

**TO: SCHOOLS FORUM
13 JANUARY 2022**

**2022-23 PROPOSALS FOR THE EARLY YEARS
BLOCK ELEMENT OF THE SCHOOLS BUDGET**

Executive Director: People

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to seek agreement from Schools Forum to proposals for the 2022-23 Early Years budgets, including the values to be attributed to the Bracknell Forest Council Early Years Funding Formula (EYFF).

2 RECOMMENDATIONS

That the Forum considers the Early Years Budget proposal from the council and AGREES:

- 2.1 **That for the 2022-23 financial year the LEADER OF THE COUNCIL sets**
- 1. The Early Years Dedicated Schools Grant income budget at £7.98m (Table 4)**
 - 2. The funding rates in the Early Years Funding Formula are as set out in Table 5**
 - 3. The proposed budgets as set out in Annex 1**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The proposals have taken account of local priorities and estimated levels of available resources.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None. The proposals reflect the approach agreed by Schools Forum on 9 December 2021 and the overall affordability within the financial settlement allocated by the Government.

5 SUPPORTING INFORMATION

Background

- 5.1 This report presents proposals on the Early Years Block (EYB) element of Dedicated Schools Grant (DSG) that the Department for Education (DfE) allocates to Local Authorities (LAs) to fund provisions and support for children up to the age of 5. It covers:
1. the 15 hours free entitlement to education and childcare for disadvantaged 2-year-olds
 2. the universal 15 hours free entitlement to education and childcare for all 3- and 4-year-olds
 3. the extended 15 hours free entitlement to education and childcare for eligible working parents of 3- and 4-year-olds
 4. the early years pupil premium (EYPP)
 5. the disability access fund (DAF)

6. the Special Educational Needs Inclusion Fund (SENIF)
7. other specialist and general support services

National Funding Framework

- 5.2 The DfE uses an Early Years National Funding Formula (EYNFF) to distribute DSG income to LAs. This funding framework sets out key requirements on LAs in setting their EYB budgets for **3- and 4-year-olds**. These are:
1. To develop and maintain a local EYFF in accordance with parameters set by the DfE, undertaking consultation with providers and the Schools Forum when any changes are proposed, where the EYFF:
 - i) should include a single funding rate (including the same base rate and supplements) for both entitlements (that is, both the universal 15 hours, and the additional 15 hours for working parents)
 - ii) must plan to pass on at least 95% of funding directly to providers – the “pass through rate”
 - iii) must use a universal base rate, paid at the same value to all providers
 - iv) must use a deprivation supplement to target additional funds to the providers admitting the most disadvantaged children
 - v) can include other discretionary supplements, which the DfE restricts to rurality / sparsity, flexibility of provision, English as an additional language (EAL) or quality of provision
 - vi) supplements selected by an LA can generally use any measure of eligibility, provided it is applied equally to all providers in a transparent and fair way
 - vii) must not allocate more than 10% of funding through supplements
 2. That a Special Educational Needs Inclusion Fund (SENIF) must be created to support children with lower level or emerging SEN
 3. Required to pass on the EYPP to providers to support eligible disadvantaged children
 4. Required to pass on DAF funding to providers to support disabled children’s access to the entitlements

- 5.3 Requirements on funding providers for **the most disadvantaged 2-year-olds** is more straightforward than for 3- and 4-year-olds, with no “pass through rate” or payment of additional funding supplements with the DfE encouraging LAs to pay a single flat rate amount. Neither is there a requirement for the SENIF to apply to 2-year-olds, although this is permitted and included in arrangements in the BF SENIF.

Provisional estimate of Early Years Block DSG income

- 5.4 To reflect potential fluctuation in take-up of the entitlements, and therefore costs, the DfE uses 2 census points to calculate each LAs Early Years Block DSG income. January 2022 part-time equivalent (PTE) actual head count data of eligible children age 2, 3 or 4 for 15 or 30 hours are used to calculate the first 5 months of the financial year from April to August 2022; with the equivalent January 2023 data used to fund the 7 months from September 2022 to March 2023.
- 5.5 The provisional estimate of the 2022-23 Early Years Block DSG income would normally use the January 2021 PTE data as a proxy for the whole year. However, the January 2021 data is not considered an appropriate proxy for the expected level of

uptake in January 2022 due to the impact of COVID-19 on the uptake of the Early Years Free Entitlements.

- 5.6 In December early years providers submitted a forecast funding claim for the Spring term 2022. An estimated PTE was calculated using this forecast funding claim; however, this varies considerably from the actual PTE in previous years. The actual PTE for the spring term 2019, 2020, 2021 and the estimate PTE for spring term 2022 are set out in table 1 below.

Table 1: Comparison of Spring term PTE 2019 to 2022

| | Spring 2019 PTE | Spring 2020 PTE | Spring 2021 PTE | Estimated Spring 2022 PTE |
|----------------------------|-----------------|-----------------|-----------------|---------------------------|
| 2-year-olds | 160.6 | 179.87 | 143.39 | 128.4 |
| 3- & 4-year-olds Universal | 1,764.5 | 1,745.5 | 1,644.4 | 2,196.3 |
| 3- & 4-year-olds Extended | 711.5 | 764.5 | 771.9 | 682.2 |
| Total | 2,636.6 | 2,689.87 | 2,559.69 | 3,006.9 |

- 5.7 With the continued uncertainty around the ongoing impact of COVID-19 on the uptake of the Early Years Free Entitlements and in particular the impact of the Omicron variant, it is prudent to take a conservative approach to setting the provisional estimate Early Years Block DSG income. Therefore, the proxy PTE is a weighted average of the PTE from spring 2019, 2020 and 2021. The resulting estimated PTE and funded hours are set out in Table 2.

Table 2: Estimate PTE and funded hours for Early Years Free Entitlements 2022-23

| | PTE | Funded Hours |
|----------------------------------|----------------|------------------|
| 2-year-olds | 158.4 | 90,288 |
| 3- & 4-year-olds Universal hours | 1,698.1 | 967,917 |
| 3- & 4-year-olds Extended hours | 759.4 | 432,858 |
| Total | 2,615.9 | 1,491,063 |

- 5.8 As previously reported, on 27 October 2021 the Government announced additional funding for the early years entitlements of £160m in 2022-23. This is for Local Authorities to increase hourly rates to childcare providers to “reflect cost pressures, as well as anticipated changes in the number of eligible children”. Details of the increase at an LA level were published on 25 November 2021. Bracknell Forest will receive an increase in funding for 3- and 4-year-olds of £0.17 per hour and for eligible 2-year-olds of £0.21 per hour. In addition, the national funding rate for early years pupil premium (EYPP) will increase by £0.07 per hour and the national funding rate for the disability access fund (DAF) will increase by £185 per year. Table 3 sets out the change in funding rates.

Table 3: Change to Early Years Funding received by BFC

| | 2021-22 funding rate | 2022-23 funding rate | Change |
|-------------------|----------------------|----------------------|--------|
| 2-year old's | £6.04 | £6.25 | 3.5% |
| 3- & 4-year old's | £5.07 | £5.24 | 3.4% |
| EYPP | £0.53 | £0.60 | 13.2% |
| DAF | £615 | £800 | 30.0% |

- 5.9 Using the principles set out above, Table 4 below provides a summary of the £7.98m anticipated EY DSG income for 2022-23 and Annex 1 provides a more detailed breakdown of the calculation.

Table 4: Forecast Early Years Block Income 2022-23

| Item | Estimated amount |
|---|-------------------|
| Funding for 3- & 4-year-olds: universal 15 hours | £5,071,940 |
| Funding for 3- & 4-year-olds: extended 30 hours for working | £2,268,090 |
| Sub Total: 3- & 4-year-olds | £7,340,070 |
| Funding for 2-year-olds | £564,300 |
| Funding for Early Years Pupil Premium | £38,540 |
| Funding for Disability Access Fund | £37,600 |
| Total | £7,980,510 |

Funding decisions previously taken by Schools Forum

- 5.10 The previous Forum meeting agreed several changes to the Early Years Funding formula, these were:
1. the deprivation supplement will apply to the universal and extended entitlements for 3- and 4-year-olds
 2. funding bands for the IDACI measure of the deprivation supplement are reduced from three to two
 3. calculation of the IDACI measure of the deprivation supplement is changed to a three-year rolling average score
 4. a revised process for allocating providers to the IDACI measure of the deprivation supplement
 5. eligibility for the quality supplement will be limited to the setting in which the person with the relevant early years qualification at level 5 or above is based
- 5.11 In the absence of complete financial information from the DfE for the 2022-23 Early Years Block Budget, the Forum agreed the following approach to setting the budget and associated provider hourly rates:
1. The components of the Early Years Funding Formula as agreed for 2021-22 are retained for 2022-23
 2. The announced increase in early years funding will be applied to the uniform base rate for 3- and 4-year-olds that is paid to all providers. An increase in funding for 2-year-olds will be applied to the hourly rate paid to providers

3. The total funding allocated to the SENIF and provider contingency will remain unchanged and should each be set at 1.4% of total income
 4. The EYFF should allocate 92.2% of total income with:
 - i) The uniform base rate set at around 94.3%
 - ii) The deprivation supplement set at around 3.7%
 - iii) The quality supplement set at around 2%
 - iv) No supplements to be paid for rurality / sparsity, EAL or provider flexibility
 5. Funding to be managed centrally by the council at 5% of income.
 - a) The DAF and EYPP funding allocation should be allocated to providers at the same funding rate as received from the DfE
- 5.12 The current EYFF and funding rates are set out in Annex 2

Budget Proposals

- 5.13 Reflecting on the detailed calculations required for funding 3 and 4 year olds, to implement the budget approach set out above, if the deprivation and quality supplements are to remain at the current proportions then a share of the £0.17 increase in hourly funding will need to be used to fully fund these supplements. Similarly, funding for the budgets outside the EYFF will also need a small increase. This means the hourly base rate would increase by £0.15. For 2 year olds the hourly base rate would increase by £0.19.
- 5.14 Table 5 sets out the proposed 2022-23 Early Years Funding Formula that incorporates the proposed changes to the Formula, the increase in the Early Years Block income and the agreed approach for setting the budget and associated provider rates.

Table 5: Summary of the proposed 2022-23 Early Years Funding Formula

| EYFF Element | Weighting | Proposed hourly funding rate | % total EY funding |
|-------------------------------|--|------------------------------|--------------------|
| Deprivation Supplement | 1.6 % of EYFF via IDACI scores Average IDACI score of children attending setting. | | |
| | Band 2 | £0.32 | |
| | Band 1 | £0.16 | |
| | 2.2% of EYFF via child eligibility to EYPP | £1.40 | |
| Quality Supplement | 2.8% of EYFF via setting leadership qualification Level 5 and above | £0.14 | |
| Uniform Base Rate | 94.2% of EYFF | £4.60 | |
| | Indicative EYFF average provider rate | £4.88 | 92.2% |
| | Average SEN funding | £0.07 | 1.4% |
| | Average contingency funding | £0.07 | 1.4% |
| | Subtotal to providers | £5.03 | 95% |
| | Average BFC funding (5%) max | £0.26 | 5% |
| | Indicative funding 3 and 4 year olds | £5.29 | 100% |
| | Provider funding rate for 2 year olds | £5.81 | |

Note: The 3 and 4 year olds indicative hourly funding rate for all costs of £5.29 exceeds the £5.24 payment received from the DfE due to use of different census points for the income received and payments made.

5.15 Data on funded hours for the 2021 calendar year was used to compare the impact of the proposed 2022-23 Early Years Funding Formula to the current Early Years Funding formula on forecast provider income with the following highlight changes:

1. 1 (1%) provider will see a reduced income of up to 2%
2. 12 (9%) providers will see increased income of up to 2%
3. 100 (71%) providers will see increased income of up to 4%
4. 16 (11%) providers will see increase income of up to 6%
5. 11 (8%) providers will see an increased income of more than 6%

(this forecast is based on 140 providers funded in the 2021-22 financial year and is provided as an exemplar only).

Schools Supplementary Grant

- 5.16 Members will be aware from the agenda item relating to the proposals for the 2022-23 Schools Block Budget that the DfE confirmed schools will be allocated additional funding to provide support for the costs of the Health and Social Care Levy, including the 1.25% increase in employer National Insurance contributions and wider costs. This includes a £24 per pupil allocation to schools for early years provisions. However, the grant guidance confirms that “The schools supplementary grant will only be payable to public sector employers. This means that ... private and voluntary sector (PVI) early years providers will not be eligible to receive this funding”.
- 5.17 The council has sought an explanation from the DfE to the apparent funding inequality between schools and PVI providers and is awaiting a response.

Next Steps

- 5.18 The EYB budget proposal for 2022-23 will be presented to the Executive member for approval on 18 January 2022.
- 5.19 Providers will be notified of funding rates for 2022-23 by 1 February 2022

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 There are no specific legal issues arising from the recommendations in this report. The legal issues are addressed within the report.

Director of Resources

- 6.2 The financial implications anticipated from the report are set out in the supporting information.

Impact Assessment

- 6.3 No Equalities Impact Assessment is required as the proposed changes implement statutory guidance which includes eligibility criteria.

Strategic Risk Management Issues

- 6.4 There is no perceived risk, all proposals are within budget limits and are informed by provider feedback.

Climate Change Implications

- 6.5 The recommendations from this report are not expected to have an impact on emissions of carbon dioxide

BACKGROUND PAPERS

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf

Early education and childcare statutory guidance for local authorities - June 2018

[Early years entitlements: local authority funding of providers operational guide 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_years_entitlements_local_authority_funding_of_providers_operational_guide_2022_to_2023.pdf)

Early years entitlements: local authority funding of providers operational guide 2022 to 2023

CONTACT FOR FURTHER INFORMATION

Cherry Hall, Head of Early Years

01344 352811

cherry.hall@bracknell-forest.gov.uk

David Allais, Early Years Business and Family Information Manager

01344 354027

david.allais@bracknell-forest.gov.uk

Proposed 2022-23 EY Budgets

| <u>2022-23 EY Budget</u> | 3 and 4 year olds | | | | | | 2 year olds | | | |
|---|---------------------|-----------------------|-------------------------------|--------------------|-------------------|--------------|---------------------|--------------------|-----------------|--------------|
| | Hourly funding rate | Funded hours per week | Funded weeks per year | Total funded hours | Total Funding | % | Hourly funding rate | Total funded hours | Total Funding | % |
| <u>Forecast DSG funding from the DfE:</u> | | | | | | | | | | |
| 15 hours free entitlement funding forecast | £5.24 | 15 | 38 | 967,928 | £5,071,940 | | £6.25 | 90,299 | £564,370 | |
| 30 hours free entitlement funding forecast | £5.24 | 15 | 38 | 432,841 | £2,268,090 | | - | - | - | |
| Total BFC estimate of EY DSG funding | £5.24 | | | 1,400,769 | £7,340,030 | | £6.25 | 90,299 | £564,370 | |
| 2021-22 rate | £5.07 | | | | | | £6.04 | | | |
| Change | £0.17 | 3.4% | | | | | £0.21 | 3.5% | | |
| <u>For allocation through the EY Funding Formula (notional split by supplement):</u> | | | | | | | | | | |
| Basic rate | £4.60 | | 94.2% of allocated funds | | £6,375,970 | | £5.81 | 90,299 | £524,640 | |
| Deprivation supplement (average) | £0.18 | | 3.8% of allocated funds | | £258,920 | | - | - | - | |
| Quality (average) | £0.09 | | 2.0% of allocated funds | | £132,620 | | - | - | - | |
| Total BFC estimate of EY Funding Formula allocati | £4.88 | (average) | | | £6,767,510 | 92.2% | £5.81 | 90,299 | £524,640 | 93.0% |
| 2021-22 rate | £4.72 | | | | | | £5.62 | | | |
| Change | £0.16 | 3.3% | | | | | £0.19 | 3.4% | | |
| <u>Funding to be managed by the Council</u> | | | | | | | | | | |
| <i>Outside the 5% cap of EY Funding Formula:</i> | | | | | | | | | | |
| SEN Inclusion Fund | £0.07 | | 1.4% of total available funds | | £102,760 | | | | £11,511 | |
| Provider Contingency | £0.07 | | 1.4% of total available funds | | £102,760 | | | | | |
| | | | | | £205,520 | 2.8% | | | £11,511 | 2.0% |
| Total within the 95% allocation to providers - the "Pass through rate" | | | | | £6,973,030 | 95.0% | | | £536,151 | 95.0% |

Proposed 2022-23 EY Budgets

| <u>2022-23 EY Budget</u> | 3 and 4 year olds | | | | | | 2 year olds | | | | |
|---|---------------------|-----------------------|-------------------------------|--------------------|-------------------|----------------|---------------------|--------------------|-----------------|---------------|--|
| | Hourly funding rate | Funded hours per week | Funded weeks per year | Total funded hours | Total Funding | % | Hourly funding rate | Total funded hours | Total Funding | % | |
| <i>Inside the 5% cap of EY Funding Formula:</i> | | | | | | | | | | | |
| BFC Services | £0.26 | | 5.0% of total available funds | | | | | | | | |
| Outreach to parents | | | | £47,209 | | | | £26,029 | | | |
| Professional support to providers | | | | £143,890 | | | | £0 | | | |
| Business support to providers | | | | £66,571 | | | | £0 | | | |
| S&L Therapist assistant | | | | £13,200 | | | | £0 | | | |
| Free milk | | | | £11,210 | | | | £0 | | | |
| Free entitlement systems and software | | | | £37,171 | | | | £2,190 | | | |
| Management of the EY Funding Formula | | | | £47,750 | | | | £0 | | | |
| Total BFC estimate of funding to be managed by the Council | | | | | £367,000 | 5.0% | | | £28,219 | 5.0% | |
| Total BFC estimate of EY funding | | | | | £7,340,030 | 100.00% | | | £564,370 | 100.0% | |
| <u>Other Income</u> | | | | | | | | | | | |
| Early Years Pupil Premium | £0.60 | 15 | 38 | 64,239 | £38,540 | | | | | | |
| Ring fenced Disability Access Fund | | £800 | per child | 47 | £37,600 | | | | | | |
| Total anticipated income - DSG and other | | | | | £7,980,540 | | | | | | |

Summary of the 2021-22 BF Early Years Funding Formula

| EYFF Element | Weighting | Proposed hourly funding rate | % total EY funding |
|-------------------------------|---|-------------------------------------|---------------------------|
| Deprivation Supplement | 1.9% of EYFF via IDACI scores Average IDACI score of children attending setting. Top 20% - Band 3 Next 10% - Band 2 Next 10% - Band 1 | £0.13, £0.26 & £0.39 | |
| | 2.4% of EYFF via child eligibility to EYPP | £1.54 | |
| Quality Supplement | 2.1% of EYFF via setting leadership qualification Level 5 and above | £0.14 | |
| Uniform Base Rate | 93.6% of EYFF | £4.45 | |
| | Indicative EYFF average provider rate | £4.65 | 91.7% |
| | Average SEN funding | £0.10 | 2% |
| | Average contingency funding | £0.08 | 1.5% |
| | Subtotal to providers | £4.83 | 95.2% |
| | Average BFC funding (5%) max | £0.24 | 4.8% |
| | Indicative funding from DfE to BFC | £5.07 | 100% |