



### Agenda Item

### Report Status

For information/note   
For consultation & views   
For decision

### Paper for Schools Forum Meeting – 24<sup>th</sup> February 2022.

**Report Title:** DSG Early Block Budget 2022-23

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**Purpose:** To provide Schools Forum with an overview of the Early Years Block Budget Allocation for 2022-23.

**Recommendations:**

1. That Schools Forum notes the indicative funding for the Early Years Block in 2022-23 set out at 4.2 of this report.
2. That, following the recommendations of its Early years Working Group, Schools Forum agrees the early years funding formula rates for 2022-23 as set out at 4.8 and 4.9 in this report.
3. That Schools Forum agrees the recommendation of its Early Years Working Group, as set out at 4.12 of this report, for the level and use of centrally retained funds in 2022-23.

## **Introduction**

- 1.1 The purpose of this paper is to provide the Schools Forum members with an overview of Haringey's indicative early years block for the 2022-23 financial year. The paper sets out the elements that make up the early years block and the implications for the current early years funding formula. It should be noted that these allocations are subject to in-year adjustment based on pupil numbers, and therefore, final allocations will not be known until Autumn 2023.

## **2. Early Years DSG Block Funding**

- 2.1 The Early Years Block is provided for the Council to meet its statutory duties under the Childcare Act 2006 and is expected to fund:
- The Free Early Education Entitlement for all three- and four-year olds through an Early Years Single Funding Formula (EYSFF)
  - The free entitlement for eligible two-year olds
  - The Early Years Pupil Premium
  - Access for Disabled children
  - Support for Maintained Nursery Schools (MNS)
- 2.2 In addition to delivering the early years free entitlement, it is mandated that all local authorities have in place an Early Years Inclusion Fund (EYIF) to support 3 & 4-year-old children, with special educational needs, below the threshold for Education, Health and Care Plans (EHCPs), to access their free entitlement. Amongst the few budgets and services provided directly from the high needs block for children without an EHCP, the EYIF, is provided as part of the Council meeting its statutory obligations.
- 2.3 It should be noted that amongst the actions for the local authority some key requirements are set out in the statutory guidance. These include the following:
- Local authorities are not required to establish a special educational needs inclusion fund (SENIF) for 2-year-olds. However, they may wish to do so as part of their provision for children with special educational needs (SEN).
  - Local authorities are required to pass-through 95% of their 3 and-4-year-old funding from the government to early years providers. This pass-through requirement ensures that most of the government funding reaches providers so that they can deliver the government's free entitlements. This means that local authorities, in planning their budget allocations for the forthcoming financial year, need to allocate at least 95% of their EYNFF hourly rate to providers.
  - The '95%' includes the following budget lines:
    - base rate funding for all providers
    - supplements for all providers
    - lump sum funding for MNS (please note any funding from the DfE's MNS supplementary allocation will be excluded—see below)
    - the top-up grant element of SENIFs paid to providers

- contingency funding
- The remaining 5% of expenditure could include the following:
- centrally retained funding (for central services or services in-kind, including special educational needs and disability (SEND) services)
  - transfer of any funding to 2-year-olds
  - any extra hours that local authorities choose to fund in addition to the government's entitlement hours for 3 and 4-year-olds.
  - any funding movement out of the early years block
- The following DSG early years block funding streams are not included in the 95% pass-through calculation:
- funding for the entitlement for disadvantaged 2-year-olds.
  - payments to MNS from DfE's MNS supplementary funding allocation.
  - the disability access fund (DAF).
  - the early years pupil premium (EYPP).

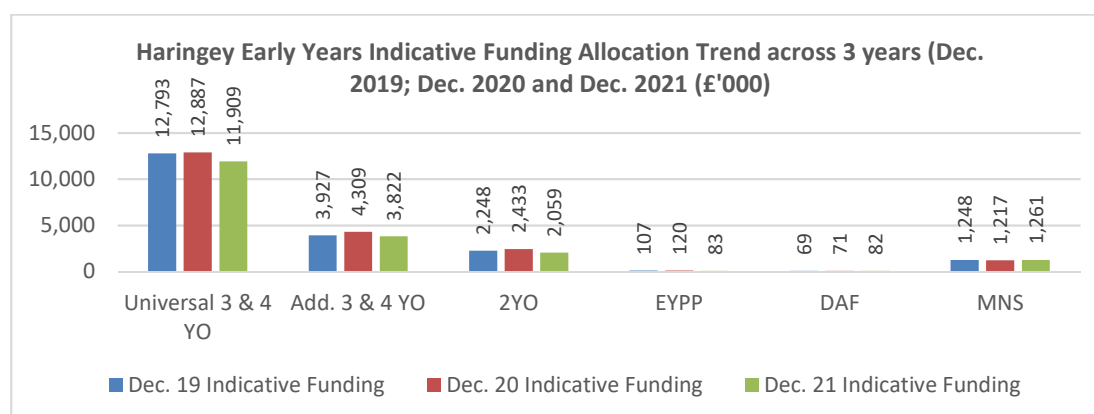
### 3. **Early Years DSG Indicative Budgets**

3.1 Since the start of the Coronavirus pandemic in early 2020, DfE has implemented a range of measures that have seen Early DSG allocations, across 2020-21 and 2021-22, subject to changes informed by the department's strategies for ensuring the continuation of early education funding across the various periods of lock down, phased re-opening and a return to full opening of schools and early years settings.

3.2 As a consequence, turbulence in the numbers of pupils accessing early education over the last two funding periods, has contributed to a degree of fluctuation in our early years DSG Block allocations.

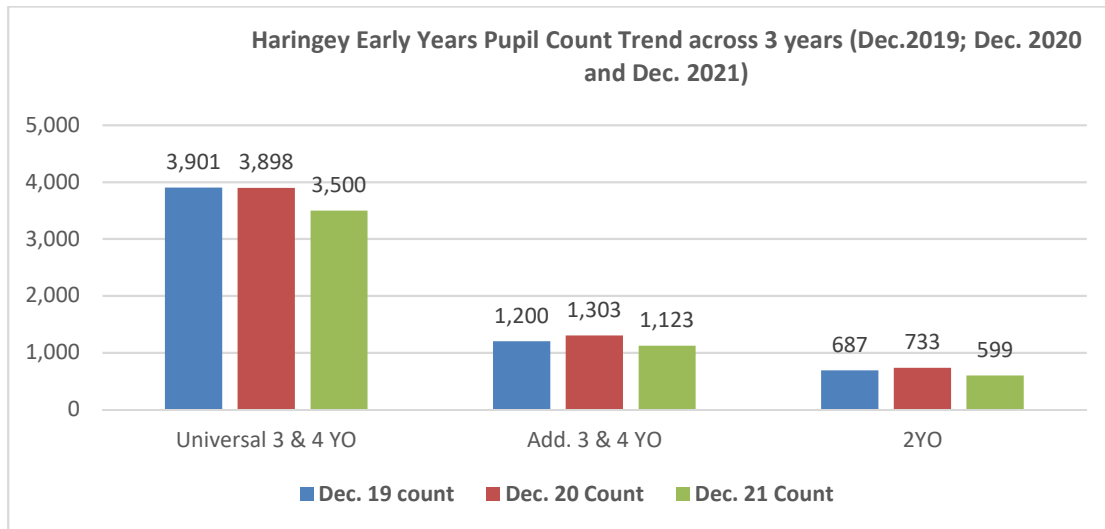
#### 3.2.1 Table 1.

Reviewing our indicative allocations across the last three funding periods, funding gains, based on increased participation through 2019-20, were lost because of the pandemic.



### 3.2.2 Table 2.

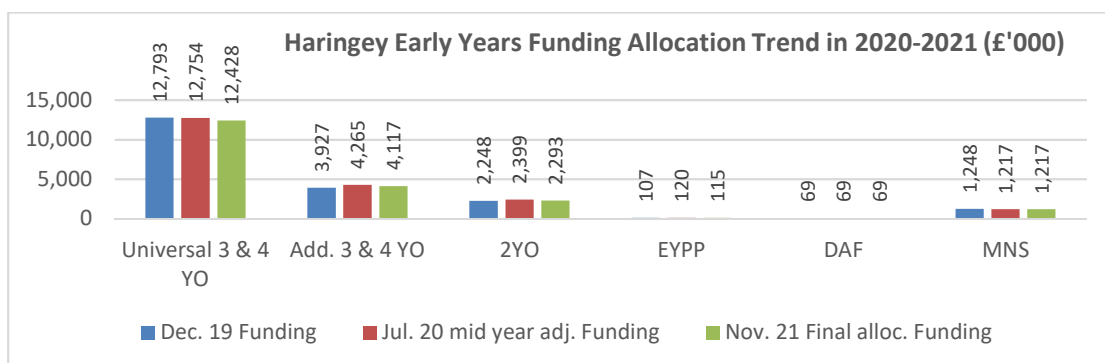
In a pattern reflected across the country, we saw significant decreases in pupil participation since the beginning of 2020.



### 3.3 **2020-21: EY DSG Allocation**

3.3.1 In this particular year, measures to maintain funding to early providers and support the continued opening of early education and childcare provision, saw the indicative funding allocation for that year remain relatively stable until the latter part of 2021.

### Table 3.



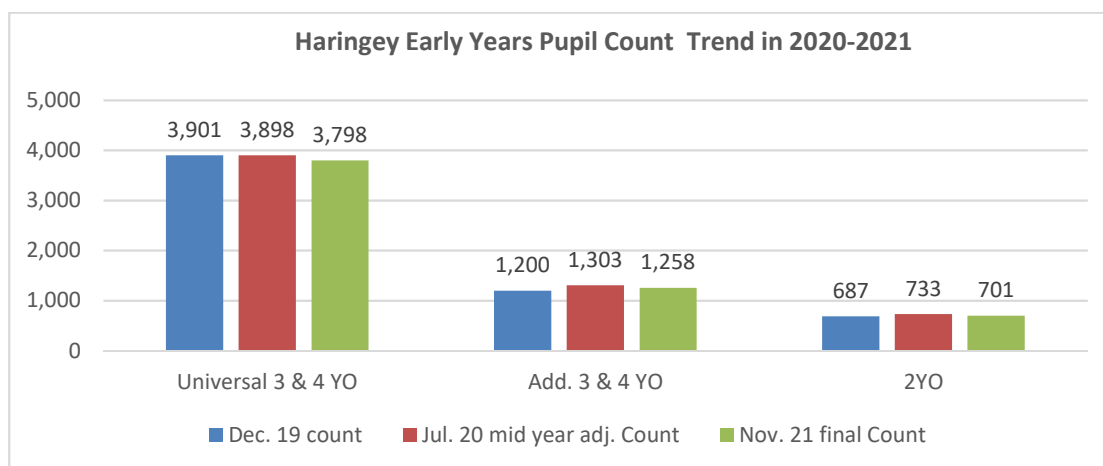
3.3.2 In July 2020, Haringey's 2020-21 early years allocation within DSG was revised by DfE to reflect our January 2020 census, increasing our allocation by £0.43m. A further adjustment in November confirmed a final allocation, which then reduced the 2020-21 budget by £0.58m.

**Table 4.**

2020_2021: ALLOCATION FOR L.B.HARINGEY												
Indicative Budget December 2019				Mid-Year Adjustment July 2020 (Based on Jan 2020 census)				Final Allocation November 2021				
	LA Rate(£)	x No. of PTE	Amount (£)		LA Rate(£)	x No. of PTE	Amount (£)		LA Rate(£)	x No. of PTE	Amount (£)	
Universal 3 & 4 YO	5.74	3901.06	12793489	Universal 3 & 4 YO	5.74	3898.02	12753542	Universal 3 & 4 YO	5.74	3798.42	12427671	
Add. 3 & 4 YO	5.74	1200.25	3926978	Add. 3 & 4 YO	5.74	1303.42	4264530	Add. 3 & 4 YO	5.74	1258.37	4117135	
2YO	5.74	687.15	2248218	2YO	5.74	733.33	2399310	2YO	5.74	700.7	2292551	
EYPP			106521	EYPP			119632	EYPP			115146	
DAF			69495	DAF			69495	DAF			69495	
MNS			1248471	MNS			1216623	MNS			1217175	
<b>TOTAL</b>			<b>20393172</b>	<b>TOTAL</b>			<b>20823132</b>	<b>TOTAL</b>			<b>20239173</b>	

3.3.3 Changes to the 2020-21 allocation were informed, in the main, by the reductions in pupil numbers shown in Table 5 below. Lower participation numbers also impacted on our allocations for early years pupil premium (EYPP) and Maintained Nursery School (MNS) supplementary funding.

**Table 5.**



### 3.4 2021-22: EY DSG Allocation

3.4.1 Haringey’s indicative early years DSG allocation for 2021-22 was £21.03m.

3.4.2 To mitigate the impact of lockdown on pupil numbers at the time of the January 2021 census, and to reflect the gradual increase in pupil numbers across the year, following the ending of lockdown during the spring term, 2021, DfE required all local authorities to carry out two additional early years

census exercises – during the summer and autumn terms of 2021. Our final funding allocation for the 2021-22 financial year will not be known until July 2022. However, an initial adjustment to the allocation is expected in January 2022, based on the two additional census exercises conducted in the previous two terms.

Table 6.

<b>2021_2022: ALLOCATION FOR L.B.HARINGEY</b>			
<b>Indicative Budget December 20</b>			
	<b>LA Rate(£)</b>	<b>x No. of PTE</b>	<b>Amount (£)</b>
Universal 3 & 4 YO	5.80	3898.02	12886855
Add. 3 & 4 YO	5.80	1303.42	4309107
2YO	5.82	733.33	2432749
EYPP			119632
DAF			71340
MNS			1216623
<b>TOTAL</b>			<b>21036306</b>

#### **4. Early Years DSG Indicative Budget Profile: 2022-23**

- 4.1 In December 2021, Haringey Council received notification of its indicative allocation for the Early Years element of DSG. The total allocation at this time is indicative, and will be subject to adjustment by DfE, following their review of the early years and schools census submissions for January 2022.
- 4.2 Our indicative allocations for 2022-23 is as follows:

Table 7: Haringey's Indicative DSG Early Years Allocation for 2022-23

<b>Funding Stream</b>	<b>2022-23 Funding Allocation (£m)</b>
3 & 4 YO Universal Free Entitlement (15hr)	11.909
3 & 4 YO Extended Free Entitlement	3.822
2YO Offer	2.059
Early Years Pupil Premium	0.084
Disability Access Fund	0.082
Maintained Nursery Schools	1.261
<b>TOTAL</b>	<b>19.217</b>

- 4.3 The Autumn 2021 spending review also introduced an increase in the hourly funding rate for the Early Years Pupil Premium, rising from 53p per hour per eligible child to **60p** per hour (up to £342 per eligible child per year), and an increase in the flat rate payment for the Disability Access Fund, taking it from £615 per eligible child per year to **£800** per eligible child per year.
- 4.4 The 2022-23 allocations shown in **Table 8** reflect an increase in the funding rates for 2, 3- and 4-year free entitlements. As part of the 2021 Spending Review, DfE increased the hourly funding rates for all local authorities by **21p** an hour for the two-year-old entitlement and by **17p** an hour for the three- and four-year-old entitlements.
- 4.5 For the Maintained Nursery Schools (MNS), the allocation has been increased by **3.5%** and, for the first time, is shown to be based on an hourly rate of **£7.71**. The allocation remains indicative. Final MNS allocations are subject to final adjustments, based on pupil participation levels, and will be updated on the same basis as the universal entitlements.

Table 8.

New Early years DSG funding rates for 2022-23 are shown in the table below. These form part of a range of increases set out in the Autumn 21 Spending Review, to be implemented over the next three years.

<b>2022_2023: ALLOCATION FOR L.B. HARINGEY</b>			
<b>Indicative Budget: December 2021</b>			
	<b>LA Rate (£)</b>	<b>x No. of PTE</b>	<b>Amount (£)</b>
Universal 3 & 4 YO	5.97	3499.63	11908891
Add. 3 & 4 YO	5.97	1123.23	3822240
2YO	6.03	599	2058823
EYPP			83448
DAF			82400
MNS	7.71	287	1261279
<b>TOTAL</b>			<b>19217081</b>

- 4.6 Based on Haringey's new funding rates, our current early years funding formula has been updated. School's Forum's early years working group considered the rate change and options for updating elements of the current early years funding formula. Principles that underpinned this review were:
- Child level circumstances will determine their eligibility for attracting deprivation supplement.

- As the base rate is the standard hourly funding amount paid to all types providers to meet the cost of delivering the free early entitlement for 3 and 4 year olds, effort will always be made, wherever possible, to increase base rates, supporting providers to meet the core costs.
- Additional or supplementary funding, over and above the base rate, should transparent and deployed to drive improved outcomes for our most in need children.

4.7 In its review of the funding formula, the early years working group looked at the 2021-22 deprivation funding model and considered moving the current approach of three-tier weighted formula, based on IDACI to a simple flat rate for 2022-23. It was determined that a flat rate of £0.37, would offer a transparent and consistent model that would be easily understood by all providers. Modelling of this change, showed reductions to previous indicative deprivation supplement allocations for some providers. However, when set against increased based rate hourly funding, the negative effect of this change was reduced to approximately 15% of providers. It has been proposed by the early years working group that the levels of negative impact for those providers is such that they can be managed through transitional support, and such support can be contained within 2022-23 contingency sums.

4.8 **Appendix A** sets out the impact of the changes to the Council's funded rate on the calculation of a proposed new funding base rate for 3- and 4-year-olds and models the options being proposed for elements of our early years funding formula in 2022-23. The revised funding formula generates a proposed base rate in 2022-23 of £5.65.

**Recommendation:** It is the recommendation of the early years working group that the hourly base rate paid for the delivery of the 3- and 4-year-old free entitlement, is increased in 2022-23 to **£5.65**.

**Recommendation:** It is the recommendation of the early years working group that a new flat hourly rate of **£0.37** is introduced for 2022-23 and paid for all eligible children accessing the universal 3- and 4-year-old free entitlement.

**Recommendation:** It is the recommendation of the early years working group that a quality supplement is retained and a funding allocation of **£76,000**, as per previous years, is maintained for this purpose in 2022-23.

4.9 Application of the DfE uplift to the Council's funded rate for the two-year-old entitlement means that our two-year olds funding rate for 2022-23 increases to **£6.03**. These new rates will be applied from April 2022. It is proposed that this increase to our two-year-old funding rate is passed on to early years providers in full, as has been the case in previous years.

**Recommendation:** It is the recommendation of the early years working group that the uplifted rate of £6.03 is passed through to early years providers in full, as per previous years, within the revised early years funding formula.



- 4.10 The proposed distribution of the block is also set out in **Appendix A** and outlined in Table 9 below.

Table 9.

Element	Proposed Budget Distribution 2022-23 (£)
3 & 4 YO Universal Free Entitlement (15hr)	11.176*
3 & 4 YO Extended Free Entitlement (Additional 15hrs)	3.631
2YO Free Entitlement (15hr)	2.059
Quality Supplement	0.076
Early Years Pupil Premium	0.083
Disability Access Fund	0.082
Maintained Nursery Schools	1.261
Centrally Retained	0.787
Contingency for Pupil Places	0.062
<b>TOTAL</b>	<b>19.217</b>

\*Including allowance for deprivation supplement.

It should be noted that, as per the statutory guidance, only the 3- and 4-year-old elements of the early years block contribute to the retention of centrally retained amounts.

- 4.11 The 5% maximum ceiling for sums centrally retained by the local authority will change subject to fluctuations in the allocations made to the Council for the delivery of the 3- and 4-year-olds free entitlement. Our 2022-23 allocations for the universal and extended 3- and 4-year-old offer have been reduced from 2021-22 levels. This sets a current, indicative 5% maximum of **£0.787m** for 2022-23. It is anticipated that this figure will increase during the 2022-23 financial year due to expected positive adjustments later in the year.

A breakdown for the distributed use of centrally retained funding is set out in the Table 10 below.

Table 10. **Centrally Retained Budget Profile**

Function	2020 (£)	2021 (£)	Proposed for 2022 (£)
EY Commissioning – Early Education Administration and Sufficiency	320,000	320,000	299,500
EY Quality Statutory Moderation and Advisory Service	471,310	471,310	450,810
Corporate Overheads	19,000	19,000	19,000
TU Representation	18,000	18,000	18,000

<b>TOTAL</b>	<b>828,310</b>	<b>828,310</b>	<b>787,310</b>
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- 4.12 At this point, there is an anticipated shortfall of **£0.041m** between the operational costs for the early years commissioning and early years quality functions and the indicative £0.787m centrally retained budget. Whilst this is likely to be mitigated by an in-year positive adjustment to the early years block, this difference between operational costs, and the maximum that can be attributed to the 5% centrally retained allocation will need to be contained within the early years commissioning and early years quality teams.

**Appendices B and C** provide further details of the proposed centrally retained expenditure for 2022-23.

**Recommendation:** It is the recommendation of the early years working group that Schools Forum agrees the proposed centrally retained allocations to the maximum 5% ceiling, which indicatively for 2022-23 is £0.787m, depending on in-year adjustments. It is also recommended that Schools Forum agrees for the proposed centrally retained expenditure set out at Appendices B and C.

