AGENDA ITEM 8

**Title of report: Early Years Block Funding 2022-2023**

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**Officer to present the paper to Schools Forum:** Jess Milne

**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 2022-2023 and the centrally retained budget via the Early Years National Funding Formula (EYNFF) as set by the Department for Education through the Designated Schools Grant (DSG).

## Recommendations

Forum is asked to:

1. Note the contents of the report.
2. Agree the continuation of the Early Years centrally retained funding for 2022-23 of 5% which subsequently confirms the base rate passported to the sector.
3. **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. LBTH is committed to supporting and enabling funded and non-funded Early Education and Childcare sector in delivering sustainable and high quality provision within the borough. 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 providers and EY schools, as well as: being able to meet our statutory duties as a council in delivering a highly effective service to the Early Education and Childcare sector.
	2. 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 2021-2022, LBTH passed through 95%.
	3. As per the DfE/ESFA guidance the following has been included in the funding formula calculation for 2022-2023.
* 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) for the PVI sector and the Free School Meals proxy indicator for early years’ school sector.
* 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
* A maximum of 5% central retention
	1. The final indicative budget is based on estimates from a combination of the DfE Dedicated Schools Grant (DSG) EYNFF allocations published in December 2021 and local intelligence of actual reported number of hours delivered during 2021-2022. This is usually calculated by taking the funded hours from the Summer and Autumn funding blocks in the previous year, dividing by 9 then multiplying by 12.
	2. Local authorities DSG EYNFF is calculated based on the number of hours’ children are taking up during census week, January 2021 creating an assumption of uptake. All hours and financial amounts are indicative in this report. This is followed by an adjustment in July should there be any movement in the number of places reported through headcount. This is to cover any additional expenditure where number of eligible children increase beyond the original census allocation (new settings, increased numbers at settings) or a reduction due to covid, closure of settings or changes to the demographics. Any variations will be 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.
	3. The final outturn figures for 2022-2023 EYNFF Block will be published in July 2022 following reconciliation of January 2021 Census data.

## Budget update 2022-23 and recommendations

* 1. Multiple options and variables were worked through, based on projected hours for funding using EYNFF DSG allocations, previous years’ uptake and an assessment of trajectory for the upcoming year taking into account political and local changes such as Covid. 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. Underspend as per DSG outturn report.
	3. LBTH received an increase in the base rate for the 2-year-old base rate, EYPP and DAF. The remaining entitlements remain the same as in 2021-2022.

**Table1: EYNFF published increase:**

|  |  |  |
| --- | --- | --- |
| Funded Entitlement | 2021-2022 | 2022-2023 |
| 2 Year old base rate | £6.66 | £6.87 |
| EYPP | £0.53 | £0.60 |
| DAF | £615 | £800 |

* 1. 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 |
| 2 Year old base rate | £6.58 | 6.79\* |
| Universal and Extended Entitlement | £7.16 | £7.16\*\* |
| EYPP | £0.53 | £0.60 |
| Deprivation | £0.30 | £0.30 |
| DAF | £615 | £800 |

\*Passport the full 21 p to the sector received from the DfE \*\*No change from 2021-2022

* 1. Since the introduction of the EYNFF, local authorities have received supplementary funding for maintained nursery schools (MNS) on top of their EYNFF allocation and is based on a per child formula. This is to protect their MNS funding at their 2016-17 level for the universal 15 hours.
	2. Funding will be paid to Maintained Nursery Schools within the regular payments per year. There has been a 9% decrease (£52,873) due to a reduction of children, however, LBTH will commit to allocate the same amount per MNS as last year and this will be met by the underspend.

**Table 3: The 2022-2023 allocation MNS Budget**

|  |  |  |
| --- | --- | --- |
| MNS Name | 2021-2022 Budget | Budget 2022-2023 |
| Alice Model | £95,000 | £95,000 |
| Children’s House | £95,000 | £95,000 |
| Harry Roberts\* | £95,000 | £95,000 |
| Rachel Keeling | £95,000 | £95,000 |
| Old Church\*\* | £120,000 | £120,000 |
| Total: | £578,322 | £525,449 |
| Top up from underspend | £0 | £52,873 |
| Total: |  | £578,322 |

\*Cease as a MNS in January 2022 \*\* Cease as a mns in September 2022

* 1. 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 | £ |
| Universal Entitlement | £20,338,432 |
| Extended Entitlement | £4,323,970 |
| Total combined | £24,662,402 |
| Percentage 5% | £1,233,120 |
| Underspend | £158,080 |
| Total centrally retained budget | **£1,391,200** |

* 1. The calculated central retained budget for 2022-2023 at current levels would be £1,233,120 however, due to an underspend from the previous years, it is proposed that this will remain at £1,391,200 to 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 Early Education and Childcare sector
* Providing quality improvement support for early education and childcare sector
* Providing inclusion support for PVI childcare settings in line with the SEND Code of Practice
	1. Table below shows the 2021-22 budget expenditure for the Early Years central retained budget.

**Table 4: Forum to be Agreed Centrally Retained Budgets 2022-2023**

|  |  |  |
| --- | --- | --- |
| Item | Description | Budget 2021-2022 |
| a) | Staffing and associated oncosts | £1,301,300 |
| b) | Delivery costs and internal charges | £89,900 |
|  | **Total from DSG EYNFF:** | **£1,391,200** |

## Conclusions and Vote

This paper updates and consults with Schools Forum on the proposed funding arrangements for early years for 2022-2023 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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**Appendix 1**