

## Report to the Schools Forum 9 March 2023

### Early Years Funding 2023 - 2024

#### 1 Context and Background

- 1.1 As part of the move towards national funding formulas for DSG, in 2017/18 the DfE implemented a national funding formula (NFF) for early years. The NFF is at local authority level, not setting level and therefore local authorities continue to determine a local funding formula for early years, albeit within DfE rules.
- 1.2 Following the implementation of the NFF, the amount of funding allocated to T&W increased and then was frozen for two years, for the period 2018 – 2020. It 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	2022/23
2 Year Old	£4.85	£5.20	£5.20	£5.20	£5.28	£5.36	£5.57
3 and 4 year old	£4.03	£4.36	£4.36	£4.36	£4.44	£4.50	£4.67

- 1.3 During the summer the ESFA held a consultation regarding updating the formula factors determining the allocations to local authorities and baselining legacy grants for mainstream schools into early years' DSG. Despite an additional £180m of funding, this has resulted in some local authorities seeing minimal increases in funding.
- 1.4 T&Ws funding for early years in FY2023/24 sees an increase in the hourly rate for three and four year olds of 23p per hour. However 9p of this increase represents legacy grants for mainstream schools being brought into Early Years DSG; so the like-for-like increase is 14p per hour, just under 3%. Two year old funding has increased by only 6p per hour. This year's values per hour are as follows:

	2023/24
2 Year Old Funding	£5.63
3 and 4 year old funding	£4.90

- 1.5 The DfE has announced that additional funding allocated to local authorities with nursery schools will continue for financial year 2023/24 but still has not made any longer term commitment to the continuation of this funding, thus continuing the now several years of uncertainty about this. However, the DfE has invested another £10m into nursery school additional funding and has moved the lump sum to an hourly rate, which could imply that this is a longer term commitment.
- 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 12% 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 £828, an increase from 2022/23, which was £800 per child. The EYPPG will increase from 60p per hour or £342 per annum, to 62p per hour, £353 per annum.

## **2 T&W 2023/24 Proposals**

2.1 In the context of the above, the following are planned for 2023/24:

- hourly funding rate for 2 year olds at £5.54 per hour (6p higher than 2022/23);
- basic hourly funding rate for 3 and 4 year olds at £4.30 per hour (17p higher than 2022/23);
- flexible provision supplement at £0.27p per hour (as per 2022/23);
- deprivation funding at 1.09 per hour (an increase of 2p from 2022/23);
- as advised by the ESFA we have used the quality factor to distribute the legacy grants to mainstream schools at a rate of 15.8p per hour which matches the rate from the prior year;
- a lump sum to nursery schools at £165,695 per school, which is the actual amount that the ESFA allocates to the local authority;
- a central retention for early years high needs provision of £200,000 (unchanged since 2019/20). This will be funded as follows: £170,000 from three and four year old funding; £30,000 from two year old funding. The split between the age groups means that a similar proportion of the budget for each is utilised for high needs;
- a central retention of £50,000 for supporting and promoting the 30 hours offer (unchanged since 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 since 2021/22). This is much lower than the typical amount retained by other LAs. The central retentions in 2021/22 resulted in a per capita retention for T&W of £5,
- just over a third of 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, quality 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&Ws two nursery schools.

2.4 ***The Forum is asked to express its views on the proposals for 2023/24 early years funding.***

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