

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 2022/23 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 2022/23. Allocations are determined by three census counts (January 2021, 2022, and 2023) final allocations are published July 2023.
- 2.2 Funding allocations have increased for the 2022/23 financial year with an additional 17 pence and 21 pence per hour per child on the hourly rate for two-year olds (£5.57) and three and four-year olds (£4.61) respectively. Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) have both increased (6p) to 60p per hour per child and (£185) £800 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 600 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 2022/23 financial year are:

	Funding Allocation (£)	Part-time Equivalent Number (pte) of children
2-year old funding (£5.57 per hour per child)	1,308,186	412.04
Universal Hours 3 & 4-year old funding (£4.61 per hour per child)	5,519,222	2100.40
Extended Hours 3 & 4-year old funding (£4.61 per hour per child)	2,106,706	801.73
Early Years Pupil Premium (60p per hour per child)	181,609	-
Disability Access Funding (£800 per annum lump sum)	52,800	-
Total EYDSG	9,168,523	-

The council are required to pass-through a minimum of 95% of EYDSG to providers of funded early education. The council retain £352,000 towards early years related support services; this equates to 5%.

Members should consider the proposed funding formula for the 2022/23 financial year for two, three and four-year olds.

3.2 Sector consultation

Three potential funding options were modelled and have been shared with the sector to determine their preference.

The scenarios:

- Increase to base rate (£4.35) and a maximum of £10,000 ring fenced for peer to peer support.

- Smaller increase to base rate (£4.28) and 50p per hour per child deprivation supplement to support narrowing the achievement gap and impact of Covid-19.
- Increase to the base rate (£4.33) and 12p per hour per child deprivation supplement, £10,000 ring fenced for peer to peer support and £10,000 to increase sufficiency supplement for rural settings.

Approximately 70% of settings responded to the consultation, the main preference was for the first scenario with a higher overall base rate. Respondents felt a larger increase to the base rate for three and four-year olds allowed them more flexibility to respond to the needs of children in their provision. An increase to staff wages was a priority to enable them to retain staff in the sector and meet requirements of the national living wage.

3.3 Two-year old funding

The funding payable for two-year old early education provision is £5.57 per hour per child, with a funding allocation of £1,308,186. 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 620 children per term.

Funding projections using pte numbers of children from the calendar year 2021 are illustrated below.

Projected numbers of two-year olds	Estimated budget required (£)
Summer 2022 (pte numbers – 426 children)	426,894
Autumn 2022 (pte number – 450 children)	525,890
Spring 2023 (pte numbers – 423 children)	424,481
Total Expenditure	1,377,265

3.4 Three and four-year old funding

The EYDSG provisional allocation for three and four-year olds after the centrally retained deduction is £5,264,464 for the universal funded hours and £2,009,464 for the extended 15 hours for three and four-year olds. The actual funding allocation for 2022/23 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 10 per cent of the total value of planned funding to be passed through to providers.

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

- Base rate – £4.20 per hour per child. Hourly rate payable for universal and extended hours to all three and four-year olds.
- EYPP – 53p 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 - £615 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 2021. 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. This ensures affordability of the formula and flexibility to fund an increasing number of children.

Members should consider the following scenarios:

- Scenario 1 - Base rate increase
Base rate to £4.35 per hour per child (15p increase), plus £7,000 to support peer to peer mentoring.
Total expenditure - £7,116,294, contingency £157,634
- Scenario 2 – Base rate and deprivation supplement increase
Base rate - £4.28 per hour per child (8p increase)
Deprivation Funding – 50p per hour per child
Total expenditure - £7,125,374, contingency £148,554
- Scenario 3 – Base rate, deprivation, and sufficiency supplement increase. Plus, up to a maximum of £7,000 for peer to peer support.
Base rate - £4.33 per hour per child (13p increase)
Deprivation – 12p per hour per child
Sufficiency Lump sum £4,000/£7,000 (addition of £1000 to increase to £4000 for 10 settings)
Total expenditure - £7,114,071, contingency £159,857
- Scenario 4 – No change to formula
Base rate - £4.20

Deprivation – 5p per hour per child
 Sufficiency lump sum - £3000 or £7000
 Total expenditure - £6,866,882 contingency of £407,046
 Minimum 95% pass through requirements not met.

The sectors preferred scenario one, has been modelled below for information:

Funding projections 2022/23 (based on the 2021 calendar year)

	Universal Hours			Extended Hours		EYPP (£)
	pte children	Funding (£)	Supplements (£)	pte children	Funding (£)	
Summer 2022	1,493	1,942,271	70,515	574	763,031	66,185
Autumn 2022	1,613	1,475,627	7,712	632	577,743	50,535
Spring 2023	1,502	1,638,018	8,129	564	633,248	55,644
Total		5,055,916	86,356		1,974,022	172,364

Estimated grant expenditure

	Universal (£)	Extended (£)	EYPP (£)
Total projected spend	5,142,272	1,974,022	172,364
DSG Funding Allocation	5,264,464	2,009,464	181,609
Contingency	122,192	35,442	9,245
Total Early Years DSG Contingency	157,634		9,245

3.5 Population projections

Population projections are presented for members for three terms of the financial year 2022/23. The latest population projections demonstrate a slight increase in the number of eligible children, from 2020/21 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 the initial funding allocation would be sufficient to meet the cost of the EYSFF for the year 2021/22.

Population Projections

	Universal 15 Hours		Extended 15 Hours	
	Population	Funded Hours	Population	Funded Hours
Summer 2022	2,731	450,000	1,106	199,145
Autumn 2022	1,673	324,000	635	133,300
Spring 2023	2,231	368,600	777	139,850
Total – Pte Hours	2,004		829	

(estimated North Lincs)				
Dedicated Schools Grant – Pte Hours	2,100.4		801.73	

4. OTHER IMPLICATIONS

- 4.1 The take-up of funded early education during 2021 was impacted by Covid-19 and parents' hesitancy to return children to early education. However, numbers of children increased throughout the year. As such the reliability of projections is uncertain, however, the hourly rate in each scenario is affordable when related to the pte funding allocation per child.
- 4.2 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.
- 4.3 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 (funded from High Needs Block of Dedicated Schools Grant). Of the centrally retained funding from the early years block £178,000 supports SEN and inclusion of children in the sector.
- 4.4 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.

5. RECOMMENDATIONS

- 5.1 That members note the provisional funding allocation in relation to the Early Years Block of the DSG for 2022/23.
- 5.2 That members support the proposed rate of £5.57 per hour per child for all funded two-year olds.
- 5.3 That members support the proposed local supplements of the EYSFF – deprivation and a sufficiency lump sum.
- 5.3 That members support the preference of the childcare sector as identified via consultation and endorse scenario one. An increase to the base rate of 15p to £4.35 per hour per child and a small fund (£10,000) for peer mentoring.
- 5.4 That members support the proposal that EYPP (60p per hour per child) and DAF (£800 per annum lump sum) are paid at the nationally required rates.

EARLY YEARS MANAGER SUFFICIENCY AND QUALITY

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Background Papers used in the preparation of this report – None