

Schools' Funding Consultation

Proposals for Changes in 2023-24 to

*** Early Years funding**

For the attention of:

The Headteacher & Chair of Governors

Please respond by Monday 3 October 2022 to ensure your views can be taken into account



E EARLY YEARS FUNDING PROPOSALS FOR 2023/24

Key Issues

In 2023/24 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, as Surrey funds more 2 year old hours than the DfE funds Surrey for, we will again be unable to afford to match any increase in the DfE hourly rates for 2 year olds. We are proposing that any increase in the DfE funding rate for 3 and 4 year olds is used to increase the hourly rate as in recent years and that there is a further increase in hourly rate funding for 3 year olds, over and above the DfE increase, reflecting previous years' underspends. DfE is currently consulting on proposals for changes in the early years national funding formula for 2023/24 although the current proposals do not suggest any major structural changes to the formula. We are also proposing to continue to use 5% of the funding for 3 and 4 year olds to fund centrally provided support services for early years providers.

E1 Funding for 2 year olds (funded early education for 2 year olds or FEET)

Funding to providers for disadvantaged 2 year olds is provided at a single hourly rate. Historically, Surrey has passed through 100% of funding for 2 year olds to providers (i.e. retained none for central services) and this is proposed to continue. However, the termly average take-up has exceeded the January average take-up, and thus Surrey funded more provider hours than the number for which it was funded by DfE. Surrey used to fund providers at the DfE hourly rate and consequently the budget for 2 year olds was overspent every year from 2018/19-2021/22 inclusive.

Therefore, while in 2022/23 Surrey still expects to pass through the whole of the 2 year old budget to providers, the rate paid to providers has been set at £6.13/hr, below the DfE rate of £6.25/hr, to recognise the need to fund more provider hours than are funded by the DfE. Surrey has a key focus on increasing take-up for disadvantaged 2 year olds to maximise the opportunity for early identification and early intervention. For this reason, we adopt this approach to ensure that as many children can benefit as possible within the budget available.

In 2023/24 it is proposed that a similar approach is adopted, with the aim that the LA neither overspends nor underspends on the 2 year old budget, taking one year with another.

In the last two "normal" years (2018/19 and 2019/20) the budget for 2 year olds was overspent by an average of 3.6%. Therefore, to break even, we would need to set the hourly provider rate around 3.6% lower than the DfE rate (22p lower), compared to the current 12p difference. We propose that in 2023/24 we increase the hourly provider rate by the higher of:

- Half of the DfE hourly rate increase (if the DfE hourly rate increases by less than 20p) or
- 10p less than the DfE hourly rate increase (if the DfE hourly rate increases by 20p or more)

The latter scenario would mean that the 2 year old budget would break even on the basis of current assumptions.

There is no inclusion 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 3 and 4 year olds which may be centrally retained (see below). In addition to this we have sought and received approval from DfE to re-direct any un-allocated Disability Access funding to use as early intervention funding for 2 year olds.

E2 Basic rate Funding for 3 and 4 year olds

In recent years funding for 3-4 year olds has been underspent, largely because for this age group the average of termly take-up (on which Surrey funds providers) has been lower than the average of January take-up (on which DfE funds Surrey).

5% of estimated funding for 3 and 4 year olds may be used to fund centrally managed services to support the sector, subject to the approval of the Schools Forum. It can also be used to support 2 year olds as mentioned above. The remaining 95% must be budgeted to be distributed to providers as funding for individual 3 and 4 year olds (or lump sums for maintained nursery schools), including deprivation funding and the early intervention fund.

We have tried to remove any “structural underspend” (i.e. recurring underspend taking one year with another) from the budget for 3 and 4 year olds in recent years, although the impact of COVID-19 in 2020/21 and 2021/22, and the change by DfE to funding local authorities on a termly count in 2021/22 (alone), has made forecasting more difficult. In 2021/22 the estimated underspend would have been 1.4% had the DfE used the usual funding basis (based on Jan censuses only)-equivalent to around 6p on the hourly rate. We are therefore proposing that in 2023/24 we increase the hourly rate by:

* any increase in the DfE hourly rate

LESS any technical increase as a result of assimilating teacher pay and pension grants-estimated at 5p per hour, because this is not actually an increase in funding to Surrey (see section E4 below)

PLUS an additional 6p.

We are proposing to maintain the deprivation supplement at £2.81/hr 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. That would require a smaller increase in the hourly rate.

Annex 8 provides an overview of the 2022/23 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. Over the past year we have extended and developed the menu of interventions and training available through EIF. This has been an essential response to address the impact of COVID- 19 on our youngest children. We have developed close and collaborative relationships and practice with Health colleagues and systems for the benefit of children with additional need. 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.

Key priorities include but are not limited to:

- Speech, language, literacy and communication development
- Emotional wellbeing
- Autism

Early Years outreach and Local Early Autism Programme (LEAP) intervention is now also available through EIF. In order to address the increasing number of children with autism and in alignment with the Surrey All Age Autism Strategy we have extended and developed our training offer in this area.

Focus has centred around specific training for Early Years providers including:

- Makaton – basic sign language
- ELKLAN – speech and language training
- Positive Touch – recognising changes in behaviour, anxiety, suitable physical intervention and interaction
- STEPS Supporting Targeted Education and Play Skills – outreach offer to support settings, parents and transitions
- ELSA – Emotional Literacy Support Assistant intervention training.
- Attention Autism – interventions and strategies to support autistic children

Analysis of Additional Needs Tool (AANT) is a new tool funded through EIF to assess need, reducing the pressure on our EP team.

REMA – First language assessments (76) and Translation services (3)

We carry out extensive evaluation of data and consultation with providers at the end of each financial year. We have now completed this for the second year of operation. The response has been overwhelmingly positive (see headline summary below, full responses are in the Appendix).

Breakdown of EIF financial year 2021/22 - £3,508,778

EIF	Two year olds	Three and four year olds	Total EIF
Awarded (£)	308,837	3,199,941	3,508,778
Number of children	220	1560	1780
Number of settings	145	458	603

Training /intervention	Total per intervention
REMA First Language Assessments	£31,668.00
REMA Translation Services	£636.00
Makaton	£23,025.00
ELKLAN	£11,554.00
Positive Touch	£5,150.00
STEPS - all phases/or single phase	£22,254.50
ELSA	£4,330.00
Autism training	£4,750.00
AANT	£200.00
Total	£71,263.50

- 84 Maintained schools and academies - £878,167
- 378 private voluntary and independent settings - £2,614,308
- 7 out of county settings (all children with EHCPs) - £16,302

We changed the designation of Early Years Resource places to mainstream so that from September 2022 these places will be funded through EIF. This aligns with our commitment to a fully inclusive model where children can access their Early Years Education provision in their local mainstream provision. Children with complex needs will be supported through individual support packages through Early Years Inclusion Pathway Planning.

E4 Supplement for teachers in maintained nursery schools and nursery classes

In 2022/23 state maintained early years providers receive £192.82 per head for early years pupils in DfE teacher pay and pension grants, over and above the early years national funding formula hourly rate. The grants were first introduced in 2018/19 and 2019/20 to cover part of the September 2018 and September 2019 teacher pay increases and an increase in employer pension contributions for teachers from September 2019 from 16.4% to 23.6%. Originally the grants applied to all pupils in state schools, but the funding for year R-11 has now been assimilated into the schools national funding formula, so the separate grants now exist only for nursery (and sixth form) pupils.

In 2023/24 the government is proposing to assimilate the early years share of these grants into the early years NFF, by:

- Increasing the hourly rate paid to local authorities for 3-4 year olds (by 5p/hr in Surrey's case)
- Increasing the maintained nursery school supplementary funding by the value of the grant previously paid to maintained nursery schools
- Allowing (and indeed encouraging) LAs to introduce a quality supplement for unavoidable additional costs of employing teachers in state nursery classes. These proposals recognise that state maintained schools are required to employ nursery teachers (and thus to incur employer pension contribution costs).

The former grant funding would be worth around 27p/hr if distributed to state maintained providers as an hourly rate.

We propose to introduce a quality supplement of 27p/hr, as above, for maintained providers who actually employ qualified nursery teachers. This would mean that state maintained providers (taken together) would continue to receive the level of additional funding previously provided by the separate grant, and would recognise the continuing legal requirement for them to employ qualified teachers. Maintained providers would need to confirm annually their compliance with this condition, and funding would be withdrawn in the event that they failed to comply. We will consider whether the supplement could be extended to two year olds, although funding rules make this difficult. For the avoidance of doubt, the supplement would not apply to s27 nurseries, whether or not teachers were employed.

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 2023/24

E6 Funding for free school meals for eligible pupils in maintained nursery schools and nursery classes

Children who meet the benefit criteria for free school meals and who access free entitlement sessions in a state maintained nursery are entitled to free school meals on days when they take up free sessions both before and after lunch. The funding rate for free meals is reviewed annually. We propose that in 2023/24 it should be linked to the schools national funding formula free school meals rate, £2.67/day for 2023/24. This is a rate which is externally set, is known before the start of the year and which is likely to continue to be available in future.

E7 Maintained nursery school supplementary funding

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. In 2023/24 the government is adding maintained nursery schools' share of the former teacher pay and pension grants to the maintained nursery school supplementary funding.

We propose to distribute this supplementary funding as follows:

- * continue to distribute all of it to maintained nursery schools
 - * fund 27p/hr quality supplement (i.e. at the same level as for maintained nursery classes (see above)) based on termly count of funded hours (this would also include two year olds, at the same hourly rate)
- Continue 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;
 - Continue to distribute the remainder equally among the four maintained nursery schools.

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 and increasing take-up 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 17-28 (note: these are also referenced E1-E8 for easy comparison with the separate early years survey)

Question 17 (E1.1)

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 18 (E1.2)

Do you support the proposals for setting the 2 year old hourly rate, in order to ensure that the budget for 2 year olds can break even while maximising the opportunity for children to take up the 2year old offer (e.g. starting after termly census date)?

YES/NO/NO VIEWS

Question 19 (E2.1)

Do you agree that the whole of any increase in the DfE hourly funding rate for 3-4 year olds should be used to increase the hourly rate to providers?

YES/NO/NO VIEWS

Question 20 (E2.2)

Do you agree that there should be a further increase of 6p/hr in the basic rate over and above the DfE increase (reflecting the estimated current recurring underspend)?

YES/NO/NO VIEWS

Question 21 (E2.3)

Do you agree that the current basis and level of deprivation funding for 3-4 year olds should be maintained?

Question 22 (E3)

Do you support maintaining the EIF at the current level for the next financial year?

Question 23 (E4)

Do you agree that there should be an additional supplement of 27p/hr for state maintained providers who are required to employ (and actually do employ) qualified nursery teachers, in order to preserve the funding previously allocated to these providers through separate grants?

YES/NO/NO VIEWS

Question 24 (E5)

Do you support the continued retention of 5% of funding for 3-4 year olds for 2023/24 for use as described in annex 8?

YES/NO/NO VIEWS

Question 25 (E6)

Do you support the continued provision of an Inclusion Fund for 2 year olds, funded from the 5% centrally retained funds for 3 and 4year olds?

YES/NO/NO VIEWS

Question 26 (E7)

Do you support linking the funding rate for free meals provision for entitled pupils in state maintained nursery schools and classes to the national funding formula rate for free meals in primary schools?

YES/NO/NO VIEWS

Question 27 (E8)

Do you agree with the proposals for distribution of maintained nursery school supplementary funding from the DfE (As described in section E4 above)?

YES/NO/NO VIEWS

Question 28 (E9)

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

Annex 8 Early Years Funding (see section E)

The table shows a breakdown of distribution of funding for 3-4 year olds in 2022/23

Based on 14,111 fte 3 & 4 year olds census Jan 2022	
	2022/23*
	£000s
Base rate	64,169
Deprivation	1,438
Early intervention fund	4,416
Central retention	3,502
Total from DfE hourly rate funding	73,525
Supplementary funding for maintained nursery schools***	Ad
Disability Access Fund***	317
Early Years Pupil Premium***	384
Total for three and four year olds	75,115

*based on 2022/23 DfE hourly rates

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

Note : estimates are based on Jan 2022 school and early years census data. Jan 2023 census data is as yet unknown Final allocation for 2022/23 will be based on 5/12x Jan 2022 plus 7/12x Jan 2023

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

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 at requires 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.

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 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. 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 statemented 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

Safety valve An agreement with DfE whereby DfE provides additional funding towards an LA's historic high needs block deficit, in return for the LA delivering on a strategy to achieve a sustainable high needs block budget within an agreed period.

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. The other funding blocks cover 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 (e.g. a sum per pupil entitled to free school meals). Previously it was most commonly used to refer to the basic funding rate per pupil.