

BRIEFING

TO:	Schools Forum
DATE:	14 th January 2022
LEAD OFFICER:	Aileen Chambers Head of Service – Early Years and Childcare
TITLE:	Early Education Funding Proposals 2022-23

1. Background

- 1.1 The purpose of this report is to detail the statutory guidance in place for the allocation of early education funding; the current position and proposals for the 2022/23 allocation.
- 1.2 Following the outcome of the Department for Education's (DfE) Early Years national funding formula consultation in 2016 a national single funding formula was introduced by the DfE in 2017/18 for the allocation of the Dedicated Schools Grant Early Years Block early education funding to all schools and providers. Local Authorities (LAs) are required to allocate the funding to early education providers based on a local funding formula made up of a single base rate and a mandatory deprivation supplement (for 3/4 year old early education). LAs can retain 5% of the 3 / 4 year old early years funding allocation to fund central services.
- 1.3 Local authorities are required to consult providers on annual changes to their local formula. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February, although the final decision rests with the local authority.
- 1.4 The Early Years Block funding for 2022/23 will be allocated initially as an 'indicative' allocation in January 2022. The usual process is for the ESFA to allocate an indicative funding allocation based on the previous year January Census data with two further adjustments - one during the year (July) based on the January 2022 Census data and further adjusted in July 2023 based on 5/12ths of January 2022 Census and 7/12ths of January 2023 Census. The process was amended for the 2021/22 budget due to Covid but will revert to this formula in 2022/23.
- 1.5 The rate that the Local Authority receives from the DfE will increase in 2022/23 as detailed below:

	2021/22 Rate	2022/23 Rate	Increase
3/4 Year Olds	£4.44 / h	£4.61 / h	+17p
2 Year olds	£5.36 / h	£5.57/h	+21p
Early Years Pupil Premium	53p/h	60p/h	+7p

The funding rate has increased each year from 2020/21; prior to that, the funding rate had remained static for 3 years.

- 1.6 The current local formula, as detailed below, was consulted on prior to introduction in 2017/18 and the deprivation supplement was reviewed again in January 2018.

3 / 4 year olds & 30 Hour Allocations:

5%	Centrally Retained to contribute to Early Years and Childcare Service running costs
2%	Passed to eligible providers as a Deprivation Supplement
93%	Passed to providers as Early Education Base Rate

The deprivation supplement applied to 3 year old places is currently allocated as follows:

High deprivation	providers with an average Index of Multiple Deprivation score (based on postcode of children accessing) in top 10% deprivation level	Additional 15p / h for each child
Medium deprivation	providers with an average Index of Multiple Deprivation score (based on postcode of children accessing) in between the top 11 – 30% deprivation levels	Additional 10p / h for each child

Two year old Allocations:

- 100% passported to providers in line with DfE guidance with no additional supplements

1.7

2020/21 Projections

The Early Years block typically generates a reserve due to the way in which the funding is calculated and distributed. The reserve amount has been used since 2018/19 to fund the Inclusion Support Grant at a cost of approximately £410k per annum.

Due to the impact of Covid, the DfE amended the funding allocation formula for 2020/21 and 2021/22 as well as the distribution requirements in 2020/21. These changes have had a significant impact on the overall budget. No reserve was generated in 2020/21 and the previous reserves are expected to be fully utilised to cover the Inclusion Support Grant (ISG) in 2020/21 and initially projected ISG allocation in 2021/22.

The demand for ISG has increased this year due to the impact of Covid on children's development and the ISG allocation is projected to exceed the identified allocation (£390k) by £150k leading to a total spend of £540k.

The EY Block has a reserve of £430k (includes Disability Access Fund (DAF)) and EY projections will generate a reserve of approximately £223k in year this year which will cover the ISG overspend and leave a reserve of £113k to carry forward.

1.8

Disability Access Fund: the DfE introduced a Disability Access Fund (DAF) in 2017/18. The funding is passported to childcare / early education providers for the purpose of aiding access to early years places. The funding allocated to each LA is calculated on the number of children in the area claiming Disability Living Allowance. Providers are responsible for claiming the funding from the LA. Funding is awarded to providers in a lump sum of £615 (increasing to £800 in 2022/23) per year for each eligible 3 / 4 year old. Nationally the take-up of this funding by childcare providers is low leaving LA's with budget surpluses. The DfE have not clawed back underspend in this budget but have advised that LA's are expected to:

spend any additional funding over and above DAF actually paid out on services in

	<p><i>line with the principles and aims of DAF</i></p> <p>Inclusion Support Grant: Statutory guidance required each local authority to have an Inclusion Support grant (ISG) to support providers to secure better outcomes for children with lower level or emerging SEN. In Rotherham children with more complex needs are also funded through the ISG. A budget was allocated for the ISG in Rotherham from the High Needs block until 2018/19 and since then from Early Years block reserves.</p> <p>A review of Rotherham's inclusion support grant was carried out in 2019 with the outcomes presented to DLT in December 2019 to inform the funding approval for 2020/21 (see report at Appendix 1 for details). It was acknowledged that the £410k spend was value for money and the review evidenced that usage of the grant contributed to positive outcomes for children with SEND.</p> <p>There has been a significant increase in demand for ISG support in 2021/22 due to:</p> <ul style="list-style-type: none"> • Significant increase in claims (particularly for 3 year olds in summer term) due to the impact of Covid • Increase in EHCP children in PVI settings claiming ISG • Increase in F2 age children remaining in PVI settings and claiming ISG <p>It is uncertain whether this demand will reduce in 2022/23</p>										
2. Proposals											
2.1	<p>It is proposed to retain the current local funding formula in 2022/23 as follows:</p> <table border="1"> <tr> <td>Retention for Central Spend</td><td>5% of 3 / 4 year old and 30 hour budgets</td></tr> <tr> <td>3 / 4 year old hourly rate</td><td>£4.29 plus deprivation supplement if eligible (increase of 15p per hour)</td></tr> <tr> <td>3 / 4 year old Deprivation Supplements</td><td>Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as an additional hourly rate as detailed above, increasing the supplement by 1p / hour to 11p medium / 16p high and widen the 'Medium' threshold criteria from IMD of 30% to 33%</td></tr> <tr> <td>2 year old hourly rate</td><td>£5.57 (increase of 21p per hour)</td></tr> <tr> <td>Nursery Stability Funding</td><td>Increased by 3.5% - Lump sum to be passported to 3 nursery schools as required by guidance.</td></tr> </table>	Retention for Central Spend	5% of 3 / 4 year old and 30 hour budgets	3 / 4 year old hourly rate	£4.29 plus deprivation supplement if eligible (increase of 15p per hour)	3 / 4 year old Deprivation Supplements	Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as an additional hourly rate as detailed above, increasing the supplement by 1p / hour to 11p medium / 16p high and widen the 'Medium' threshold criteria from IMD of 30% to 33%	2 year old hourly rate	£5.57 (increase of 21p per hour)	Nursery Stability Funding	Increased by 3.5% - Lump sum to be passported to 3 nursery schools as required by guidance.
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2.2	<p>The increase in hourly rate is essential for ongoing sustainability as the cost of delivery has increased significantly over the last four years with further increases in minimum wage / national living wage in April 2022. In addition, the increases in delivery costs and reduced take-up due to Covid have had a significant impact on sustainability of the childcare sector.</p>										
2.3	<p>Disability Access Fund: It is proposed that the DAF surplus is used to contribute to the ISG budget in 2022/23.</p> <p>Inclusion Support Grant: It is proposed to maintain the current Inclusion Support Grant formula of providing a top up funding on a 1:2 basis to the income from early education / parents fees (see Appendix 1 for details) with changes to the rates.</p>										

ISG Contribution for 3 Year Olds			
	Current Rate	Proposed Rate	Increase in ISG contribution
Indicative cost of staff	£9.29	£9.50 (NMW from 1.4.22)	
Early Education Hourly rate	£4.14	£4.29	
ISG (on 1:2 ratio)	£5.15	£5.21	+6p/h

ISG Contribution for 2 Year Olds			
	Current Rate	Proposed Rate	Increase in ISG contribution
Indicative cost of staff	£9.29	£9.50 (NMW from 1.4.22)	
Early Education Hourly rate	£5.36	£5.57	
ISG (on 1:2 ratio)	£3.93	£3.93	No change

- 2.4 The increase in contribution for 3 year olds will increase the budget by approx. £6k (based on 2021/22 demand levels).
- 2.5 The budget is needs led and due to the increased demand due to Covid it is likely that a spend of £540k will be required in 2022/23. It is proposed that this is funded through a combination of EY Block reserves (including DAF surplus) and High Needs block.
- 2.6 It is proposed to increase capacity within the Early Years and Childcare Team temporarily by 1 day a week / Band G officer in February / March 2022 at a cost of £997 to carry out initial analysis of the usage of ISG to ensure maximum effectiveness of the budget.
- 2.7 It is proposed to amend the application form to request confirmation of the benefits for the child of accessing ISG (in addition to the current level of need evidence).
- 2.8 It is proposed to bring a further report to DLT in January to request approval to review the restructure of the Early Years and Childcare team to increase capacity to support Early Years SEND, with the aim of reducing ISG claims in the longer term.
- 2.9 **2 Year Early Education:** The Golden Ticket approach is being trialled in the Central area of the borough to increase take-up by reducing the barrier of carrying out eligibility checks on DfE identified families prior to taking up a place. The risk is that some of the families circumstances may have changed in the very short window since the DfE identified them as eligible. The DfE have recently produced amended guidance to clarify that eligibility checks should be carried out alongside Golden Tickets and only eligible children can be funded from the current EY Block. It is proposed to continue to use the Golden Ticket approach in the Central area and fund any non-eligible families from EY Block reserve. The risk is very low. Only 1 child's eligibility had changed in the Summer term. The maximum cost would be £2750 per annum per child depending on the age of the child.
- 2 Year Early Education – Special Guardianship:** LAC / previously LAC children are eligible for a free 2 year early education place, however children being cared for under a Special Guardian arrangement are not eligible unless the guardians meet the non-working / low income eligibility criteria. The majority do meet these criteria, with only occasional exceptions. It is proposed to implement a local criterion to fund Special

	Guardianship two year olds where they do not meet the DfE criteria. The cost would need to be met out of EY Block reserves at a maximum of £3174 per annum per place depending on age of the child.
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3. Key Actions and Timelines

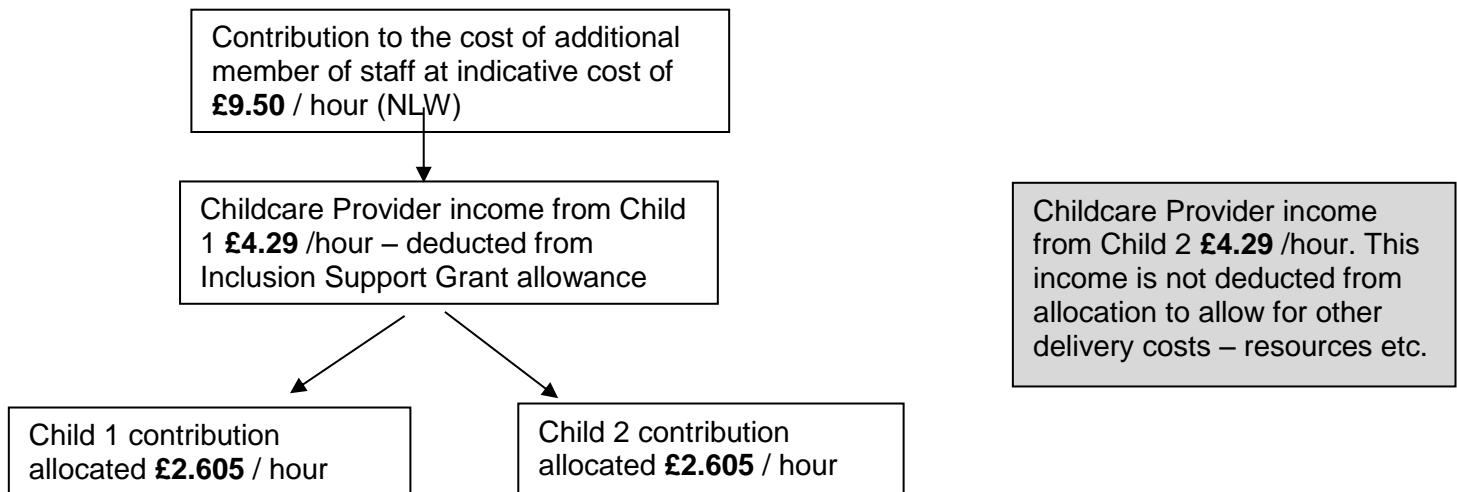
3.1	January 2022: proposals presented to DLT January 2022: EE formula proposals presented to Early Education Working Group January 2022: EE formula proposals presented to Schools Forum January 2022: 2022/23 funding rates confirmed to early education providers
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4. Recommendations

4.1	<p>It is recommended that the following proposals are noted and approved:</p> <ul style="list-style-type: none"> • That the local funding formula is maintained as detailed at point 2.1 • That the Inclusion Support Grant budget of £540 is approved from EY Block Reserve (including DAF reserve) and High Needs Block • Temporary increase in capacity in EY&CS to review usage of ISG • Use of EY Block reserves to fund any Golden Ticket families whose eligibility has changed after take-up of a place • Use of EY Block reserves to fund any Special Guardianship children who do not meet DfE eligibility criteria
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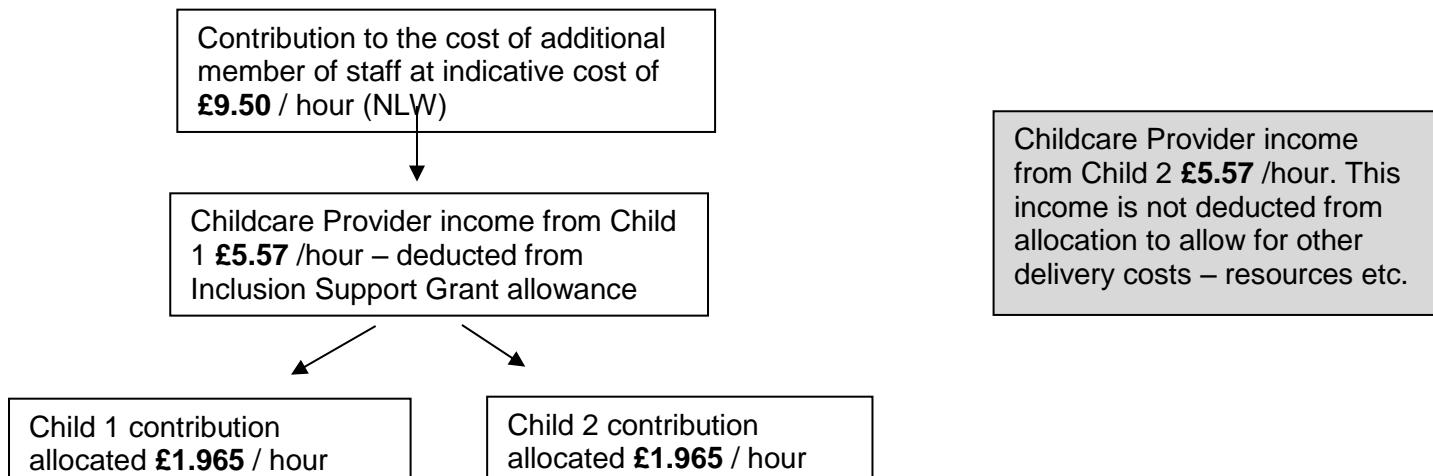
Appendix 1

Inclusion Support Grant Allocation Methodology – 3 / 4 year olds children (Proposed 2021/22 rates)



Impact on setting income by taking ISG 3 Year Old				
Potential income		ISG Income		Difference
8 EE 3 year olds @ £4.29 each	£34.32	2 EE 3 year olds @ £4.29 each	£8.58	
		ISG	£5.21	
TOTAL	£34.32		£13.79	-£20.53

Inclusion Support Grant Allocation Methodology - 2 year olds children



Impact on setting income by taking ISG 2 Year Old				
Potential income		ISG Income		Difference
4 EE 2 year olds @ £5.57 each	£22.28	2 EE 2 year olds @ £5.57each	£11.14	
		ISG	£3.93	
TOTAL	£22.28		£15.07	-£7.21