4.4. Factor B.ii. Quality. The Early Years Operational Guidance 2023-24 has allowed for an increase to the total planned value of funding supplements that local authorities can choose to use following the mainstreaming of the funding previously distributed through the teachers' pay grant and the teachers' pension employer contribution grant. Local authorities are encouraged to use the rolled-in funding to continue to support some of the costs for which the original grants were introduced by distributing it through the quality supplement. The mechanism that this mainstream grant will be paid to primary schools will be determined through the consultation with providers in the Spring Term 2023. A separate allocation for maintained nursery schools to cover funding previously received via the teachers' pay grant and the teachers' pension employer contribution grant has been included in the funding advised specifically for maintained nursery schools and included within the £0.814m funding allocation in 2023/24.
- 4.5. 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 2023/24 budget is proposed based on actual funding passed to providers in 2022 with an allowance for 5% growth.

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).*

- 4.6. Factor D – Help and Support for Families in Need. Paid as a lump sum to maintained nursery schools to support the enhanced offer available to families and children requiring enhanced support.
- 4.7. Factor E – contingency funding. This has been reduced to £20,000 in 2023/24 draft budget. The contingency is available to manage volatility in funding versus activity between terms. In addition, there is volatility around activity and funding in response to the Covid-19 pandemic.
- 4.8. Factor F - Central Services Expenditure. The model assumes a budget for central services of £650,400 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 Section 5 Table 4 below.

- 4.9. 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 end.

Details of Proposed Early Years Central Budget 2023/24

Table 4: Proposed Central Services Budget 2023/24

Item of Central Expenditure	Budget 2022/23 £m	Budget 2023/24 £m	Change on year £m
i) Education Early Years Team	329	228	-101
ii) Children's Centres Offer including outreach, early identification and support to families	216	216	0
iii) Help and Support for Families in Need - spot purchases non maintained nursery schools	71	71	0
iv) Finance Team	88	80	-8
v) Statutory Education functions and strategic support	45	45	0
vi) Business Intelligence for the termly census, EY Census and EYFS Assessments	10	10	0
Total Central Spend from Early Years DSG	759	650	-109

- 4.10. Planned central expenditure incurred by the LA must reduce in line with 5% limit following reduction in activity on the 3&4 year old offer. Savings are expected in the Finance Service following restructure in 2022/23 and through identification of efficiencies in Early Years and Children's Centres via the development of a family hub model.

- 4.11. Note that 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.

5. Recommendations and next steps

- 5.1. Schools Forum to note draft 2023/24 Early Year budget for consultation including an increase to the base to £6.59 (1% like for like increase in funding) and proposed hourly rates for deprivation detailed in Appendix 1 subject to consultation.
- 5.2. 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 take place in late January and early February. Consultation to conclude by statutory deadline of 28th February 2023.

- 5.3. Final proposals will be presented to March Schools Forum following provider consultation. Providers will be given estimates of Summer term funding by 31st March 2023.

Report ends

Appendix 1 – IDACI Sliding Scale of Rates 2023/24 – Early Years Deprivation Participation Rate Proposed

IDACI Bandings used for Deprivation Supplement to universal hourly rate

IDACI banding	Hourly rate 2022/23	Hourly rate 2023/24 Proposed
1	£1.33	£1.33
2	£1.23	£1.23
3	£1.12	£1.12
4	£1.02	£1.02
5	£0.92	£0.92
6	£0.71	£0.71
7	£0.51	£0.51
8	£0.31	£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.