

# Early Years Funding Consultation

**Extract from School Funding Consultation  
Paper**

**Proposals for Changes in 2022-23 to**

\* Early Years funding

Please respond by Monday 4 October 2021

to ensure your views can be taken into account



## **SECTION E EARLY YEARS FUNDING PROPOSALS FOR 2022/23**

### **Key Issues**

In 2022/23 Surrey still expects to budget to pass through 95% of DfE funding for 3-4 year olds to providers as funding following individual children, with 5% of funding centrally retained, and to continue to pass through 100% of funding for 2 year olds to providers. However, due to overspends on funding for two year olds in recent years, we may not be able to afford to match any increase in the DfE hourly rates for two year olds. We are proposing that any increase in the DfE funding rate for three and four year olds is split between an increase in the hourly rate and an increase in the early intervention fund (EIF), rather than using it all to increase the hourly rate as in recent years. At present we do not know what, if any, increase there may be in DfE early years funding rates in 2022/23. We are also proposing to continue to use 5% of the funding for three and four year olds to fund centrally provided support services for early years providers.

### **E1 Funding for two year olds (funded early education for two year olds or FEET)**

Funding to providers for disadvantaged two year olds is provided at a single hourly rate. Surrey has funded providers at the same rate as the DfE funding rate (which was increased by 1.3% to £6.04 in 2021/22). There is no deprivation supplement for 2 year olds, because provision is already limited to disadvantaged pupils. In Surrey we elect to have a small Early Intervention Fund of £215,000, which is funded from the 5% of funding for three and four year olds which may be centrally retained (see below). We pass through 100% of the 2 year old funding in acknowledgement that they are more costly to providers. However, the budget for two year olds has been consistently overspent, because the average termly take-up for which Surrey pays providers exceeds the January count on which the DfE funds Surrey. Therefore, we propose to use part or all of any DfE increase for 2022/23 to address this.

### **E2 Basic rate Funding for three and four year olds**

In 2021/22 DfE increased hourly early years funding rates to Surrey for 3-4 year olds by 6p/hr (1.1%) and Surrey increased provider funding rates by the same cash amount.

In recent years funding for 3-4 year olds has been underspent in Surrey, largely because, for this age group, the average of termly takeup (on which Surrey funds providers) has been lower than the average of successive January takeup (on which DfE funds Surrey). The underspend arose because it took some time to establish the pattern of termly variation in demand following the introduction of the extended (30hr) funded entitlement for children of working parents in September 2017. However, measures have been taken in recent years to reduce the annual underspend, including an increase of £2m in the Early Intervention Fund (EIF) from 2020/21. Currently the continuing impact of COVID 19 makes forecasting demand difficult, but we are not anticipating a large underspend in 2021/22, in part because of a temporary move by DfE to termly funding counts in 2021/22.

There has been a significant increase in applications for EIF in summer 2021, which is likely to be due to the impact of COVID 19, and we expect this increase to continue.

We are still aiming to avoid any recurring underspend in funding for three and four year olds, taking one year with another. Therefore we are proposing that for 2022/23:

- Half of any increase in DfE funding rates is used to increase the basic hourly rate to providers (£4.78/hr in 2021/22). We believe that this will maintain the level of funding for Surrey providers in line with the rates paid by statistical neighbour authorities;
- The other half of any DfE funding increase is used to increase the Early Intervention Fund (further details below);
- If in January 2022 a continuing sustained underspend appears likely on funding for three and four year olds, a further increase is made in the Early Intervention Fund in 2022/23 (see below);
- The hourly rate for deprivation supplement would remain at £2.81 and the basis of allocation would continue to be aligned to the deprivation criteria for early years pupil premium. However, there may be a need to increase total deprivation funding in order to maintain this funding rate, given recent increases in eligibility for free school meals in year R and above, and signs of increasing claims for early years pupil premium
- Funding rates for free school meals provision would increase in line with the expected increase in meal charges (the overall cost is small)

Annex 8 provides an overview of the 2021/22 budgets for 3-4 year olds.

### **E3 Early Intervention Fund (EIF)**

This fund replaced Inclusion Funding and Discretionary Funding as of April 2020 for Early Years and fulfils the requirement for the LA to have an SEN Inclusion fund. EIF can only be awarded for Early Years Funded Entitlement

hours including extended entitlement. Any setting, school or childminder who is registered to deliver Early Years Funded Entitlement can apply for funding to support children who are experiencing any barriers to learning and development including social, environmental, early trauma as well as SEND. This funding is awarded by the Early Years Governance Panel which is made up of multi-disciplinary professionals with specialist knowledge of Early Years and early identification to enable appropriate interventions. Focus for interventions include closing the attainment gap for the most disadvantaged children, supporting emotional resilience, addressing childhood trauma and supporting transition into Reception as well as providing training and resources. There is built in monitoring and evaluation within the funding process and data collected is carefully and regularly monitored to ensure the funding is effective. We expect to see an increase in the number of children achieving a Good Level of Development (GLD) at the early years foundation stage (EYFS), especially in the groups identified as disadvantaged. (please note the recording of GLD for 2022 has been revised therefore comparison of data may be problematic). EIF also promotes maximum take-up for children at risk of not meeting their developmental targets by ensuring that appropriate support is available to providers.

Following the end of the first year of operation we have completed a comprehensive consultation with both providers and multi-disciplinary professionals who are involved in the decision making and allocation of funding through EIF. The response has been overwhelmingly positive (see headline summary below).

- Over 75% of providers and 85% of professionals prefer the new funding model
- 81% prefer the new process
- 91% feel the EIF meets the needs of children better than the previous process
- 81% of providers and 97% of professionals felt the level of awards were appropriate all or most of the time
- 92% of professionals felt the collaborative decision making was good or very good
- 100% of professionals felt the process supports collaborative working

In response to this feedback we would like to extend the types of intervention and for this reason we propose to increase the level of funding for 2022/23 as described above.

#### **E4 Maintained nursery school transitional grant**

This is a separate funding stream within DSG, which provides additional support for maintained nursery schools, recognising that they incur higher costs than other providers through, for example, needing their own premises and a headteacher. The government has not yet advised whether this grant

will continue beyond March 2022. Should it continue, we propose to distribute this grant in 2022/23 using the same principles as in 2021/22;

- Distribute all of it to maintained nursery schools
- Use first to fund business rates at actual cost (excluding income generating space)
- Continue to provide split site funding for Guildford nursery school on the current basis;
- Distribute the remainder equally among the four maintained nursery schools.

It should be noted that, even if the maintained nursery school transitional grant continues beyond March 2022, it could be less in 2022/23 than in 2021/22.

Should the DfE no longer provide this funding in 2022/23, it may be necessary to consider use of part of the early years block to provide a contribution to transitional funding, allowing the funding to be withdrawn gradually, rather than withdrawing the whole of this funding instantly. We would also want to work closely with the nursery schools and governors to achieve a sustainable model for the future.

## **E5 Centrally managed funds**

We propose to maintain funding at 5% of total funding for three and four year olds in order to support the Early Years sector to deliver excellent quality provision and to administer the distribution of Early Years Funded Entitlement and related supplements including EIF. This fund also includes EIF for eligible 2 year olds, a budget to support sufficiency and for additional Early Intervention programmes which are targeted at settings in areas of deprivation and where children are not reaching expected levels of development by the end of EYFS. The expectation and intention is that all cost associated with Early Years Funded Entitlement will be met within the Early Years DSG. We are not proposing to transfer any of this funding out of the early years block in 2022/23.

## **Assessment of impact of proposals on protected groups under the Equalities Act**

The funding proposals are for an increase in the funding rate to all children (including deprivation supplement) and increasing takeup among disadvantaged and hard to reach groups is a specific priority. As such, while the funding rate changes should be neutral in impact the overall impact on priority groups is expected to be positive.

### **Consultation questions 35-42**

#### **Question 35**

Do you agree that 100% of the DfE funding for 2 year olds should continue to be passed on to providers through the hourly rate?  
YES/NO/NO VIEWS

**Question 36**

Do you agree that half of any increase in the DfE hourly funding rate for 3-4 year olds should be used to increase the hourly rate to providers and the other half used to increase the value of the Early Intervention Fund? YES/NO/NO VIEWS

**Question 37**

Do you support the continued retention of 5% of funding for 3-4 year olds for 2022/23 for use as described in annex 8? YES/NO/NO VIEWS

**Question 38**

Do you support the continued provision of an Inclusion Fund for 2 year olds, funded from the 5% centrally retained funds for three and four year olds? YES/NO/NO VIEWS

**Question 39**

Do you support the proposed increase to the funding rate for free meals provision for entitled pupils in state maintained nursery schools and classes? YES/NO/NO VIEWS

**Question 40**

Do you agree that the maintained nursery school transitional grant funding from the DfE should continue to be distributed in the same way as in previous years (As described in section E4 above)

**Question 41**

Do you agree that, if the DfE withdraws the maintained nursery school transitional grant, local transitional funding should be considered for maintained nursery schools, so that in 2022/23 they still receive a proportion of the funding which they would have received from the transitional grant, had it continued

YES/NO/NO VIEWS

**Question 42**

Do you have any other comments on the early years funding proposals in this paper?

## Annex 8 Early Years Funding

The table shows a breakdown of distribution of funding for 3-4 year olds in 2021/22

<b>Based on 14,246 fte 3 &amp; 4 year olds census Jan 2020</b>	
	<b>2021/22* £000s</b>
Base rate	63,515
Deprivation	1,572
Early intervention fund	3,429
Central retention	3,559
<b>Total from DFE hourly rate funding</b>	<b>72,075</b>
Transitional grant for maintained nursery schools***	823
Disability Access Fund***	233
Early Years Pupil Premium***	252
<b>Total for three and four year olds</b>	<b>73,383</b>

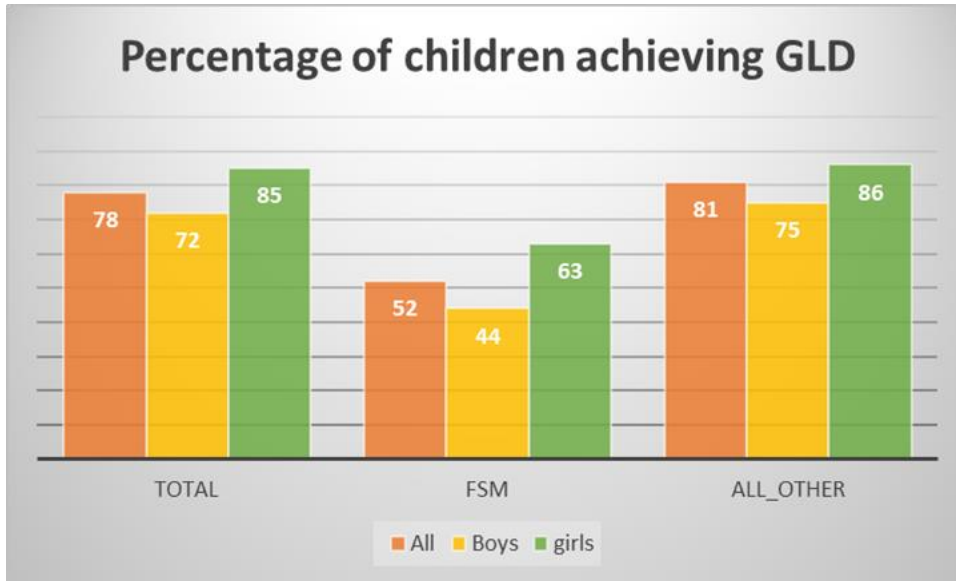
\*based on 2021/22 DFE hourly rates

\*\*\*restricted funds for specific purposes. Funding will be as allocated by DfE

Note : estimates are based on Jan 2020 school and early years census data. Jan 2021 census data has yet to be confirmed by DfE.

The number of hours funded to providers by Surrey is not normally the same as the number funded to Surrey by the DfE.

**Surrey children reaching a Good Level of Development (GLD) under the early years foundation stage profile 2019**





## **Purposes for which centrally retained early years funds are used**

The following teams work together to support Early Years provision across all sectors including maintained, private, voluntary, independent sectors to promote quality and improve outcomes for children in Surrey

**Educational Effectiveness Team** - Provides support and advice to settings in relation to quality of early education and childcare, Ofsted and statutory requirements, with a focus on settings that require improvement or inadequate, as well as providing targeted support around work with vulnerable groups. This year there is an additional focus on transition as part of the COVID-19 recovery programme.

**Graduated Response Early Years Team** - Provides support and advice to settings in relation to support for children with SEND, with a particular focus on inclusion, quality and early identification of need. Support, advice and review of EIF funding awards. Managing the EYIPP meeting processes.

**Early Years Commissioning** - Meeting the Council's statutory duties to ensure a sufficiency of places for funded 2, 3 and 4 year olds across Surrey. Monitoring and delivering sufficiency; providing support, advice and to promote business sustainability; and individual commissioning of provision for the most disadvantaged families. Delivering census, compliance with DfE statutory guidance and requirements. Brokerage of places for vulnerable children and children identified as disadvantaged and those eligible for FEET funding.

**Early Intervention Fund** – In response to COVID -19 we have invested in the Early Talk Boost programme to enable children to develop their speech and language skills and have adopted the Thrive approach to support emotional well-being – see programme description below.

**Funded Early Education Team** - Managing the funded entitlement by advising providers, processing, administering and making payments, including support for the Funded Early Education portal. Delivering census.

In addition to funding teams as described above centrally retained funds are used for the following.

**2 year old Inclusion Fund** –enable eligible children with low and emerging SEND to access their funded entitlement.

**Sufficiency Fund** – Grant funding to create new provision and to support sustainability in areas of identified need.

**Provider Portal and Parent Portal** - Maintenance and development

**Census** – statutory requirement and method used by DfE to calculate funding for Surrey

**Communications and publicity** – promotional activities to support FEET, 30 hours, Early Intervention Fund, EYPP, Deprivation and DAF uptake.

**Early Years Phase Council Budget** – To meet expenses as necessary.

**Teams Funded and Partially Funded**

- Educational Effectiveness Team
- Graduated Response Early Years Team
- Early Help
- SEND Advice Service
- CSF Performance Improvement Team
- Early Years Commissioning Team
- Funded Entitlement Finance Team
- Education Safeguarding

Note: the cost of processing funding and census data for three and four year olds in state maintained providers is met from the centrally managed Schools Budget (and census data in part from the central services levy). The number of early years pupils does not feature in the calculation of either of these budgets.

**Breakdown of Centrally Retained Funds**

<b>Breakdown of Centrally Retained Funds</b>	
Sufficiency Fund	£152,600
Early Intervention Programmes	£45,600
Inclusion 2 year olds	£215,100
Census	£10,000
Communications	£15,000
Portal Maintenance	£40,000
Property, IT and other overhead costs	£517,052
Phase council expenses	£5,000
Staffing	£2,553,911
<b>Total</b>	<b>£3,559,263</b>

## **GLOSSARY OF TERMS (including abbreviations)**

**ADCS** Association of Directors of Children's Services

**AWPU or Basic Entitlement** The "basic entitlement" is the sum allocated to a school for any pupil at a specific key stage. This was formerly known as the Age Weighted Pupil Unit (AWPU)

**Budget share** The total sum allocated to a school each year under the local authority's funding formula. It excludes allocations from specific grants. It also excludes contingency allocations, allocations from the growing schools and falling rolls funds and additional funding for high needs SEND pupils, other than place funding.

**Ceiling** The LA may agree a maximum percentage increase in average funding per pupil which all its schools may receive, even if the formula would otherwise generate more than that. This is the "ceiling".

**Dedicated Schools Grant (DSG)** The funding source for the total Schools Budget from April 2006. DSG funds mainstream schools' delegated budgets (Schools block), a range of centrally managed services to schools (central schools services block or CSSB) provision for pupils with special educational needs (High Needs block) and funded entitlement to nursery provision (Early Years block). Transfers between blocks have often been necessary in recent years – primarily to support high needs SEND budgets.

**DfE** The Government's Department for Education, which prescribes on schools funding issues

**Delegated budget** Budget which a school's governors may spend as they determine, for the benefit of the school. It may also be spent, in limited circumstances, for the benefit of pupils at other schools.

**De-delegation** Where Schools Forum approves the deduction of funding from maintained primary and secondary schools' budgets, to be retained centrally to fund specified services.

**Devolved budget** Budget which is allocated to a school for a specific purpose and must be spent for this purpose only

**EAL** English as Additional Language

**ESFA** The Education and Skills Funding Agency is the body currently responsible to the DfE for maintaining the policy framework for funding LAs and academies, administering the allocation of funding to academies, co-ordinating the funding of post 16s in mainstream school sixth forms and colleges and for maintaining the post 16 funding formula. These roles were

previously undertaken by the Education Funding Agency (EFA) for schools and 16-19 education providers.

**FEET** Funded early education for two year olds

**FSM6 (or “Ever 6 FSM”)**. Children who have been eligible for free school meals on a termly school census date within the last six years, even if they are not currently eligible. This is an indicator of deprivation increasingly used by the DFE for school funding and accountability purposes.

**High cost pupil** Pupil requiring £6,000 or more in additional support (usually with an education health care plan). Applies only where an LA has agreed to fund additional support

**HNB** High Needs Block within the Dedicated Schools Grant, intended to fund services for pupils with high levels of special educational needs and disabilities.

**IDACI** Income Deprivation Affecting Children Index, government index often used as a proxy indicator of deprivation

**IPSB** Individual pupil support budget: (previously ISPSB – individually stated pupil support budget). Additional funding allocated (largely) to mainstream schools to meet the costs of additional support for high cost SEN pupils beyond the first £6,000 per pupil per year, where the LA has agreed that such additional support is required. (NB based on a standard rate per hour of support.)

**KS1, KS2 etc** Key Stage education phases:

KS1 - pupils in years 1 and 2

KS2 – pupils in years 3, 4, 5 and 6

KS3 – pupils in years 7, 8 and 9

KS4 – pupils in years 10 and 11

**LA** The Local Authority, which in Surrey is Surrey County Council

**Minimum Funding Guarantee (MFG)**, the minimum percentage increase (or maximum percentage reduction) per pupil which each school should receive in its new budget. LAs must set a local MFG annually, within a range set annually by the government.

**Minimum per pupil funding level (MPPL)** This is a minimum average funding level per pupil which each school will receive under the National Funding Formula if the individual formula factors would otherwise generate less than this

**NFF** The National Funding Formula (for schools), introduced on a phased basis by the DfE at LA level in 2018/19. From April 2018 Surrey has been expected to change its local schools funding formula to converge towards the NFF over time.

**NMI** A non-maintained special school (NMSS) or independent special school catering for pupils whose needs cannot currently be met within the state maintained sector. Due to the complex nature of some pupils' needs, NMI placements can be expensive.

**NOR** Numbers on roll at a school

**PAN** Published Admissions Number for a school – i.e. the maximum number of pupils a school is expected to admit in its normal year of entry.

**PRU** Pupil Referral Unit. An education facility for pupils who have specific needs and are currently unable to attend a mainstream school. Placements are often part-time or temporary.

**REMA** Race Equality Minority Achievement service

**SAFE** Schools Alliance for Excellence

**SALP** Surrey Alternative Learning Partnership Quadrant /borough based partnerships of secondary headteachers working together to provide additional support and alternative education options to prevent exclusions.

**Schools block** The Schools block is one of four funding blocks within the Dedicated Schools Grant. It funds schools' delegated budgets. In addition there are funding blocks covering Central Schools costs, High Needs and Early Years.

**SENCO** Special educational needs co-ordinator

**SEND** Special Educational Needs and Disabilities

**Schools Forum** Each local authority is required to establish a Schools Forum with which it consults on issues relating to the financing of schools and the wider Dedicated Schools Grant. The Forum has decision making powers in specific instances.

**STIP** Specialist teachers for inclusive practice

**Unit of resource** The funding allocated to any school for pupils with specific characteristics (eg a sum per pupil entitled to free school meals). Previously it was most commonly used to refer to the basic funding rate per pupil.