

NORTH LINCOLNSHIRE COUNCIL

SCHOOLS FORUM

EARLY YEARS – DEDICATED SCHOOLS GRANT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report proposes the base rate and supplements of the Early Years Single Funding Formula (EYSFF) for the year 2023/24 for two, three and four-year old early education funding from the early years block of the Dedicated Schools Grant (EYDSG). The paper is for consultation as the final decision lies with the council.

2. BACKGROUND INFORMATION

- 2.1 Early Years funding is participation based. Funding allocations are currently provisional for 2023/24. Allocations are determined by three census counts (January 2022, 2023, and 2024) final allocations are published July 2024.
- 2.2 Funding allocations have increased for the 2023/24 financial year with an additional 6 pence and 18 pence per hour per child on the hourly rate for two-year olds (£5.63) and three and four-year olds (£4.87) respectively. Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) have both increased (2p) to 62p per hour per child and (£28) £828 per annum respectively.
- 2.3 Two-year olds are eligible for a maximum of 15 hours funded early learning and care where their family circumstances mean that they are eligible for free school meals (FSM), where the family is in receipt of Universal Credit/Tax Credits with an income of approximately £16,000, or where the child is in or has left the care of a local authority; is in receipt of Disability Living Allowance or the child has an Education, Health and Care Plan. Approximately 530 children are eligible each term in North Lincolnshire.
- 2.4 All three and four-year olds are entitled to a maximum of 15 hours funded early education in the maintained, private, or voluntary sector for 38

weeks of the year. Children with parents in employment may also be eligible for an additional 15 funded hours, if they are both employed. Approximately 44 per cent of funded children take-up the additional funded hours in North Lincolnshire. Provider payments are determined using the Early Years Single Funding formula (EYSFF), comprised of a base rate and supplements. EYPP and DAF are ring fenced funding supplements for children that meet eligibility criteria.

3. FINANCIAL AND OTHER RESOURCE IMPLICATIONS

3.1 Funding allocations

The provisional funding allocations for the 2023/24 financial year are:

	Funding Allocation (£)	Part-time Equivalent Number (pte) of children
2-year old funding (£5.63 per hour per child)	1,276,837	397.88
Universal Hours 3 & 4-year old funding (£4.87 per hour per child)	5,930,183	2136.31
Extended Hours 3 & 4-year old funding (£4.87 per hour per child)	2,417,421	870.86
Early Years Pupil Premium (62p per hour per child)	205,686	583.12
Disability Access Funding (£828 per annum lump sum)	48,057	58.04
Total EYDSG	9,878,184	-

The council are required to pass-through a minimum of 95% of EYDSG to providers of funded early education. The council retain £393,000 towards early years related support services; this complies with the requirement to pass through at least 95% of the 3&4 year old funding to early years settings.

Members should consider the proposed funding formula for the 2023/24 financial year for two, three and four-year olds.

3.2 Sector consultation

The Department for Education consulted on differences to the funding formula for 2023/24, the sector was encouraged to respond to the consultation. Key changes as a result of the consultation are:

- To revert back to using the national funding formula to determine funding allocations for 2, 3 & 4 year olds by updating the formula factors with the most up to date data available, for example pupil characteristics, English as an additional language and entitlement

to Disability Living Allowance. As well as area cost adjustments, for example premises costs. Premises costs have been introduced for the first time in the calculation for 2 year olds.

- To include the early years teachers' pay grant and teachers' pension employer contribution funding (TPPG, £137,000) to the universal hours' entitlement within the formula funding, a proportion of which is set aside to pay for the minimum funding floor.
- An increased funding floor to £4.87 and a minimum of a 1% increase on the funding formula. Average national rate £5.29.

The response to the consultation, funding rates and operational guidance were published on 16 December 2022.

Modelled options are presented in the report, these have been shared with the sector, collated responses will be shared at the meeting.

3.3 Two-year old funding

The funding payable for two-year old early education provision is £5.63 per hour per child, with a funding allocation of £1,276,837. A higher rate of funding recognises the additional costs of working at a 1:4 staff to child ratio and that the children are from economically disadvantaged backgrounds, which may mean that they require a higher level of support to narrow the achievement gap. There is a 100 per cent pass-through for two-year old funding. The numbers of eligible children are directly related to the local economic position and are subject to change but averages 500 children per term.

Funding projections using pte numbers of children from the calendar year 2022 are illustrated below.

Projected numbers of two-year olds	Estimated budget required (£)
Summer 2022 (pte numbers – 415 children)	420,914
Autumn 2022 (pte number – 416 children)	491,745
Spring 2023 (pte numbers – 406 children)	411,189
Total Expenditure	1,323,848

Projections demonstrate an overspend of £47,011, however funding allocations are adjusted to take-up by the Education and Skills Funding Agency and the actual number of children will differ to the illustrated take-up during 2022.

3.4 Three and four-year old funding

The EYDSG provisional allocation for three and four-year olds after the centrally retained deduction is £5,650,944 for the universal funded hours and £2,303,610 for the extended 15 hours for three and four-year olds.

The actual funding allocation for 2023/24 will be determined based on future census counts of children's participation.

The EYSFF must include a deprivation supplement, other supplements can be tailored to the local childcare market. Supplements must be no more than 12 per cent of the total value of planned funding to be passed through to providers. Local Authorities are encouraged to use a quality supplement to distribute a proportion of the additional funding they will receive in the teachers' pay and pension grants.

The current EYSFF for three and four-year olds is as follows:

- Base rate – £4.35 per hour per child. Hourly rate payable for universal and extended hours to all three and four-year olds.
- EYPP – 60p per hour per child. For children whose families meet the FSM criteria and/or for a child in care or having left care under an adoption, child arrangements or special guardianship order. Payable for universal hours only.
- Deprivation Supplement – 5p per hour per child. Payable for universal hours only. The funding criteria will match that of EYPP.
- DAF - £800 per annum lump sum. For children with a disability in receipt of Disability Living Allowance, to support inclusion of children.
- Sufficiency Lump Sum - £7,000/£3,000. The council have a duty to ensure that there are sufficient childcare places to meet demand. For a provider to be eligible there must be no other 0-5-year old childcare provision within 1½ miles of the provider and they must not benefit from economies of scale.

To project funding and ensure affordability of any proposed funding formula scenarios have been modelled using pte numbers of children in the calendar year 2022. It should be noted the pte numbers of children in the projections are fractionally lower than those in the EYDSG funding allocation, as such with all scenarios there is a contingency (£300K). This ensures affordability of the formula and flexibility to fund an increasing number of children.

Members should consider the following options:

- Option 1 - Base rate increase
Base rate - £4.58 per hour per child (23p increase)
Deprivation funding - 8p per hour per child (3p increase)
Sufficiency lump sum £4000 for 8 rural settings to recognise cost of living increases (£1000 increase)
plus £7,000 to support peer to peer mentoring.
Total expenditure - £7,658,660
- Option 2 – Quality supplement
Base rate - £4.52 per hour per child (17p increase)
Deprivation Funding – 5p per hour per child
Quality Supplement - £2000 lump sum payable in the summer term based on employment of QTS or equivalent in setting

Sufficiency lump sum £4000 for 8 rural settings to recognise cost of living increases (£1000 increase)
plus £5,000 to support peer to peer mentoring.

Total expenditure - £7,665,167

- Option 3 – No change to formula

Total expenditure - £7,265,654 contingency of £408,228

Minimum 95% pass through requirements not met.

The average difference in funding between option one and two is minimal at £614, with the lowest difference being £8.40 and the largest difference £3038, representing as an average 1% of the total funding for each setting. Any shortfall in funding will be met from early years earmarked reserves. Projections illustrate allocations for option 1, an increase to the base rate.

Funding projections 2022/24 (based on the 2022 calendar year)

	Universal Hours			Extended Hours		EYPP (£)
	pte children	Funding (£)	Supplements (£)	pte children	Funding (£)	
Summer 2023	2,490	2,053,325	80,724	1,030	849,324	75,332
Autumn 2023	1,575	1,514,999	7,410	679	653,744	57,432
Spring 2024	2,137	1,761,764	8,165	878	724,201	63,289
Peer Leadership			7,000			
Total		5,330,087	103,300		2,227,269	196,053

Estimated grant expenditure

	Universal (£) (inc. supplements)	Extended (£)	EYPP (£)
Total projected spend	5,433,390	2,227,269	196,053
DSG Funding Allocation	5,650,994	2,303,610	206,074
Contingency	217,604	76,341	10,201
Total Early Years DSG Contingency		293,945	10,201

3.5 Population projections

Population projections are presented for members for three terms of the financial year 2023/24. The latest population projections demonstrate a slight decrease in the number of eligible children, from 2022/23 for the universal funding. The projections are based on doctor registrations in each ward of North Lincolnshire; adjusted to reflect average take-up of funding. In relation to the extended hours, projections are based on the average take-up of extended hours in the last year.

Based on population projections for the initial funding allocation, there is potential for a reduction in the allocation at subsequent recalculations of funding for the year 2023/24.

Population Projections

	Universal 15 Hours		Extended 15 Hours	
	Population	Funded Hours	Population	Funded Hours
Summer 2023	2,439	438,984	1,099	197,820
Autumn 2023	1,516	318,318	647	135,928
Spring 2024	2,033	365,944	885	159,232
Total – Pte Hours (estimated North Lincs)	1,970		864	
Dedicated Schools Grant – Pte Hours	2,136.31		870.86	

4. OTHER IMPLICATIONS

- 4.1 The statutory guidance states that all Ofsted registered childcare is eligible to deliver funded early education places, including schools, academies, private and voluntary day nurseries and pre-schools, as well as childminders and after school clubs. Each provider is subject to an agreement that includes diversity and equality.
- 4.2 The Disability Access Fund supports accessibility for children with a disability at their chosen setting. An Early Years Inclusion Fund is also available for providers to apply for additional funds to support children with emerging SEND. Additional funding is also paid to named settings on a child's Education, Health and Care Plan (both funded from High Needs Block of Dedicated Schools Grant). Of the centrally retained funding from the early years block £180,000 supports SEN and inclusion of children in the sector.
- 4.3 The funding is participation based, as such providers receive funding based on registered children's hours each term. Supplements recognise and tailor the funding to the differentiated cost of delivery where applicable. Deprivation funding and the EYPP support providers to target cohorts of children to narrow the gap in educational achievement.
- 4.4 The newly introduced quality supplement will support providers with the additional costs of employing a qualified teacher or equivalent across all sectors with a lump sum payment, it is intended that this encourages employment of a QTS in the sector.

5. RECOMMENDATIONS

- 5.1 That members note the provisional funding allocation in relation to the Early Years Block of the DSG for 2023/24.

- 5.2 That members support the proposed rate of £5.63 per hour per child for all funded two-year olds.
- 5.3 That members support the proposed local supplements of the EYSFF – deprivation, sufficiency lump sum and quality.
- 5.3 That members support an increase in EYPP and DAF to nationally funded rates (62p per hour and £828 lump sum respectively).
- 5.4 That members support option 1, a base rate of £4.58 per hour per child, deprivation supplement of 8p per hour per child and an additional £1000 to the Sufficiency lump sum.

EARLY YEARS MANAGER SUFFICIENCY AND QUALITY

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Date: 12 January 2023

Background Papers used in the preparation of this report – None