

Division(s): All

CABINET
15 FEBRUARY 2022

Formal Approval of Early Years Funding Formula 2022/23

Report by Director for Children's Services

Recommendation

1. Cabinet is RECOMMENDED to: -

- a) Pass the funding increase received by Oxfordshire onto providers in full and approve the 2022-23 Early Years funding formula for 3 and 4- year old provision with an underlying hourly rate of £4.35 (excluding the Deprivation supplement, SEN Inclusion Fund and Contingency).
- b) Pass the funding increase received by Oxfordshire onto providers in full and approve the 2022-23 Early Years funding formula for 2- year old provision at an hourly rate of £5.89.

Executive Summary

2. The local authority is required to set a funding formula for 2- year old and for 3 and 4 year old provision. The 2022-23 formula proposed is in line with the Department for Education (DfE) national formula introduced in 2017-18.
3. The local authority is responsible for making the final decisions on the formula.
4. Schools Forum will be consulted on 9 February and the decision from that meeting will be presented to this meeting.

Introduction

5. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). This sets out the hourly funding rates that each Local Authority (LA) is paid to deliver the universal and additional entitlements for 3 and 4-year olds. There is a separate formula which sets out the hourly funding rates for 2-year-olds. The DfE published the Early Years Entitlements: local authority funding for providers (the Operational Guide) in November 2021 and this sets out the overall framework and expectations on Local Authorities regarding the EYNFF for 2022-23.

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6. The rate of hourly funding received from the DfE to deliver all elements of the formula for 3 and 4 year olds has increased by 17p to £4.70 per hour. The funding received for 2 year olds has increased by 21p to £5.89.

The Early Years Funding Formula

7. The DfE published the updated EYNFF Operational Guide (November 2021), which sets the overall framework and expectations on local authorities regarding the EYNFF.
8. Following consultation with all Early Years providers, an Oxfordshire Early Years Funding formula for 2017-18 was set and the proposed 2022-23 formula follows these principles.
9. The key elements of the formula, meeting DfE requirements, are:
 - a. The formula relates to both the universal 15-hour entitlement for all 3 and four-year-olds and the additional 15 hours for 3 and 4-year-olds of eligible working parents (the 30-hour childcare policy).
 - b. A minimum amount of funding to be passed through to providers –The pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level is 95%.
 - c. A local universal base rate for all types of provider – Local Authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of provider. The underlying base rate (excluding the mandatory Deprivation Supplement, SEN Inclusion Fund allocations and Contingency) was set by Oxfordshire at £4.18 in 2021-22 and is proposed at £4.35 in 2022-23.
 - d. A mandatory supplement for Deprivation. LAs have the freedom to choose the appropriate metric for allocating deprivation funding. Following earlier consultation, the method for allocating deprivation funding was agreed as an enhancement on top of the Early Years Pupil Premium (EYPP). The EYPP rate has increased from 53p per hour to 60p. The deprivation supplement was set at 47p per hour, giving a total of £1.07 per hour for 15 hours of attendance. (The 47p supplement also applies to additional hours, although EYPP can only be paid on the universal 15 hours).
 - e. A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all three and four-year olds with SEN who are taking up free entitlements. This is to target funding at 3 and 4 year olds with lower level or emerging SEN.
 - f. A contingency fund of £260,000. LAs may hold back a percentage of their allocation in a contingency fund. This is to reduce the risks

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associated with potential overallocation of funding should actual participation rates throughout the year be higher than those funded at the snapshot points of the January censuses. The January censuses determine the funding to the LA and the final position on funding for 2022-23 will not be announced by the DfE until July 2023, after the end of the 2022-23 financial year.

For 2021-22, the number of children eligible for the SEN Inclusion Fund and the deprivation supplement has increased leading to overspends against budget. This is likely to continue into 2022-23 and the contingency budget is earmarked to fund that increased spend. Where the contingency funding is not required to meet actual participation levels, there is the opportunity to consider reallocating this funding back to providers at a later date. If any overallocation exceeds the level of the contingency, any DSG overspend would need to be recouped in future years which could potentially necessitate a future reduction and turbulence to the provider rate.

10. Additional funding streams for eligible 3 and 4- year olds are as follows:
 - a. The disability access fund (DAF) – The DAF was introduced in April 2017 to support disabled children’s access to the entitlements for 3 and 4 year olds. Three- and four-year olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. LAs must fund all types of setting providing a place for DAF-eligible children at an annual rate of £800 per eligible child.
 - b. Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support disadvantaged 3 and 4 year old pupils, where their family meets specified criteria/ they are being looked after by a LA or have left care through specified orders. The national rate is 60p per hour per eligible pupil up to a maximum of 570 hours (£342 per year). The Operational Guide indicates that in the “where a child is also eligible for the additional 15 hours for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year”.
 - c. Supplementary funding for maintained nursery schools (MNS). The stated aim of the DfE was to enable local authorities to protect their 2016-17 funding rates for MNS (that is, the rates that existed before the EYNFF). For 2022-23, has been increased by 3.47%. This is the main change in the funding from the 2021-22 financial year.

Proposed Universal Funding Rate for 2022-23

11. The Local Authority is proposing to pass on the full increase in the funding received and will therefore increase the 3 and 4- year old universal funding rate by 17p to £4.35 per hour and the 2- year old rate by 21p to £5.89.

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Financial and Staff Implications

12. The report deals with the funding formula for Early Years for 2022-23 and recommends a formula in line with statutory guidance.

The proposed formula for 3 and 4- year olds has been modelled in line with the initial allocation published by the DfE. The key risk remains the level of take-up of hours. Final DSG funding allocations will be based on data from two census dates – 5/12ths on January 2022 and 7/12ths on January 2023 censuses. The funding will not be confirmed until July 2023. There is risk that actual participation varies from these snapshot funding dates.

13. Each year, there is uncertainty around the take-up of the number of hours. If the contingency is exceeded, the overspend will be carried forward and funded from 2023-24 Early Years DSG.

Comments checked by:
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Legal Implications

14. The DfE Early Years National Funding Formula prescribes the way in which early years providers should be financed for the 2022/23 financial year. The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to early years providers. The Council must follow the rules issued by DfE within The School and Early Years Finance (England) Regulations.

There are no direct legal implications arising out of this report.

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Equalities Implications

15. Where the local authority continues to have discretion in funding decisions made, priority will be given to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

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February 2021