AGENDA ITEM 6

**Title of report: Early Years Block Funding 2023-2024**

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**Details on who has been consulted with on this paper to date:**

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| **Executive Summary:**  This report sets out the financial information relating to the provision of funded Early Education and Childcare entitlements for 2, 3 & 4 years old. This includes: the total funding available to providers in 2023-2024 and the centrally retained budget via the Early Years National Funding Formula (EYNFF) as set by the Department for Education through the Dedicated Schools Grant (DSG). |

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| **Recommendations.**  Forum is asked to:   1. Note the contents of the report 2. Agree the continuation of the centrally retained funding for 2023-24 of 5% which subsequently confirms the base rates passported to the sector |

## Background

* 1. London Borough of Tower Hamlets (LBTH) is required to consult annually with Schools Forum on the arrangements for Early Years Funding Formula (EYNFF) for participating Early Education and Childcare funded provision. London Borough of Tower Hamlets (LBTH) is committed to supporting and enabling the funded and non-funded Early Education and Childcare sector in delivering sustainable and high-quality provision within the borough.
  2. The proposal available within this report has been based on a safe and sound balance of our commitment to passport as much DSG EYNFF funding to EEC (Early Education and Childcare) funded sector, as well as: being able to meet our statutory duties as a council in delivering a highly effective service for the Early Education and Childcare sector.
  3. DfE/ESFA Guidance state that at least 95% of the universal and extended entitlement (3 and 4-year-old) budget must be passed through to providers. The DfE monitor this requirement through the LBTH annual s251 budget return. In 2022-2023, LBTH passed through 95%.
  4. As per the DfE/ESFA guidance the following has been included in the funding formula calculation for 2023-2024.
* 2-year-old entitlement hourly base rate for eligible 2-year-olds
* Universal and Extended entitlements hourly base rate (3- and 4-year-olds)
* Early Years Pupil Premium (EYPP) entitlement hourly base rate for eligible children
* Deprivation Supplement entitlement hourly base rate for eligible children is based on the child’s post code using the Income Deprivation Affecting Children Index (IDACI)or FSM
* Disability Access Fund (DAF) entitlement yearly base rate for eligible children
* SEND High Needs Funding/Inclusion
* A mandatory minimum 95% ‘pass through’ of funding to schools and early years’ providers with a 5% central EEC service retention
* A small retention from the 2-year-old funding formula
  1. The final indicative budget is based on estimates from a combination of the DfE Dedicated Schools Grant (DSG) EYNFF allocations published in December 2022 and local intelligence of actual reported number of hours delivered during 2022-2023.
  2. Local authorities DSG EYNFF is calculated based on the number of hours’ children are taking up during census week in January and any adjustments in July of the same year creating an assumption of uptake. All hours and financial amounts are indicative in this report.
  3. Any variations are reported to the DfE and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places.
  4. LBTH received an increase in the base rate for the 2-year-old, Universal/Extended, EYPP and DAF.

**Table1: EYNFF published increase:**

|  |  |  |
| --- | --- | --- |
| Funded Entitlement | 2022-2023 | 2023-2024 |
| 2-Year-old Entitlement | £6.87 | £7.48 |
| Universal/Extended Entitlements | £8.06 | £8.33 |
| EYPP | £0.60 | £0.62 |
| DAF (Disability Access Fund) | £800 | £828 |

2. **Budget update 2023-24 and recommendations**

2.1 Multiple options and variables were worked through, based on projected hours for funding using EYNFF DSG allocations, the new updated formula, previous years’ uptake and an

assessment of trajectory for the upcoming year considering political and local changes. The chosen option is deemed the best option available to continue balancing the commitment to passport as much as financially viable with internal expenditure.

2.2 The final indicative budget based on DSG EYNFF formula is as follows:

**Table 2: Proposed and comparative base rates per hour, per child:**

|  |  |  |  |
| --- | --- | --- | --- |
| Funded Entitlement | 2021-2022 | 2022-2023 | 2023-2024 |
| 2-Year-old base rate | £6.58 | 6.79 | £7.40 |
| Universal and Extended Entitlement | £7.16 | £7.16 | £7.40 |
| EYPP | £0.53 | £0.60 | 0.62 |
| Deprivation | £0.30 | £0.30 | £0.45\* |
| DAF | £615 | £800 | £828 |

\* Increase in deprivation needed due to increase need to target those disadvantaged.

2.3 The deprivation rate has had an uplift to enable providers to ensure those children living in the most disadvantaged areas receive additional support.

2.4 Currently, the PVI sector can apply for additional funding for children with SEND (Inclusion funding, 250k 2022-2023). This has unwittingly created a challenge for school-based nurseries and MNS’ as this is not available to access. We will work closely with the SEND service and the sector to create a more equitable offer; therefore, we have increased the Inclusion fund to £611k meet increased demand.

2.5 MNS will receive an uplift in their MNS supplementary lump sum due to government investing an additional £71m (nationally).

This is made up of:

* + MNS pre-reform funding(£53m)
  + MNS’s share of TPPG (Teachers Pay and Pension Grant) (Teachers Pay Grant and Pension Contributions) (£8m)
  + Additional funding invested into supplementary funding (£10m)

2.5 Funding will be paid to Maintained Nursery Schools within the regular payments per year.

2.6 Due to the uplift allocated there is a significant increase of 53%. The DSG allocation included funds for 6 MNS. 2 MNS closed during 2022 and we expect a clawback in June 2023 and have therefore extracted their proportion from the overall figure.

**Table 3: The 2023-2024 allocations MNS Indicative Budget**

|  |  |  |
| --- | --- | --- |
| MNS Name | Budget 2022-2023 | Indicative Budget  2023-2024 |
| Alice Model | £95,000 | £145,000 |
| Children’s House | £95,000 | £145,000 |
| Colombia Market | £95,000 | £145,000 |
| Rachel Keeling | £95,000 | £145,000 |
| *Old Church (Closed)* | *£120,000* | *n/a* |
| *Harry Roberts (Closed)* | *£95,000* | *n/a* |
| Total: | £595,000 | £580,000 |

2.7 Central Retained Budget is calculated using a formula set by the DfE and it calculates the

projected hours and linked income from the DfE.

**Table 3: Formula used to calculate the central retained budget:**

|  |  |  |
| --- | --- | --- |
| Funding Entitlement | 2022-2023 | 2023-2024 |
| Universal Entitlement | £20,338,432 | £20,980,762 |
| Extended Entitlement | £4,323,970 | £4,491,988 |
| Total combined | **£24,662,402** | **£25,472,750** |
| Percentage 5% | £1,233,120 | £1,284,340 |
| Underspend | £158,080 | £105,207 |
| Retained 2’s | £63,000 | £37,031 |
| Total centrally retained budget | **£1,391,200** | **£1,415,875** |

2.8 The calculated central retained budget for 2023-2024 at current levels would be

£1,284,340.30. It is proposed to continue using the remaining underspend to ensure we can retain services as set out in the restructure. This will enable LBTH to fully meets its statutory duties as per the Childcare Acts of 2006 and 2016, specifically regarding:

* Securing sufficient high quality Early Education and Childcare for all those wishing to access funded entitlements and provision
* Providing information, advice and assistance to parents/carers and prospective parents/carers
* Providing information, advice and training to the whole Early Education and Childcare sector
* Providing quality improvement support for the whole early education and childcare sector
* Providing inclusion support to the whole sector in line with the SEND Code of Practice. Last year this support was only offered to PVI’s and there is a request from school-based nurseries and MNS to be included in this offer.

2.9 Table overleaf shows the 2023-24 budget expenditure for the Early Years central retained budget.

**Table 4: Forum to be Agreed Centrally Retained Budgets 2023-2024**

|  |  |
| --- | --- |
| Description | 2023-2024 |
| Staffing and associated costs | £1.1m\* |
| Workforce Development | £50k |
| Marketing and communication | £45k |
| Projects and Events | £50k |
| Internal recharges and Service costs, (legal, business support, HR, CSA (Childcare Sufficiency Assessment), recruitment, DBS etc) | £170.8k |
| Total from DSG EYNFF: | **£1,415,875** |

\* Reduction in staff costs of £292k due to completion of transformation

## 3. Conclusions and Vote

This paper updates Schools Forum on the proposed funding arrangements for early years entitlements for 2023-2024 and seeks agreement on the overall centrally retained spend of 5%.

## Contact Details of Head of Early Years (Interim)

If you have any queries or comments in advance of the Schools Forum meeting about this report, please contact:

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