

Schools Forum

12 January 2023

Early Years National Funding Formula 2023-24

This report relates to all early years providers and is for decision by all schools and PVI members of Schools Forum

1. Purpose of the Report

- 1.1. This report updates Schools' Forum on the conclusion of the Early Years National Funding Formula (EYNFF) modelling following the outcome of the consultation with the EY Task Group on Wednesday 4 January 2023.

2. Recommendations

- 2.1. The Schools Forum is asked to approve increasing the deprivation rate to 62p per eligible child, in line with the changes to the Early Years Per Pupil Premium (EYPP) rate and allocating the remaining available funding to the universal base rate of £4.51 for 2023-24, as recommended in paragraph 6.3 and 8.4 and Table 2.

3. Introduction

- 3.1. All children in England and Wales are entitled to 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up in a maintained school, nursery or in a private, voluntary or independent sector (PVI) early year setting or with a childminder.
- 3.2. The Early Years Block element, within the Dedicated Schools Grant (DSG) funds the universal provision for all 3 and 4 year-old children as well as the Early Years provision for disadvantaged 2 year old children.
- 3.3. Schools and settings are funded based on participation over the whole year and not just the highest count, which ensures that funding is realistic and adjustments for over/under occupancy at the end of the year are more manageable. This will not change in line with the changes proposed above.

4. National Funding Formula Guidance

- 4.1. LAs have been required to allocate 95% of funding to providers since 2018/19.
- 4.2. The government requires LAs to set up “Inclusion Funds”, to support children with additional needs.
- 4.3. The formula may have a fixed number of supplements in addition to the required deprivation factor.
- 4.4. Maintained nursery schools are given some financial protection under the national proposals, to minimise disruption. To support this, the government has been providing supplementary funding for maintained nursery schools. Consultations ran in the summer, have confirmed this funding will continue under the current arrangement. This means funding will be allocated to the Nursery schools outside of the main Early Years formula allocation, and new proposals will also include a funding allocation grant for Teacher Pay & Pension Grant (TPPG).
- 4.5. Please note that the MNS won't receive the TPPG 3p on top of the hourly base rate (as per the workings of option 1) as their TPPG has been rolled into the supplementary funding as per paragraph 10.1.
- 4.6. The Government conducted an Early Years National Funding Formula consultation during the summer. In the consultation it was proposed to update the data sets behind the funding formulae for the early education entitlements for children aged 2, 3 and 4 as these formulae were no longer using the most recent data available. Using up-to-date data will help to ensure the funding system remains fair, effective, and responsive to changing levels of need. It was also proposed to introduce Teacher Pay & Pension Grant (TPPG) for nursery qualified teachers into the local formula via supplementary funding.

5. The consultation proposed the following:

- From the 2023-24 financial year funding early years grants will be mainstreamed, bringing early years in line with schools and high needs. This will streamline the system to make it easier for institutions to manage their finances.
- To limit the extent of the changes in distribution of the grant, it is proposed to include teachers’ pay and pensions grants funding within baseline grants.
- For maintained nursery schools its proposed to separate their share of the grants and allocate it through nursery school supplementary funding.
- Adjustments have been made to calculation methods of the formula to local authorities.
 - a) The base rate has remained the same since introduction in 2017.
 - b) Between 2017-18 and 2019-20 rates remained the same for those LAs not protected by protections (which unwound over this period).

- c) Since 2020-21: LAs have received fixed pence uplifts to their hourly rates. In 2023-24 it is proposed to return to using the formula which means that the base rate will be updated.

6. Additional needs factor updates and amends

- 6.1. It is proposed to update all three proxy measures with the most current data available, this includes making changes to the cut off data for FSM and EAL to better align with other entitlements and ensure the latest data available is used.
- 6.2. As a result of the proposed changes, Warwickshire’s funding base rate will increase by 26p, which is made up of 3p for TPPG grant and 23p from data set updates.
- 6.3. The ESFA announced in December 2022 early years allocations for 2023-24. These allocations cover the following areas:
1. 2 year olds
 2. 3 and 4 year olds
 3. Teachers Pay & Pension Grant
 4. Early Years Pupil Premium (EYPP)
 5. Disability Access Fund (DAF)
 6. Supplementary Funding for Maintained Nursery Schools
- 6.4. Rates for 2023-24 and a comparison to 2022-23 rates are as follows:

Factor	2022-23 Rates	2023-24 Rates	Change in pence/£	% Change
2 Year olds	£5.66	£5.90	24p	4.24%
3 and 4 year olds	£4.61	£4.84	23p	5.00%
TPPG	n/a	£0.03	New	New
EYPP	£0.60	£0.62	2p	3.33%
DAF	£800	£828	£28	3.50%

Table1: Early Years allocations rates 2022-23 and 2023-24

- 6.5. The Early Years Working Group met on Wednesday 4th January 2023 to discuss the allocation of funding for 3 and 4 year olds and to make a recommendation to schools forum (see paragraph 8.4).

7. Allocations for 2 year olds

- 7.1. The hourly allocation for 2 year olds has increased by 24p per hour from £5.66 per hour in 2022-23 to £5.90 per hour in 2023-24. This represents a 4.24% increase above the 2022-23 funding allocation.
- 7.2. Funding rules requires the whole of this funding is passported to all early years’ providers offering places for 2 year olds.

8. Allocations for 3 and 4 year olds

- 8.1. The hourly allocation for 3 and 4 year olds has increased by 26p per hour from £4.61 per hour in 2022-23 to £4.87 per hour in 2023-24, this includes £0.03 for TPPG. This represents a 3.50% increase above the 2022-23 funding allocation.
- 8.2. As schools’ forum are aware up to 5% of the allocation for 3 and 4 year olds can be retained by the Local Authority to fund central services which support all early years providers.
- 8.3. The main issues for the Early Years Working Group to consider are how the additional funding is allocated to providers through the universal rate and mandatory deprivation rate. The deprivation rate currently mirrors the EYPP which is 60p per hour in 2022-23. The ESFA have announced that this rate will increase to 62p in 2023-24. The Early Years Working Group considered 2 options, subject to the 5% retention:
 - (Option 1) Allocating the whole increase to the universal rate
 - (Option 2) Continue to mirror the EYPP rate and therefore allocating slightly more to the universal rate than in Option 1

Factor	2022-23 Allocation Per Hour (Dep 0.60P) £	Option 1 2023-24 Allocation Per Hour (Dep 0.62p) £	Option 2 2023-24 Allocation Per Hour (Dep 0.62p) £
Total for 3 and 4 Year Olds	4.61	4.87	4.87
Universal rate allocated to all providers	4.30	4.51	4.50
TPPG	0.00	0.03	0.03
Deprivation Supplement	0.08	0.09	0.10
Central Provided Services (5%)	0.23	0.24	0.24

Table 2: options for 3 and 4 year olds allocations 2023-24

- 8.4. The Early Years Working Group unanimously agreed to recommend to schools’ forum Option 1 and to continue to keep the deprivation rate the same as the EYPP rate.

9. Early Years Per Pupil Premium and Disability Access Fund

- 9.1. The Early Years Per Pupil Premium rate for 2023-24 is 62p per hour for eligible children, an increase of 3.33%
- 9.2. The Disability Access Fund allocation rate for 2023-24 is £828 per eligible child, an increase of 3.50%.

10. Supplementary Funding for Maintained Nursery School (MNS)

- 10.1. From 2023/24 ESFA reformed the distribution of supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs. As

consulted on over the summer, ESFA have now introduced a minimum and a cap on the hourly funding rate that local authorities can receive for their MNSs. In 2023/24, the minimum hourly rate is £3.80 and the cap has been set at £10 per hour with some transitional arrangements in place for the most affected local authority. ESFA also mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so it has now been rolled into each local authority's supplementary funding allocation.

- 10.2. Supplementary funding rate for Warwickshire has been set at £3.80 by the ESFA and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.

11. Financial Implications

- 11.1. The financial implications have been detailed in the body of this paper.

12. Supporting Information

- 12.1. Not applicable

13. Legal Implications

- 13.1. There are no legal implications for this report.

14. Equality Implications

- 14.1. Not applicable.

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Appendix 1

Table 1: Early Years Block	Provisional Budget
	2023/24 £
Nursery Funding 3&4 year olds (Universal funding - Independent Providers & Nursery Classes)	21,946,059
Nursery Funding 3&4 year Olds (Additional 15 hours)	9,800,259
Maintained Nursery Supplement	931,424
DSG Pupil Premium	226,919
Funded 2 year olds	3,160,178
Disability Access Fund	199,548
IDS TL Early Years	966,852
Early Years - Sufficiency & Business Support	282,352
Early Years Quality & Development	96,541
EYB Central Establishment Charges	314,285
Early Years Allocations	37,924,417
DSG EYB Grant Allocation	(37,924,417)
Balance	0