

On 27 October 2021, the Chancellor announced additional funding for the early years entitlements **worth £160m in 2022-23, £180m in 2023-24 and £170m in 2024-25, compared to the current financial year.** Note this is not additional funding each year on top of the previous years funding, nationally from 2022-23 there will be £20m extra in 2023-24 and £10m extra in 2024-25 which reflects changes in the population of two, three-and four-year olds over the next three years.

The government have confirmed that the hourly funding rates in 2022-23 for all local authorities will increase by 21p an hour for the two-year-old entitlement and, for the vast majority of areas, by 17p an hour for the three-and four-year-old entitlements.

The funding rate for the Early Years Pupil Premium will increase from 53p to 60p per hour per eligible child, and the Disability Access Fund from £615 to £800 per eligible child per year. The supplementary funding hourly rate for maintained nursery schools will also increase by 3.5% equivalent to the three-and four-year-old funding rate increase.

The government states these increases reflect costs pressures such as the minimum wage increase and inflation. Although this adds further investment to early years, Kirklees along with approximately one third of other local authorities will still receive the lowest funding base rates for two, three-and four-year olds from April 2022. Details of previous funding rates can be found in Appendix A.

Consultation on the Funding Formula proposals 2022-23

During previous provider engagement sessions between 2017 and 2021 feedback from providers was to maximise the base rates, with further investment in early years this is an opportunity to review the formula and consult with the sector again.

There has been significant change over the last 12 to 18 months and we now know that the pandemic has significantly affected deprived families and children with additional needs, with this in mind providers views may have changed.

It should be noted that although the government have announced the local authority funding rates for 2022-23, they have not yet announced the funding allocations therefore **this consultation focuses on principles rather than exact figures.** Example models using indicative rates are provided to demonstrate how changing one element of the formula could impact on other elements.

The current funding formula can be found in Appendix B.

Consultation process and timelines

The consultation will open on 16th December and close on 13th January 2022. Provider feedback will be presented at the Early Years and Childcare Reference Group on 18th January 2022, the groups recommendations will be presented to Schools Forum on 4th February 2022. The Early Years and Childcare Reference Group includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.

In addition to the online consultation, two virtual briefing sessions will be held on **Wednesday 5th January 18:30-20:00** and **Thursday 6th January 10:00-11:30** via Microsoft Teams, to book a place please send an email to LearningSeniorManagementSupport@kirklees.gov.uk stating your name, position in the organisation, your provider name and which session you wish to join.

Temporary rates 2021-22 and 2022-23

An underspend of the early years budget in 2020-21 has been used in the current year to increase the base rates on a temporary basis by 16p. Due to take-up being lower than predicted it is estimated that there will be an underspend in the current year. Following a discussion at the Early Years and Childcare Reference Group on 7th December it was agreed to provide a further temporary uplift from Spring 2022 to Spring 2023 (subject to sufficient funds), estimated to be 7p. So, for Spring 2022 that will be an extra 23p (16p + 7p) and the rates will therefore be £5.40 for the two-year-old base rate and £4.50 for the three- and four-year-old base rate.

Summary of Spring 2022 funding rates:

	Permanent rate	Temporary up-lift	Total per hour
2 year old rate	£5.17	£0.23	£5.40
3 & 4 year old rate	£4.27	£0.23	£4.50

For Summer 2022 to Spring 2023 the new permanent base rates will be confirmed in February following this consultation, the temporary increase estimated to be 7p could continue until Spring 2023 however as stated in previous communications, temporary increases are subject to change and therefore could end sooner than Spring 2023.

Deprivation

Funding is allocated using the metric IDACI (Income deprivation affecting children index). The current allocation is £306,000 which was agreed following provider consultation when the early years funding formula began in 2017. In the financial year 2020-21 the total amount distributed to providers was £325,000 and in the current year, 2021-22 it is estimated that £316,000 will be distributed based on the current rates listed below:

- Band A, B and C (4, 5 and 6): £0.21
- Band D (3): £0.14
- Band E (2): £0.11
- Band F (1): £0.05

The current deprivation index used to calculate early years deprivation funding is out of date therefore to maintain accurate early years deprivation funding allocations the indices need updating to latest version, which is 2019. It should be noted that nationally Kirklees is scored less deprived in the new indices compared to the 2010 indices.

It is proposed to implement this change from April 2022. This change will have an impact on the amount of deprivation funding individual providers will receive. Using the latest three complete terms available (Spring 2021, Summer 2021 and Autumn 2021) funding already distributed via the 2010 indices has been compared to the funding level if the 2019 indices had been used. Four models have been developed to assess the varying impact on individual providers and the overall deprivation funding element, refer to the table on the following page.

435 providers are registered to deliver funded places out of which 311 providers have received deprivation funding in the current year.

The proposed rates have been aligned with the proportions used in each band for allocating deprivation funding to primary schools.

Model	Funding rates for each IDACI Band	Number of Providers					Largest loss/gain for an individual provider	Total cost
		Losing more than 50% funding	Losing between 25% and 50% funding	Losing less than 25% funding	No change to funding	Receiving more funding		
A) Current rates	A,B,C £0.21 D £0.14 E £0.11 F £0.05	34	64	68	28	117	-£5,400 +£1,500	£273,300
B) Proposed rates (approx. same cost as current budget)	A £0.27 B £0.21 C £0.20 D £0.18 E £0.11 F £0.09	23	39	71	24	154	-£4,000 +£1,500	£312,800
C) Proposed rates (50% increase on model B rates)	A £0.41 B £0.32 C £0.30 D £0.27 E £0.17 F £0.14	14	9	14	4	270	-£1,500 +£2,900	£477,800
D) Proposed rates (100% increase on model B rates)	A £0.54 B £0.42 C £0.40 D £0.36 E £0.22 F £0.18	14	1	8	0	289	-£600 +£5,000	£625,500

Note, using the 2019 indices 14 providers will receive deprivation funding that did not receive deprivation funding previously, these providers are not included in the table above.

The rates in model B have been set to provide deprivation funding at the level currently allocated, with this model 133 providers would receive less deprivation funding and 154 would receive more. The highest individual loss, which is for a group provider, is significant at £4,000.

Model C rates are 50% higher than model B, 37 providers would receive less deprivation funding and 270 would receive more. The highest individual loss, which is for a group provider, is much less at £1,500.

Model D shows that by doubling the proposed funding rates in model B for each band only a small number of providers (23) would receive less deprivation funding. The highest individual loss, which is for a group provider, would be £600, most of the losses are less than £100. The majority of providers (289) would receive more funding, the highest increase would be £5,000.

Formula options for 2022-23

One penny of the two-year-old base rate equates to approximately £7,500 and one penny of the three- and four-year-old base rate equates to approximately £50,000 on the available Kirklees early years budget. The current permanent rates are £ 5.17 for two-year-olds and £4.27 for three- and four-year-olds.

Option 1 – maximise base rates and make no changes to other elements of the formula

It is estimated that the current temporary rates of £5.33 and £4.43 could be maintained and that there could be sufficient funding to increase both base rates by up to 5p so potentially £5.38 for the two-year-old base rate and £4.48 for the three- and four-year-old base rate.

Deprivation Model B (no change to deprivation budget) - Illustrative summary 2022-23 rates

	Permanent rate	Temporary up-lift	Total per hour
2 year old rate	£5.38	£0.07	£5.45
3 & 4 year old rate	£4.48	£0.07	£4.55
Deprivation allocation	£306,000	IDACI rates	A £0.27 B £0.21 C £0.20 D £0.18 E £0.11 F £0.09

Option 2 – increase base rates and deprivation funding

It is estimated that if both current temporary base rates of £5.33 and £4.43 are maintained there would be approximately £292,000 available to increase other elements of the formula, for example Deprivation or SENIF.

If Model C is used for the deprivation funding an additional £172,000 would be required on top of the current budget of £306,000 leaving £120,000 which could increase the base rates further by 2p.

Deprivation Model C - Illustrative summary 2022-23 rate

	Permanent rate	Temporary up-lift	Total per hour
2 year old rate	£5.35	£0.07	£5.42
3 & 4 year old rate	£4.45	£0.07	£4.52
Deprivation allocation	£306,000 + £172,000	IDACI rates	A £0.41 B £0.32 C £0.30 D £0.27 E £0.17 F £0.14

If Model D is used for the deprivation funding it is estimated an additional £320,000 would be required on top of the current budget of £306,000. To achieve this the base rate for three- and four-year-olds would be 1p less than the current temporary base rate and the two-year-old rate would be 3p more.

Illustrative summary 2022-23 rate – Deprivation Model D

	Permanent rate	Temporary up-lift	Total per hour
2 year old rate	£5.36	£0.07	£5.43
3 & 4 year old rate	£4.42	£0.07	£4.49
Deprivation allocation	£306,000 + £320,000	IDACI rates	A £0.54 B £0.42 C £0.40 D £0.36 E £0.22 F £0.18

Background

The National Early Years Funding Formula came into effect in April 2017. The government wanted to create a formula to provide a strong and sustainable early years funding system that is fair, transparent and maximises funding to providers.

The formula consists of a universal base rate, plus proxy indicators; Free School Meals, English as an Additional Language, Disability Living Allowance and an area cost adjustment multiplier to reflect variations in local costs.

The funding rates remained the same for the first 3 years however the DfE allocated an extra £66 million nationally in 2020-21 and an extra £44 million in 2021-22. In Kirklees this additional funding was passed onto providers by a permanent increase to both base rates.

Kirklees Early Years Funding Formula rates history

Year	2 year olds		3&4 year olds	
	Rate from DfE	Rate paid to providers	Rate from DfE	Rate paid to providers
2016-17	£4.85	£4.85	£4.47	£4.19
2017-18	£5.20	£5.00	£4.30	£4.14 £4.19 ¹
2018-19	£5.20	£5.00	£4.30	£4.14
2019-20	£5.20	£5.00 £5.06 ²	£4.30	£4.14 £4.20 ²
2020-21	£5.28	£5.09 £5.15 ² £5.38 ³	£4.38	£4.21 £4.27 ² £4.40 ³
2021-22	£5.36	£5.17 £5.33 ⁴	£4.44	£4.27 £4.43 ⁴
2022-23	£5.57	TBC	£4.61	TBC

¹ In the first year of the national funding formula transitional protection for the 3 and 4-year-old funding rate was given.

² Temporary increase of 6p from Autumn 2019 to Summer 2020, using the balance carried forward from 2018-19.

³ Temporary increase of 19p from Autumn 2020 to Spring 2021, using the balance carried forward from 2019-20.

⁴ Temporary increase of 16p from Summer 2021 to Spring 2022, using the balance carried forward from 2020-21.

Current Early Years Funding Formula (2021-22)

Base rates

- £5.17 (permanent) £5.33* (temporary) for two-year olds
- £4.27 (permanent) £4.43* (temporary) for three- and four-year olds (universal and extended hours)

* A temporary uplift of 16p was added to the permanent base rates using the balance carried forward from 2020-21.

Deprivation

The allocation is £306,000, funding is allocated using the current metric IDACI (Income deprivation affecting children index) the rates are:

- Band 1: £0.05
- Band 2: £0.11
- Band 3: £0.14
- Band 4, 5 and 6: £0.21

SEN Inclusion Fund for three- and four-year olds

£50,000 contribution for low level and emerging needs SEN to support providers from all sectors delivering the free entitlement.

Central retention

£708,600 is retained to fund quality improvement, administration costs associated with delivery of the free entitlements and SEN support. Kirklees retains only 2.5%, see table below. Local Authorities are permitted to retain 5% of the Early Years budget. The retention amount has remained the same since before the introduction of the early years formula in 2017 with no adjustments for inflation.

Budget area	Budget	Description
Early Learning and Childcare	£585,000	Free Early Education, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£71,200	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£40,400	Contribution to the Inclusion Officer team
Miscellaneous	£12,000	Contribution to admissions, maternity, union duties etc
TOTAL	£708,600	

Additional funding for eligible three- and four-year olds

100% of additional funding is passed directly onto providers.

- Early Years Pupil Premium, applicable to universal entitlement hours only, the hourly rate is £0.53.
- Disability Access Funding (DAF), a lump sum payment of £615 available each year to funded children in receipt of Disability Living Allowance (DLA).