

<h1>BRIEFING</h1>	TO:	Schools Forum
	DATE:	13th January 2023
	LEAD OFFICER:	Aileen Chambers Head of Service – Early Years and Childcare
	TITLE:	Updated Early Education Funding Proposals 2023-24

1. Background

- 1.1 The purpose of this report is to detail the statutory guidance in place for the allocation of early education funding; the current position and proposals for the 2023/24 allocation.
- 1.2 The Department for Education (DfE) have consulted on changes to the National Funding Formula for 2023/24. The outcome of the consultation was published on 16th December 2022 and includes some changes to the National Funding Formula.
- 1.3 Local Authorities (LAs) are required to allocate the funding to early education providers based on a local funding formula made up of a single base rate and a mandatory deprivation supplement (for 3/4 year old early education). LAs can retain 5% of the 3 / 4 year old early years funding allocation to fund central services.
- 1.4 Local authorities are required to consult providers on annual changes to their local formula. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February, although the final decision rests with the local authority.
- 1.5 The DfE National Funding Formula was published on 16th December and the rate changes are detailed below:

	2022/23 Rate	2023/24 Rate	Increase
3/4 Year Olds	£4.61/h	£4.89/h	15p + 13p TPPG
2 Year olds	£5.57/h	£5.63/h	+6p
Early Years Pupil Premium	60p/h	62p/h	+2p
Disability Access Fund	£800 / year	£828 / year	+£28
MNS Lump Sum	£5.53/h	£5.71/h	+18p
MNS TPPG (to be included with lump sum) *calculation based on Universal 3 year olds only.	N/A	38p/h*	

- 1.6 The DfE have ‘mainstreamed’ the Teachers Pay and Pension Grant that schools previously received directly (to cover the cost of the increase in the employer contribution rate of the Teachers’ Pension Scheme in September 2019) within the Early Years Block. It is up to local authorities to determine how to distribute this through their local Single

Funding Formula. The DfE acknowledge that local authorities might chose different approaches to distributing this funding e.g. through a Quality supplement or through an increase to the base rate (DfE LA Funding Webinar 10.1.22).

1.7 See Appendix 1 for the extracts from the DfE Early Years Funding Operational Guidance 2023/24 which outlines expectations.

1.8 Historically schools have received TPPG based on the total number of 2,3 and 4 year olds on roll at January census. The TPPG element mainstreamed into the EY Block has been calculated based on all 3 and 4 year olds accessing early education across the school and PVI sector at January census.

1.9 The current local funding formula, as detailed below, was consulted on prior to introduction in 2017/18 and the deprivation supplement was reviewed again in January 2018.

3 / 4 year olds & 30 Hour Allocations:	
5%	Centrally Retained to contribute to Early Years and Childcare Service running costs
2%	Passed to eligible providers as a Deprivation Supplement
93%	Passed to providers as Early Education Base Rate
Two year old Allocations	
100%	passported to providers in line with DfE guidance with no additional supplements

1.10 **Other LA's Proposals:**

Due to the lateness of the DfE consultation feedback and National Funding Formula announcement, all LA's are currently preparing their proposals for consultation / approval.

The following Yorkshire and Humber LA's have shared details of the current proposals for information:

Local Authority	Options under consideration	Preferred Option
	Add TPPG to base rate Introduce Quality Supplement Increase Deprivation Supplement	1
	Add TPPG to base rate Introduce Quality Supplement	1
	Add TPPG to base rate (Calderdale have recently consulted on removing the Quality supplement that they previously had in place)	
	Add TPPG to base rate Introduce Quality Supplement	1
	Increase Base Rate by 23p Increase Base Rate by 22p and Deprivation Supplement by 1p	
	Add TPPG to base rate Introduce Quality Supplement	
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Proposals																						
	The following options have been considered:																					
2.1	<p>Option 1:</p> <p>Retain the current local funding formula in 2023/24 as follows with the TPPG added to the base rate to be distributed to all providers:</p> <table border="1"> <thead> <tr> <th colspan="2">Single Funding Formula</th> <th>Rate Providers would receive</th> </tr> </thead> <tbody> <tr> <td>Retention for Central Spend</td> <td>5% of 3 / 4 year old and 30 hour budgets</td> <td>N/A</td> </tr> <tr> <td>3 / 4 year old hourly rate</td> <td>93% of 3 / 4 year old and 30 hour budgets</td> <td>£4.56 (Inc of 27p per hour)</td> </tr> <tr> <td>3 / 4 year old Deprivation Supplements</td> <td>2% of 3 / 4 year old and 30 hour budgets to be distributed as an additional hourly rate as detailed above.</td> <td>To be calculated based on Jan census: currently 16p High Deprivation, 11p Medium Deprivation</td> </tr> <tr> <td>2 year old hourly rate</td> <td>100% passported to providers</td> <td>£5.63 (increase of 6p per hour)</td> </tr> <tr> <td>Maintained Nursery Schools (MNS)</td> <td>Lump sum to be passported to 3 nursery schools as required by guidance.</td> <td>£5.71 / hour (increase of 18p)</td> </tr> <tr> <td>MNS TPPG</td> <td colspan="2"><i>The MNS portion of the teachers' pay and pensions grant funding has been rolled in to MNS supplementary funding, and they should avoid double-funding MNSs through this supplement at a rate of 38p/hour. An adjustment would be required to take into account the element of TPPG already distributed through the base rate to avoid double funding.</i></td> </tr> </tbody> </table>	Single Funding Formula		Rate Providers would receive	Retention for Central Spend	5% of 3 / 4 year old and 30 hour budgets	N/A	3 / 4 year old hourly rate	93% of 3 / 4 year old and 30 hour budgets	£4.56 (Inc of 27p per hour)	3 / 4 year old Deprivation Supplements	2% of 3 / 4 year old and 30 hour budgets to be distributed as an additional hourly rate as detailed above.	To be calculated based on Jan census: currently 16p High Deprivation, 11p Medium Deprivation	2 year old hourly rate	100% passported to providers	£5.63 (increase of 6p per hour)	Maintained Nursery Schools (MNS)	Lump sum to be passported to 3 nursery schools as required by guidance.	£5.71 / hour (increase of 18p)	MNS TPPG	<i>The MNS portion of the teachers' pay and pensions grant funding has been rolled in to MNS supplementary funding, and they should avoid double-funding MNSs through this supplement at a rate of 38p/hour. An adjustment would be required to take into account the element of TPPG already distributed through the base rate to avoid double funding.</i>	
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2.3	<p>Benefits:</p> <ul style="list-style-type: none"> • Adding the TPPG indicative budget to the base rate would spread this element across all providers, supporting sustainability (55 group providers and 120 childminders would benefit). • PVI providers would receive 27p/hour increase which will support sustainability concerns. See Appendix 2 for sustainability concerns raised by PVI sector. • 60 schools would receive more funding than in 2022/23 																					
2.4	<p>Risks:</p> <ul style="list-style-type: none"> • Schools would receive a lower level of increase (and in some cases no change) compared to their current income including the TPPG grant that they currently receive separately. See Appendix 3 for impact on schools. • 10 schools would receive slightly less funding than in 2022/23 (between £38 to £1440). Although those with greatest loss do not have a QTS teacher delivering Foundation 1 and therefore would lose more through Option 2. 																					
2.5	<p>Option 2:</p> <p>Change the current Single Funding Formula to include a supplement to passport the TPPG element to schools. We would propose to introduce a Quality Supplement for schools / providers who employ a QTS to directly deliver their Foundation 1 class.</p>																					

2.6	The DfE have allocated an amount of 13p /hour for all 3 / 4 year olds taking up a place at January 22 census to passport the appropriate amount of TPPG into the budget.																								
2.7	The equivalent amount of TPPG received by schools in 2022/23 ranges from 13p to 36p/h with the average rate being 20p / hour. Maintaining the average rate of 20p / hour for the schools who would be eligible to receive TPPG would enable the base rate to be enhanced by 18p / hour for all providers.																								
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2.10	It is proposed to consult on both of the above proposals with the school and PVI sector w/c 16 th January 2021 and with the Early Education Working Group on 18 th January 2023.																								

3. Key Actions and Timelines	
3.1	December 2022: Proposals presented to DLT January 2023: EE formula proposals presented to Early Education Working Group

	<p>January 2023: EE formula proposals presented to Schools Forum</p> <p>Jan / Feb 2023: Consultation on changes to formula</p> <p>Feb 2023: DLT Briefing feedback outcome of Consultation and final proposals Extraordinary Schools Forum Meeting to feedback outcome of Consultation and final proposals</p> <p>2023/24 funding rates confirmed to early education providers</p>
<p>4. Recommendations</p>	
<p>4.1</p>	<p>It is recommended that Option 1 is approved:</p> <ul style="list-style-type: none"> • That the local funding formula is maintained with the TPPG additional element added to the base rate and distributed across all provider types.

Appendix 1

Extracts from the DfE Early Years Funding Operational Guidance 2023/24 in relation to Teachers Pay and Pension Grant:

We have increased the total planned value of funding supplements that local authorities can choose to use following the mainstreaming of the funding previously distributed through the teachers' pay grant and the teachers' pension employer contribution grant. Local authorities are encouraged to use the rolled-in funding to continue to support some of the costs for which the original grants were introduced by distributing it through the quality supplement.

As with all other supplements, it is for local authorities to determine the appropriate metric for allocating funding, if their approach is in line with the principles set out above. However, we would encourage local authorities to consider the purpose for which the grants were originally introduced when designing their approach. They could continue to target the funding to take account of additional pressures that some providers might face, from, for example, the need to pay employer contributions to the teachers' pension scheme.

Local authorities are reminded that the maintained nursery school portion of the teachers' pay and pensions grant funding has been rolled in to MNS supplementary funding, and they should avoid double-funding MNSs through this supplement.

DfE LA Early Education Funding Webinar, 10th January 2023

The DfE acknowledges that local authorities might choose different approaches to distribute the TPPG including introducing a Quality supplement or putting it through the base rate.

Appendix 2

Childcare / early education Sustainability:

The following questions was asked to all group childcare providers and childminders during the 2022/23 childcare sufficiency assessment:

Do you have any concerns about the ongoing sustainability / viability of your business:

29% (16 out of 55) Group providers indicated that they had concerns

13% (22 out of 163) Childminders indicated that they had concerns

The main concerns for group providers were:

- Rising minimum/national living wage costs
- Rising utility and material costs
- Recruitment and retention issues (staff leaving the sector for better pay)
- Early education funding not rising in line with delivery costs and not covering costs

The main concerns for childminders were:

- Rising utility and material costs
- Early education funding not rising in line with delivery costs and not covering costs

Since the sufficiency data gather in the Summer, three group providers and two childminders have contacted the Early Years and Childcare Service directly to raise their concerns about ongoing sustainability and the gap between cost of delivery and early education funding rates.

The largest cost of delivery for early years and childcare providers is staffing. The table below details the increase in National Living Wage costs compared to the increase in Early Education funding rate for 3 year olds since 2016.

Year	25 and over	21 to 24	Early Education Funding Rate		
Increase since 2016	44.7%		15.5%	14.8%	
April 2023	£10.42	£10.18	£4.56 <i>(proposed Option 1)</i>	£4.42 <i>(proposed Option 2)</i>	
Increase since 2016	32%		11.4%		
April 2022	£9.50	£9.18	£4.29		
April 2021	£8.91	£8.36	£4.14		
April 2020	£8.72	£8.20	£4.08		
April 2019	£8.21	£7.70	£4.00		
April 2018	£7.83	£7.38	£4.00		
April 2017	£7.50	£7.05	£4.00		
October 2016 to March 2017	£7.20	£6.95	£3.85		

Appendix 3

Schools currently receive a Teachers Pay and Pension Grant (TPPG) directly from the ESFA to cover increases in costs for Foundation 1 teaching staff.

The grant is allocated at a rate of 23p/h based on the number of 2, 3 and 4 year olds in each school at January Census. Based on actual take-up the rate equates to an average of 20p / hour (range 13p – 36p / hour).

67 schools and the 3 maintained nursery schools receive a TPPG.

Implications of Option 1:

55 Group providers and up to 120 Childminders would benefit from an additional 27p/hour increase which would contribute towards sustainability of the sector.

60 schools would receive more funding than in 2022/23

10 schools would receive slightly less funding than in 2022/23 (between £38 to £1440). Although those with greatest loss do not have a QTS teacher delivering Foundation 1 and therefore would lose more through Option 2.

Implications of Option 2:

55 group and up to 120 Childminders would only receive the proposed 18p / hour base rate increase (rather than 27p / hour increase)

59 schools would receive more funding than in 2022/23

11 schools would receive less funding than in 2022/23 (between £390 to £3972). Those with greatest loss do not have a QTS teacher delivering Foundation 1 and also deliver 2 year places.