

Report to the Schools Forum 13 January 2022

Early Years Budget 2022 - 2023

1 Context and Background

1.1 As part of the move towards national funding formulas (NFF) for DSG, in 2017/18 the DfE implemented a NFF for early years. As the NFF is at local authority level, not setting level, local authorities continue to determine a local funding formula for early years, albeit within DfE rules.

1.2 Following the implementation of the NFF for early years, the amount of funding allocated to T&W increased and then was frozen for two years for the period 2018 – 2020 but has increased, albeit modestly, since that period as shown below:

	Funding per hour					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
2 Year Old Funding	£4.85	£5.20	£5.20	£5.20	£5.28	£5.36
3 and 4 year old funding	£4.03	£4.36	£4.36	£4.36	£4.44	£4.50

1.3 Following the announcements from government of an additional £160m for early years in FY2022/23, the increase in the hourly rate is around 3.8%. This results in increases of 21p per hour for T&W two year old funding and 17p per hour for three and four year old funding as follows:

	2022/23
2 Year Old Funding	£5.57
3 and 4 year old funding	£4.67

1.4 The DfE has announced that additional funding allocated to local authorities with nursery schools will continue for financial year 2022/23 but still has not made any longer term commitment to the continuation of this funding into the future, thus continuing the now several years of uncertainty about this. Per capita, this funding is set to increase by 3.5% for FY2022-23.

1.5 In addition to the Early Years DSG allocations, for schools only, each nursery age pupil will be allocated an additional £24 per pupil through the Schools Supplementary Grant. It is noteworthy that:

- Nursery age pupils in schools are being allocated a much smaller amount than the increase for reception to 16 year old pupils (the DfE notes that “*The funding for early years and post-16 provision in schools is provided in respect of the Health and Social Care Levy. The additional funding for mainstream school provision for pupils aged 5 to 16 is provided in respect of both the Health and Social Care Levy and wider cost pressures. This means that the funding rates in the schools supplementary grant are*

higher for 5 to 16 provision than early years or post-16.” No rationale is provided for this distinction between sectors.

- No additional funds are being made available to PVI, despite the DfE rules for local authorities requiring a consistent funding formula for both schools and PVI.
- 1.6 DfE rules mean that at least 95% of total early years funding has to be passed through to providers and a maximum of 10% of the money in the funding formula can be distributed through supplements.
- 1.7 There is a requirement for each local authority to have an inclusion fund.
- 1.8 In addition, Disability Access Funding (DAF) will be passed to settings educating eligible children for DAF at the rate of £800 an increase from the PY which was £615 per child. The EYPPG will increase from 53p per hour, £302 per annum, to 60p per hour £342 per annum.

2 T&W 2022/23 Proposals

2.1 In the context of the above, the following is planned for 2022/23:

- hourly funding rate for 2 year olds at £5.48 per hour (21p higher than 2021/22);
- basic hourly funding rate for 3 and 4 year olds at £4.13 per hour (17p higher than 2021/22);
- flexible provision supplement at £0.27p per hour (a reduction from 2021/22);
- deprivation funding at 1.07 per hour (a reduction from 2021/22);
- the reductions in both the flexible and deprivation hourly rate is due to an increase in eligible pupils and settings and the requirement within the EYNFF to distribute less than 10% of the overall funding via supplements;
- a lump sum to nursery schools at £165,279 which matches the actual amount that the ESFA allocates to the local authority;
- a central retention for early years high needs provision of £200,000 (unchanged from 2019/20). This will be funded as follows: £170,000 from 3 and 4 year old funding; £30,000 from 2 year old funding. The split between the age groups means that a similar proportion of the budget for each is utilised for high needs and the income received from the ESFA;
- a central retention of £10,000 for early years moderation (unchanged from 2019/20);
- a central retention of £50,000 for supporting and promoting the 30 hours offer (unchanged from 2019/20). This funds ongoing costs for portal maintenance (around £16,000) marketing materials and promotion (around £3,000), staffing (around £20,000), preparation and management of 'Capital' and 30 hour support bidding (around £4,000) and additional costs of the annual sufficiency survey (around £7,000).
- a central retention of £130,000 to support the costs of the early years team (unchanged from 2021/22). This is much lower than the average amount retained by other LAs. The central retentions in 2019/20 resulted in a per capita retention for T&W of £6, less than half the England average of £14 (median £13).

- 2.2 In comparison to DfE requirements for distributing funding, T&W plans to allocate over 98% to funding to settings compared to a minimum 95% pass through requirement and to allocate just over 9% of funding to settings via supplements (i.e. deprivation and flexibility).
- 2.3 The result of these proposals would be to pass on the full increases per hour to settings and to pass on the full amount of additional funding provided by the DfE on the basis of children in nursery schools to T&W's two nursery schools. The reductions in the amount per hour for flexibility and deprivation funding arise from increase in eligible settings / children and so the available funding will have to be distributed between more settings.
- 2.4 ***The Forum is asked to express its views on the proposals for 2022/23 early years funding.***

Tim Davis
Group Accountant
January 2022