

**Paper 4a - for Information and Agreement**

## **Early Years Funding**

### **Key Messages**

#### **Forum members are asked to:**

1. Note the overall Early Years income allocation of £35.43m to Sheffield for 2022/23.
2. Note the increase in funding of 17p per pupil hour for 3&4-year-olds in 2022/23.
3. Note the increase in funding of 21p per pupil hour for 2-year-olds for 2022/23.
4. Approve the recommendations of the Early Years Working Group as to how this increase should be allocated.

### **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 Early Years Pupil Premium (EYPP) funding for eligible 3&4-year-olds.
- Disability Access Funding.
- Funding for maintained nursery schools.

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 2022 Census provides 5/12ths of funding – for the period April 2022 to August 2022.
- January 2023 Census provides 7/12ths of funding – for the period September 2022 to March 2023.

1.2. The table below shows the funding streams in the Early Years Block for the financial years 2021/22 and 2022/23 and the indicative funding allocations.

<b>Funding Block – Early Years</b>	<b>21/22 £m</b>	<b>22/23 £m</b>	<b>Variance £m</b>
Early Years 2-year-olds	4.91	4.52	-0.39
Early Years 3 & 4-year-olds	28.76	29.92	1.16
Early Years Pupil Premium Funding	0.45	0.72	0.27
Maintained Nurseries + Disability Allowance	0.21	0.27	0.06
<b>Total</b>	<b>34.33</b>	<b>35.43</b>	<b>1.10</b>

## 2. Background

2.1. The Department for Education (DfE) announced new regulations in 2016 and introduced the Early Years National Funding Formula from April 2017.

2.2. Sheffield is compliant with the requirement to pass through early years funding of at least 95% directly to providers.

2.3. Currently in 2021/22 our agreed rates payable to the sector for FEL are:

	<b>Base Rate - £</b>	<b>Deprivation Rate - £</b>	<b>Average Hourly Rate - £</b>
2-year-old FEL	5.10	-	5.10
3 & 4-year-old FEL	4.26	0.44	4.48

## 3. The FEL hourly rates for 2022/23

3.1. The ESFA has increased the Dedicated Schools Grant (DSG) FEL funding to Sheffield. The 2-year-old funding rate has increased by 21p per pupil hour and the 3&4-year-old rate has increased by 17p per pupil hour.

3.2. The increase in FEL income was reviewed by the Early Years Working Group. The Group recommends that 100% of the increase, i.e. 21p for 2-year-olds and 17p for 3&4-year-olds, should be passed directly onto providers from April 2022 and that the principle of the 95% pass-through is not applied to this increase to support financial substantiality of early years providers.

### **3.3. 2-Year-old FEL Rate 2022/23**

For 2-year-olds, the 21p increase is added to the 2021/22 rate of £5.10 per hour. This gives a new hourly rate of £5.31 for 2022/23 - see table below:

	£
2021/22 hourly rate	5.10
Increase of 21p from ESFA	0.21
<b>Proposed 2022/23 hourly rate</b>	<b>5.31</b>

### **3.4. 3 & 4-Year-old FEL Rate 2022/23**

For 3&4-year-olds, the 17p increase is added to the 2021/22 base hourly rate of £4.26 per hour. The new hourly rate is now £4.43 for 2022/23 – see table below.

	£
2021/22 base hourly rate payable to all providers	4.26
Increase of 17p from ESFA	0.17
<b>Proposed 2022/23 hourly base rate</b>	<b>4.43</b>
2022/23 Deprivation hourly rate (unchanged)	0.44
<b>2022/23 Average Hourly Rate for 3 &amp; 4-year-olds</b>	<b>4.65</b>

**3.5.** It is the recommendation of the Working Group that the average hourly rate be achieved by increasing the base hourly rate from £4.26 to £4.43 and the deprivation rate remains unchanged at 44p per hour. This will ensure all Sheffield children will benefit from the increased rate.

**3.6.** The following table shows the recommended hourly base rates payable to the Early Years sector for 2022/23:

	<b>Hourly FEL Funding Rates</b>
2-year-old FEL	£5.31 an hour
3 & 4-year-old FEL	£4.43 an hour + 44p an hour for deprivation funding

## 4. Additional Hourly Rates

### 4.1. Maintained Nursery School (MNS)

In addition to the FEL funding, Sheffield is expected to receive an additional £26k for our two maintained nursery schools. This funding is intended to enable local authorities to continue their current maintained nursery schools' funding levels.

### 4.2. Early Years Schools Supplementary Grant

The Forum is asked to note that there is additional £24 per pupil funding payable to public sector employers. This is to provide support for the costs of the Health and Social Care Levy and wider costs. This funding will be allocated through the schools' supplementary grant 2022 to 2023.

### 4.3. Teachers' Pension Costs for Schools

The Forum is asked to note that we are awaiting an update from the ESFA on the 2022/23 funding rates but for budgeting purposes we suggest using the 2021/22 funding rates of £179.88 per pupil. The Teachers' Pension Grant is £132.86 per pupil and the Teachers' Pay Grant is £47.02 per pupil. Funding rates will be shared with the Forum when they are published.

### 4.4. Early Years Pupil Premium (EYPP) Funding

The EYPP funding rate is set nationally and has increased by 7p per eligible pupil hour from £0.53 to £0.60 for 2022/23. The allocations are based on the number of EYPP eligible children as recorded in the January 2022 and January 2023 Early Years Census.

### 4.5. Disability Access Fund (DAF)

Any child in receipt of the Child Disability Living Allowance can attract an additional £800 per annum and this funding is payable to the FEL provider. This fund has increased by £185.

## 5. Recommendations

Forum members are asked to:

- **Note** the overall Early Years income allocation of £35.43m to Sheffield in 2022/23.
- **Approve** the recommendations of the Working Group to increase the funding for 2-year-olds by the additional 21p per hour to £5.31 per hour, ensuring that the additional 21p per hour Sheffield will receive is passed on in full to providers.

- **Approve** the recommendations of the Working Group to increase the funding for 3&4-year-olds by the additional 17p per hour, increasing the base rate to £4.43, ensuring that the additional 17p per hour Sheffield will receive is passed on in full to providers.
- **Note** an increase in EYPP funding rate by 7p per eligible pupil hour from £0.53 to £0.60 for 2022/23.