

Divisions Affected - ALL

CABINET

21 February 2023

Formal Approval of Early Years Funding Formula 2023/24

Report by Corporate Director for Children's Services

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to**
 - a) Pass the funding increase received by Oxfordshire onto providers in full and approve the 2023-24 Early Years funding formula for 3 and 4- year old provision with an underlying hourly rate of £4.58 (excluding the supplements, SEN Inclusion Fund and Contingency).
 - b) Pass the funding increase received by Oxfordshire onto providers in full and approve the 2023-24 Early Years funding formula for 2- year old provision at an hourly rate of £6.21.

Executive Summary

2. The local authority is required to set a funding formula for 2- year old and for 3 and 4 year old provision. The 2023-24 formula proposed is in line with the Department for Education (DfE) national formula introduced in 2017-18.
3. The local authority is responsible for making the final decisions on the formula.
4. Early Years Providers and Schools Forum were consulted on the Early Years Funding Formula and the overwhelming response was to pass on the increase in hourly rate in full to providers.

Introduction

5. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). This sets out the hourly funding rates that each Local Authority (LA) is paid to deliver the universal and additional entitlements for 3 and 4-year olds. There is a separate formula which sets out

the hourly funding rates for 2-year-olds. The DfE published the Early Years Entitlements: local authority funding for providers (the Operational Guide) on 16 December 2022 and this sets out the overall framework and expectations on Local Authorities regarding the EYNFF for 2023-24.

6. The rate of hourly funding that Oxfordshire receives from the DfE to deliver all elements of the formula for 3- and 4-year-olds has increased by 30p from £4.70 to £5.00. The 30p increase includes 7p relating to the Teachers Pay & Pension Grant, that was previously a separate grant but has now been rolled into Early years, so a 23p increase excluding Teachers Pay & Pension grant.

The Early Years Funding Formula

7. The DfE published the updated EYNFF Operational Guide (December 2022), which sets the overall framework and expectations on local authorities regarding the EYNFF.
8. The proposed 2023-24 formula follows principles that were established when the EYNFF was first introduced in 2017-18.
9. The key elements of the formula, meeting DfE requirements, are:
 - a. The formula relates to both the universal 15-hour entitlement for all 3 and 4-year-olds and the additional 15 hours for 3 and 4-year-olds of eligible working parents (the 30-hour childcare policy).
 - b. A minimum amount of funding to be passed through to providers – The pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level is 95%.
 - c. A local universal base rate for all types of providers – Local Authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of providers. This underlying base rate excludes Supplements, the SEN Inclusion Fund allocations, and the Contingency.
 - d. A mandatory supplement for Deprivation. LAs have the freedom to choose the appropriate metric for allocating deprivation funding. Following earlier consultation, the method for allocating deprivation funding was agreed as an enhancement on top of the Early Years Pupil Premium (EYPP). The deprivation supplement was set at 47p per hour. (The 47p supplement also applies to additional hours, although EYPP can only be paid on universal 15 hours).

- e. A quality supplement to distribute the additional funding LAs receive because of the mainstreaming of the teachers' pay and pensions grants. From 2023-2024, the separate teachers' pay grant and teachers' pensions employer contribution grant are no longer being paid directly to school-based nurseries. (The maintained nursery school portion of the teachers' pay and pensions grant funding has been rolled in to MNS supplementary funding). This is new for 2023-24.
- f. A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all 3- and 4-year-olds with SEN who are taking up free entitlements. This is to target funding at children with lower level or emerging SEN.
- g. A contingency fund.

For 2022-23, the number of children eligible for the SEN Inclusion Fund and the deprivation supplement has increased leading to overspends against budget. This is likely to continue into 2023-24. In order to pass the full increase in hourly rate to providers, the Early Years Funding Formula will be set without a contingency budget.

10. Additional funding streams for eligible 3 and 4- year olds are as follows:

- a. The disability access fund (DAF) – The DAF was introduced in April 2017 to support disabled children's access to the entitlements for 3- and 4-year-olds. 3- and 4-year-olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. LAs must fund all types of setting providing a place for DAF-eligible children at an annual rate of £828 in 2023-24
- b. Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, where their family meets specified criteria/ they are being looked after by a LA or have left care through specified orders. The national rate is 62p per hour per eligible pupil up to a maximum of 570 hours (£353 per year) in 2023-24. The Operational Guide indicates that "Where a child is also eligible for the additional 15 hours entitlement for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year".
- c. The calculations for supplementary funding for Maintained Nursery Schools (MNS) have also been updated reflecting increased funding in the Spending Review and additional funding to reflect National Living Wage increases. This has resulted in an increase for Oxfordshire from £1.99 in 2022-23 to £3.80 in 2023-24, including 45p relating to Teachers pay & pension grant, so a £1.36 increase excluding Teachers pay & pension funding.

Proposed Universal Funding Rate for 2023-24

11. The Local Authority is proposing to pass on the full increase in the funding received and will therefore increase the 3 and 4- year old universal funding rate by 23p to £4.58 per hour and the 2- year old rate by 32p to £6.21.

Financial Implications

12. The report deals with the funding formula for Early Years for 2023-24 and recommends a formula in line with statutory guidance.

The proposed formula for 3 and 4- year olds has been modelled in line with the initial allocation published by the DfE. The key risk remains the level of take-up of hours. Final DSG funding allocations will be based on data from two census dates – 5/12ths on January 2023 and 7/12ths on January 2024 censuses. The funding will not be confirmed until July 2024. There is risk that actual participation varies from these snapshot funding dates.

13. Each year, there is uncertainty around the take-up of the number of hours. In previous years, a contingency has been set aside. For 2023-24, there is no contingency but as in previous years, any overspend on the Early Years DSG will be carried forward and funded from 2024-25 Early Years DSG.

Comments checked by:
Sarah Fogden, Finance Business Partner
Sarah.fogden@oxfordshire.gov.uk

Legal Implications

14. The School and Early Years Finance (England) Regulations 2022 (updated annually) provide the legal basis for DfE to formulate the EYNFF, which must be followed by the Council.

This report sets out how the EYNFF is implemented by the Council.

Paul Grant, Head of Legal and Deputy Monitoring Officer
paul.grant@oxfordshire.gov.uk

Staff Implications

15. There are no new staffing implications.

Equality & Inclusion Implications

16. The County Council is passing on the Early Years Funding in line with DfE guidance. The Council therefore relies on the DfE review of Equality & Inclusion implications.

Sustainability Implications

17. There are no sustainability implications.

Risk Management

18. There are significant risks in setting the EYNFF for 2023-24 due to the final funding being set on census data as of January 2023 and January 2024 data. There is therefore a risk that DSG funding and payments will not match. Final funding allocations will not be known until July 2024. This risk is managed via the ability to carryforward any overspend to offset against 2024-25 allocations.

Kevin Gordon
Corporate Director for Children's Services

Background papers: None

Contact Officer: Sarah Fogden, Finance Business Partner
Sarah.Fogden@Oxfordshire.gov.uk

February 2023