

Date of meeting:	Thursday 20 th January 2022
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information & decision.
Executive summary: Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> • An update on the 2022/23 Early Years DSG Allocation and requests approval of the associated planned expenditure. • Notification of a consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early education entitlement for disadvantaged 2 year olds and 3 & 4 year olds for the 2022/23 financial year • An update on the latest position with regard to the supplementary funding provided for Maintained Nursery Schools.
Budget / Risk implications:	The levels of funding delivered by the Early Years National Funding Formula via the Early Years DSG impact on the sustainability of providers of early education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. The funding 'pass through' requirements impact on the services provided by the council and the implementation of the second phase of the review of Early Years central service provision may have staffing implications.
Recommendations:	<p>The North Yorkshire Schools Forum is asked:</p> <ul style="list-style-type: none"> • To note the funding consultation to be undertaken with early years' providers within North Yorkshire. The views of the Schools Forum are requested on the proposed funding rate changes for the 2022/23 financial year. • To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2022/23 financial year. • To note the 2022/23 Early Years DSG allocation and to approve the associated planned expenditure. A further update will be provided at the March 2022 meeting of the Schools Forum on the outcome of the funding consultation, along with any associated request for approval of the planned use of the additional income retained by the LA from the disadvantaged two year old funding for the 2022/23 financial year.
Voting Requirements	All Schools Forum Voting Members
Appendices:	N/A
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1.0 PURPOSE OF THE REPORT

1.1. This report considers the following areas:

- An update on the 2022/23 Early Years DSG Allocation and requests approval of the associated planned expenditure.
- Notification of a consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early education entitlement for disadvantaged 2 year olds and 3 & 4 year olds for the 2022/23 financial year
- An update on the latest position with regard to the supplementary funding provided for Maintained Nursery Schools.

2.0 BACKGROUND

2.1 The Early Years National Funding Formula provides a local authority funding rate for three and four olds in North Yorkshire at the funding floor level of £4.44 per hour. This funding rate provides the calculation basis for the 2021/22 three and four year old Early Years DSG allocation. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years provision that are provided free at the point of delivery.

2.2 On the 16th December 2021, the DfE announced an increase in the early years' local authority funding rate for the 2022/23 financial year. The funding rate for three and four year olds in North Yorkshire will increase by 17p per hour from £4.44 per hour to £4.61 per hour. The level of funding for disadvantaged two year olds will also increase by 21p per hour from £5.36 per hour to £5.57 per hour. Early years' pupil premium will increase by 7p per hour (3 & 4 year universal entitlement hours only) from 53p per hour to 60p per hour and disability access funding will increase by £185 per annum from £615 per annum to £800 per annum.

2.3 The regulations accompanying the Early Years National Funding Formula restrict the level of three and four year old funding which can be retained for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is 5%. There are no regulations restricting the level of two year old funding which can be retained by the local authority.

2.4 In addition to the three and four year old funding, the Early Years DSG allocation also includes funding for disadvantaged two year olds, early years pupil premium, disability access funding and maintained nursery school supplementary funding.

2.5 The three and four year old funding rate paid to early years providers consists of a base funding rate and funding supplements. The provider base funding rate for 2021/22 is £4.15 per hour. Within North Yorkshire, funding supplements are paid for deprivation, which is a mandatory funding supplement, and sparsity.

3.0 CONSULTATION ON THE PROVIDER BASE FUNDING RATE FOR DISADVANTAGED TWO YEAR OLDS AND THREE & FOUR YEAR OLDS FOR THE 2022/23 FINANCIAL YEAR

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- 3.1 It is proposed to consult early years' providers within North Yorkshire on the level of base rate funding for providers for the 2022/23 financial year. It is proposed to increase the provider base hourly funding rate for three and four year olds by 16p; this equates to 95% of the of the 17p increase in the 2022/23 local authority funding rate for North Yorkshire.
- 3.2 NYCC has previously passed through 100% of the local authority funding rate for disadvantaged two year olds to providers through the base funding rate for disadvantaged two year olds. The local authority is seeking to further develop and strengthen the early years' strategy within North Yorkshire. In order to resource the planned developments, it is proposed to seek views from the early years' sector on the local authority retaining a small proportion (1% - 2%) of the local authority disadvantaged two year old funding rate.

The early years sector will be consulted on the following proposed provider base rate funding options:

	Proposed 2022/23 hourly base funding rate	<i>2022/23 proposed % increase in hourly base funding rate</i>	<i>2022/23 proposed increase in hourly base funding rate</i>	<i>2021/22 hourly base funding rate</i>
3 & 4 Year Olds Universal & Extended Entitlement	£4.31	3.86%	£0.16	£4.15
Disadvantaged 2 Year Olds				
Options:				
0% LA retention	£5.57	3.92%	£0.21	£5.36
1% LA retention	£5.51	2.80%	£0.15	£5.36
2% LA retention	£5.46	1.87%	£0.10	£5.36

No changes are proposed to the funding rates for the deprivation and sparsity funding supplements.

- 3.3 It is proposed to undertake a 4 week consultation which will run between the 24th January 2022 and 18th February 2022.

4.0 2022/23 OTHER EARLY YEARS FUNDING ELEMENTS & LOCAL AUTHORITY EARLY YEARS DSG FUNDING ARRANGEMENTS

- 4.1 The national funding levels received from the DfE for the other early years funding elements for 2022/23 are as follows:

Funding Element	2022/23 Funding Level	2022/23 increase in funding rate	2021/22 funding rate
Early Years Pupil Premium	£0.60 / Per Hour (Universal Hours)	£0.07 / Per Hour (Universal Hours)	£0.53 / Per Hour (Universal Hours)
Disability Access Funding	£800 per annum per eligible child	£185 per annum per eligible child	£615 per annum per eligible child

- 4.2 The DfE have provided specific supplementary funding for maintained nursery schools (MNS) to enable their 2016/17 funding levels related to the delivery of universal provision to continue to be maintained. This enables a higher level of funding to continue to be paid to maintained nursery schools during the period which the supplementary funding is in place. The DfE have confirmed that the supplementary funding will continue for the 2022/23 financial year, with an indicative funding value for NYCC of £244.4k. The indicative supplementary funding allocation is subject to adjustment at the end of the financial year to reflect the actual three and four year old universal hours delivered within the year by the MNS. At this stage, the DfE have provided no further information on the continuation of the MNS supplementary funding beyond the 2022/23 financial year and the longer term funding arrangements for MNS.
- 4.3 The DfE have confirmed that the early years funding methodology used to calculate the early years DSG for local authorities will revert to final funding allocations being based on five-twelfths January 2022 early years census numbers + seven-twelfths January 2023 early years census numbers for the 2022/23 financial year. During the current financial year, the DfE have funded local authorities based on termly census data due to the uncertainties at the start of the year over the impact of the Covid pandemic on the take up of early years' provision.

5.0 2022/23 EARLY YEARS DSG ALLOCATION – PLANNED EXPENDITURE

- 5.1 A summary of the 2022/23 Early Years DSG allocation is detailed below:

	£'000
Funding Direct To Providers	
Universal entitlement 3&4 year old places (incl. Deprivation Funding Supplement, Sparsity Funding Supplement)	18,284
Extended entitlement 3&4 year old places (incl. Deprivation Funding Supplement, Sparsity Funding Supplement)	9,138
2 year old places*	3,166
Early Years Pupil Premium	282
EY Disability Access Fund	118
Maintained Nursery Schools Transition	244

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Sub Total	31,232
Centrally Managed Services – funded by 3&4 Year Old DSG Funding	1,443
Centrally Managed Services – funded by 2 Year Old DSG Funding*	65
Expenditure Funded by Early Years DSG	32,740
Early Years Centrally Managed Services	103
TOTAL EXPENDITURE	32,843
Funded By:	
2021-22 baseline	32,555
EYNFF Funding Rate Increase	1,226
Reduction in 3&4 year old universal entitlement	-1,186
Reduction in 3&4 year old extended entitlement	-94
Increase in 2 year old places	205
Early Years Pupil Premium	55
EY Disability Access Fund	13
Maintained Nursery Schools (MNS) Transition – Reduction in the universal 3 & 4 year old funded hours delivered by MNS between January 2020 and January 2021	-34
Total Early Years DSG	32,740
Early Years Centrally Managed Services	103
TOTAL INCOME	32,843

*Based on the maximum proposed retention rate of 2% for centrally managed service provision, subject to the outcome of the 2022/23 Early Years' Funding Consultation, and the associated decision by NYCC CYPS Executive Members.

The final figures in relation to the funding to Early Years Providers and the DSG allocation are subject to in-year adjustments to reflect actual hours delivered during the year.

The early years' provider funding rates for disadvantaged two year olds and three and four year olds for the 2022/23 financial year are subject to the outcome of the provider base funding rate consultation. The 2022/23 rates for the other funding elements are proposed as follows:

Funding Element	Proposed Funding Level*
Early Years Pupil Premium	£0.60 / Per Hour (Universal Hours)
Disability Access Funding	£800 per annum per eligible child
Sparsity Funding Supplement Provision (applications required for this funding & eligibility criteria applied)	£50,000

6.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 6.1 As stated above, the local authority is allowed to retain no more than 5% of the three and four year old Early Years DSG funding allocation for early years centrally managed service provision in 2022/23. As the funding allocation will vary dependent on demand for the provision of 3 and 4 year old funded childcare, the centrally managed service budget which can be retained is also subject to some fluctuation. For 2022/23, the level of expenditure for this service provision funded from the three and four year old early years DSG will be £1.443m. Prior to the implementation of the Early Years National Funding Formula the funding allocation for these services was £2.17m; over recent years a budget saving of approx. £600k has been required in order to meet the 5% requirement. During this period, some central expenditure on early years' service provision has come from local authority expenditure.
- 6.2 NYCC will be seeking views from the early years sector on retaining a small proportion (1% - 2%) of the local authority disadvantaged two year old funding rate. This funding will be used to further develop and strengthen the early years' strategy within North Yorkshire. The maximum proposed retention amount of 2% would equate to £65k for the 2022/23 financial year. Schools Forum members are asked to note the consultation proposal for the LA to retain a small proportion of the disadvantaged two year old funding. A further update detailing the outcome of the consultation will be presented to the March 2022 meeting of the Schools Forum, along with any associated request for approval of the planned use of the additional retained income.
- 6.3 A breakdown of the centrally retained service provision planned expenditure to be funded from the three and four year old early years DSG is shown:

	2022/23
	£000's
Early Help	292.3
Early Years Sufficiency	80.1
School Improvement (includes Family Information Service)	321.0
Portage	290.9
Financial support (EY payments team, funding formula review etc)	196.7
Provider Email System	6.0
Other (e.g. data and performance, corporate overheads)	256.0
Total Early Years Centrally Retained Service Provision Funded By Three & Four Year Old Early Years DSG	1,443

7.0 RECOMMENDATIONS

- 7.1 The North Yorkshire Schools Forum is asked:
- To note the funding consultation to be undertaken with early years' providers within North Yorkshire. The views of the Schools Forum are requested on the proposed funding rate changes for the 2022/23 financial year.
 - To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2022/23 financial year.

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- iii. To note the 2022/23 Early Years DSG allocation and to approve the associated planned expenditure. A further update will be provided at the March 2022 meeting of the Schools Forum on the outcome of the funding consultation, along with any associated request for approval of the planned use of the additional income retained by the LA from the disadvantaged two year old funding for the 2022/23 financial year.

STUART CARLTON

Corporate Director – Children and Young People’s Service