

**CITY OF WESTMINSTER
SCHOOLS' FORUM – 20TH JANUARY 2022**

**REPORT BY THE LEAD STRATEGIC FINANCE MANAGER – CHILDREN'S
SERVICES**

EARLY YEARS FUNDING 2022/23

This report provides information on initial 2022/23 early years budgets announced in December 2021 by the Education & Skills Funding Agency (ESFA) and the methodology for allocating funding to providers.

FOR DECISION

1 INTRODUCTION

- 1.1 The ESFA published initial 2022/23 early years budgets in December 2021. These budgets are currently based on the January 2021 census.
- 1.2 Budgets for 2022/23 will be further updated during 2022/23 to take account of more recent census data once this is available.

2 EARLY YEARS BUDGETS 2022/23 - INITIAL ALLOCATION

- 2.1 The ESFA published the 2022/23 early years allocation in December 2021 and the indicative budgets are set out below in Table 1 below:

WCC Budgets - £m	2022/23 Initial	2021/22 Initial*	Change
Universal Entitlement (3/4YO) - 15hrs	8.540	9.978	-1.438
Working Family Entitlement (3/4YO) – 30hrs	1.338	1.741	-0.403
Disadvantaged 2YO Entitlement - 15hrs	1.175	1.249	-0.074
Early Years Pupil Premium (3/4YO)	0.090	0.081	0.009
Disability Access Fund (3/4YO)	0.050	0.038	0.012
Maintained Nursery Supplement (3/4YO)	1.389	1.560	-0.171
Total	12.581	14.647	-2.066

*The ESFA will publish the 2021-22 early years funding adjustments for the 2021 summer and autumn terms in January 2022. The final funding allocation for 2021-22 will be published in July 2022 as normal.

- 2.2 The Chancellor's November 2021 Spending Review announced increases in funding for the Early years entitlements totalling £160 million in 2022/2023 for local authorities to increase the hourly rates paid to childcare providers for the government's early years entitlements and reflects cost pressures, as well as anticipated changes in the number of eligible children.

- 2.3 The ESFA confirmed there is no change to Westminster City Council's Early Years National Funding Formula (EYNFF) hourly rate of £7.86. Westminster City Council is one of the few 'loss cap' authorities that has been protected in recent years from large drops to their funding rate for the 3 and 4-year-old entitlements.

The EYNFF rate is multiplied by the total number of children expected to access 15 or 30-hours of free childcare across the borough to produce the universal and working family entitlement budgets.

- 2.4 2022/23 budgets for the 3 to 4-year old universal and working family entitlements indicate a net reduction despite the unchanged EYNFF hourly rate due to lower child numbers based on the January 2021 census data. These initial allocations will be updated later using census data from January 2022 and January 2023.

- 2.5 Local authorities are required to pass at least 95% of their 3 to 4-year old funding from Government to early years providers to deliver the universal and working family entitlements. This is referred to as the hourly 'pass-through' rate.

- 2.6 Local authorities can retain 5% of their 3 to 4-year old funding from Government to support the provision of central early years-related services

- 2.7 From the 95%, budgets are then set aside for Deprivation (passed on as a supplement to those in IDACI bands A-F and calculated at 10% of the hourly pass-through rate), the SEN Inclusion Fund and contingency funding (to manage fluctuations in numbers not captured in census data – e.g. peaks in summer months that are no longer apparent by the time of the next census). The budget remaining is divided by the total number of hours the ESFA expect to be accessed to calculate the hourly pass-through rate.

- 2.8 The hourly pass-through rate has been calculated at £6.80 per hour for 2022/23 as per calculations set out in [Appendix A](#), this is no change from the 2021/22 rate.

- 2.9 The 2022/23 budget for 2-year olds has increased in line with the ESFA's national hourly rate rise from £6.66 to £6.87.

- 2.10 The SEN Inclusion Fund has been set at £175,000 for 2022-23, a reduction of £25,000 from 2021-22 to keep the SENIF at the same percentage of available funding. Should SENIF expenditure need to increase the hourly rate for providers would reduce.

- 2.10 Budgets for Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and the Maintained Nursery Supplements (MNS) shown in Table 1 above are ringfenced and therefore excluded from the above hourly rate calculations.

MNS funding has increased by 3.5%, EYPP has increased by 7p per hour and DAF has increased by £185 per child per year for 2022/23. These budgets are also intended to support provision for 3 to 4-year olds only.

- 2.11 There has been a net reduction in MNS funding for Westminster City Council as detailed in Table 1. This reduction will be reflected in payments to maintained nurseries accordingly.
- 2.12 Due to the timing of the consultation regarding monthly payments, the response rate from schools with nursery classes and maintained nursery schools has been low, though 90% of responses received were in favour of the change in frequency of payments. The Early Education and Childcare Funding Team are following up with schools yet to respond and should the support for the change continue, monthly payments can be in effect from April 2022.

3 RECOMENDATIONS

- 3.1 Schools' Forum is asked to note the methodology used to arrive at the budgets and hourly rate of £6.78 for providers in 2022-23, which is transparent and deemed to strike a balance between allocating the maximum available to all providers while also allowing for eligible children to benefit from funding for deprivation and the SEN Inclusion Fund.
- 3.2 Schools' Forum is asked to note that the budget set aside for contingency is prudent and strikes a balance between providing a safeguard for managing fluctuations and maximising the amount passed directly to all providers through the hourly base rate.
- 3.3 Schools' Forum is asked to note the reduction in funding for maintained nurseries in line with the reduced allocation for 2022-23.
- 3.4 Schools' Forum is asked to note the reduction in the SEN Inclusion Fund for 2022-23.
- 3.5 Schools' Forum is asked to consider the content of this report and agree the hourly rate of £6.78 to be paid to providers of early years childcare and education in 2022-23 as set out in Appendix A.

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Background Papers:

Early years entitlements: Local Authority funding of providers operational guide 2022 to 2023:

<https://www.gov.uk/government/publications/early-years-funding-2022-to-2023/early-years-entitlements-local-authority-funding-of-providers-operational-guide-2022-to-2023>

Appendix A – indicative early years budget 2022/23 (hourly rate methodology).