

Early Years Funding 2023/24

Key Messages

Forum members are asked to:

- a) **Note** the overall early years income allocation of £37.83m to Sheffield for 2023/24.
- b) **Note** the increase in income of 5p per pupil hour for 3&4-year-olds in 2023/24.
- c) **Note** the additional Teachers' Pay and Pension Grant (TPPG) funding of 11p per pupil hour for 3&4-year-olds in 2023/24.
- d) **Note** the increase in income of 6p per pupil hour for 2-year-olds for 2023/24.
- e) **Approve** the recommendations of the Early Years Working Group - to increase the funding for 2-year-olds by 32p per hour to £5.63 per hour, ensuring that Sheffield passes on 100 % of income from the Education and Skills Funding Authority (ESFA) to providers.
- f) **Approve** the recommendations of the Early Years Working Group to increase the funding for 3&4-year-olds by 16p per hour, increasing the base rate to £4.59, ensuring that the additional 5p + 11p TPPG per hour Sheffield receives is passed on in full to providers.

1. Introduction

1.1 The Early Years Block comprises:

- Participation funding for disadvantaged 2-year-olds.
- Funding for the 3&4-year-old entitlement, including the additional 15 hours for eligible working parents.
- The newly rolled in previous Teachers' Pay and Pension Grant (TPPG).
- The Early Years Pupil Premium (EYPP) funding for eligible 3&4-year-olds.
- Disability Access Funding.
- Funding for maintained nursery schools (MNS).

1.2 Early years funding from the Education and Skills Funding Agency (ESFA) to the Local Authority is based on actual participation as per the January Census and is revised annually each July to reflect the actual take-up of Funded Early Learning (FEL) in the week of the Census. Indicative figures are provided to LAs each December to set FEL budgets, but they are subject to revision based on the actual Census numbers over a two-year period.

- January 2023 Census provides 5/12ths of funding – for the period April 2023 to August 2023.
- January 2024 Census provides 7/12ths of funding – for the period September 2023 to March 2024.

1.3 The table below shows the funding streams in the Early Years Funding Block for the financial years 2022/23 as compared to 2023/24.

Funding Block – Early Years	22/23 £m	23/24 £m	Var £m
Early Years 2-year-olds	4.52	5.39	0.87
Early Years 3 & 4-year-olds	29.92	31.11	1.19
Early Years Pupil Premium Funding	0.72	0.79	0.07
Maintained Nurseries + Disability Allowance	0.27	0.54	0.27
Total	35.43	37.83	2.40

2. Background

2.1 The Department for Education (DfE) announced new regulations in 2016 and introduced the Early Years National Funding Formula (EYNFF) from April 2017. The DfE has re-introduced the funding for the Early Years Block based on a formulaic basis from 2023-24, instead of a straight 'pence' per pupil hour increase as in previous years.

2.2 The following changes have been made to the early years funding formulae (EYNFF) for 2023 to 2024:

2.2.1 The starting point hourly rates for each EYNFF formula factor have been updated for the first time since 2017 to 2018 based on the increased funding secured for 2023 to 2024 in the Spending Review, additional funding to reflect the recently announced National Living Wage increases with most of the funding previously paid through the early years element of the TPPG. This also applies to 2-year-old funding.

2.2.2 The additional needs formula factors have been calculated using more up-to-date part-time equivalent volumes and pupil characteristic data. The definition of the disability living allowance (DLA) factor has been changed to better align with other funding formulae.

2.2.3 The area cost adjustment (ACA) factors have been updated. The general labour market (GLM) data has been updated and the methodology for calculating the proxy factor for premises costs has been extended to better reflect the provider composition differences between local authorities.

2.2.4 Year-to-year protections and funding floors have been revised for 2023 to 2024, with the loss cap protection being removed and a new +1% year-to-year protection and +4.9% gains cap introduced. These are applied before rounding the hourly funding rates to the nearest penny.

2.3 Following the outcome of the consultation the 2023 to 2024, calculations for supplementary funding for stand-alone maintained nursery schools have also been changed:

2.3.1 All local authorities hourly supplementary funding rates have been increased in line with funding secured in the Spending Review and additional funding to reflect the recently announced National Living Wage increases.

2.3.2 Teachers' pay grant and teachers' pension employer contribution (TPPG) funding has been rolled in.

2.3.3 A minimum funding floor and cap have been applied to create a fairer distribution of this funding.

2.4 Several changes have been made to the 2-year-old entitlement formula:

2.4.1 The base rate calculations for 2023 to 2024 are now based on the most up-to-date data available the January 2022 census.

2.4.2 The ACA factor has been updated and improved, the general labour market (GLM) data has been updated and a proxy factor for premises costs has been introduced to align the method with the ACA used in the EYNFF.

2.4.3 A new +1% year-to-year protection and +10.0% gains cap has been introduced for 2023 to 2024. These are applied before rounding the hourly funding rates to the nearest penny.

3. The DSG FEL hourly funding rates paid to Sheffield

3.1 The ESFA has increased the Dedicated Schools Grant (DSG) FEL funding rates to Sheffield as shown below:

Funding rate paid to Sheffield per hour	2023/24	2022/23	Increase in hourly funding rate
2-year-old	£5.63	£5.57	£0.06
3&4-year-old	£5.04	£4.99	£0.05
TPPG	£0.11	£0.00	£0.11

3.2 In recognition of the rising costs that are facing the sector it is proposed that the permissible 5% top slice for 2-year-old funding will not be applied, and the full hourly funding rate of £5.63 per hour (100% of income) be passed onto providers in 2023/24.

3.3 The DfE has rolled in the previous Teachers' Pay and Pension Grant funding (TPPG) of 11p per pupil hour into the Early Years Block. This was previously paid to schools and academies to support the additional costs associated with having qualified teachers. Further details relating to the consultation are noted below in Section 5.

4. Teachers' Pay and Pension Consultation

4.1 Over the Spring Term we have carried out a consultation based on the methodology to be used relating to the treatment of the Teachers' Pay and Pension Grant. Please see Appendix 1 for full outcome details.

4.2 The outcome of the consultation is that 60% of providers are in favour of adding the full 16p to the base rate.

4.3 We acknowledge that we should be cautious of the vote outcome being proportionately representative but that for the city, and the viability of the early year sector as a whole, it is the right option.

4.4 It is therefore the recommendation of the Early Years Working Group that Model 1 be implemented in 2023/24 and the Sheffield 3&4-year-old providers hourly funded base rate payable to be set at £4.59. The deprivation funding rate remains

unchanged at 44p per hour. This will ensure all Sheffield children will benefit from the increased rate.

4.5 Sheffield’s recommendation is in line with other local authorities in the Yorkshire and Humberside Region. The table below shows other local authorities’ consultation outcomes and recommendations made to their upcoming Schools Forum meetings.

Local Authority	Recommendation to Schools Forum
Barnsley	Pass through the whole funding increase including TPPG funding on the base rate, payable to all providers
Calderdale	Pass through the whole funding increase including TPPG funding on the base rate, payable to all providers
Hull	Pass through the whole funding increase including TPPG funding on the base rate, payable to all providers
Kirklees	Pass through the whole funding increase including TPPG funding on the base rate, payable to all providers
Leeds	Consultation doesn't close until 10/2/23
Wakefield	Agreed by their Schools Forum - all funding added to the base rate payable to all providers.
York	Pass through the whole funding increase including TPPG funding on the base rate, payable to all providers

5. The FEL hourly rates for 2023/24

5.1 The following table shows the recommended hourly base rates payable to the Early Years sector for 2023/24:

	2022-23		2023-24		Var	% Var
	Base Rate - £	Deprivation Rate - £	Base Rate	Deprivation Rate		
Hourly Funding Rates payable to Sheffield providers						
2-year-old FEL	5.31	-	£5.63	-	£0.32	6%
3 & 4-year-old FEL	4.43	0.44	£4.59	£0.44	£0.16	4%

5.2 Maintained Nursery School (MNS)

In addition to the FEL funding, Sheffield is expected to receive an additional £257.8k for our two stand-alone maintained nursery schools (Broomhall and Grace Owen). This funding is intended to enable local authorities to continue their current maintained nursery schools’ funding levels.

5.3 Early Years Schools Supplementary Grant

The Early Years element of the Supplementary Grant is set to continue in 2023-24, paid to public sector employers. The DfE plans to publish details in due course. This will be to provide support for additional cost pressures. This funding will be allocated through a supplementary grant in 2023 to 2024.

5.4 Early Years Pupil Premium (EYPP) Funding

The EYPP funding rate is set nationally and has increased by 2p per eligible pupil hour providing an annual amount of £353.40 in 2023/23 increasing from £340 in 2022/23. This equates to a £0.62 per pupil hour increase for 2023/24.

5.5 Disability Access Fund (DAF)

Any child in receipt of the Child Disability Living Allowance can attract an additional £828 per annum and this funding is set nationally and has increased by £28 per eligible pupil from £800 for 2023/24.

6. Recommendations

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- c) **Note** the additional TPPG funding of 11p per pupil hour for 3&4-year-olds in 2023/24.
- d) **Note** the increase in funding of 6p per pupil hour for 2-year-olds for 2023/24.
- e) **Approve** the recommendations of the Working Group to increase the funding for 2-year-olds by 32p per hour to £5.63 per hour, ensuring that Sheffield passes on 100% of the income received to providers.
- f) **Approve** the recommendations of the Early Years Working Group to increase the base rate for 3&4-year-olds by 16p per pupil hour to £4.59, ensuring that the additional 5p + 11p TPPG per hour Sheffield receives, is passed on in full to all providers.