

SCHOOLS' FORUM

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Report title	Dedicated Schools Grant - Early Years Block 2023-2024
Contact Officer	James Barlow, Finance Business Partner
Email Address	james.barlow@wolverhampton.gov.uk

Summary

This report provides details of the proposed use of the Early Years funding block of the Dedicated Schools Grant in 2023-2024.

Decisions

Members of Schools' Forum are asked to:

1. Agree to the proposed use of the Early Years Block grant for 2023-2024.

Schedule of background papers

- [Schools revenue funding 2023 to 2024: Operational guide - December 2022](#)
- [Schools and Early Years Finance \(England\) Regulations 2022](#)
- [Early years entitlements: local authority funding of providers – December 2022](#)
- [Dedicated Schools Grant allocation tables: 2023 to 2024](#)
- [Early years funding formulae: government consultation response](#)
- [Early years funding rates and step-by-step calculations 2023 to 2024](#)

1.0 Background

- 1.1 The Department for Education (DfE) introduced a National Funding Formula for Early Years (EYNFF) in 2017, and Schools' Forum agreed to wholly adopt the formula from its onset. The ESFA has updated some of the factors within the EYNFF for 2023-2024, mainly to use the most recently available data and the inclusion of the Teachers Pay and Pension grants, previously received separately by School Nurseries and Maintained Nursery Schools.
- 1.2 The Early Years Block grant paid to the Council is mainly based on hourly rates from the EYNFF, and the overall indicative Early Years Block grant for 2023-2024 is £20.0 million (2022-2023 figure was £17.9 million). The indicative allocation for 2023-2024 is shown in the table below:

DEDICATED SCHOOLS GRANT	2023-2024	2022-2023
EARLY YEARS BLOCK	allocations	allocations
	(indicative)	(indicative)
	£million	£million
Universal entitlement for 3- & 4-year-olds	12.2	11.2
Additional 15 hours for eligible 3- & 4-year-olds	3.1	2.8
2-year-olds' funding	3	2.6
Early Years Pupil Premium	0.4	0.3
Disability Access Fund (DAF)	0.1	0.1
Maintained Nursery School Supplementary Funding	1.2	0.9
Total Early Years Block indicative allocation	20.0	17.9

2.0 Proposals for 2023-2024 hourly rates

- 2.1 The initial EYNFF paid to the Council for three- and four-year-old funding will be £5.19 for 2023-2024 (£4.99 in 2022-2023). The document Early years funding rates and step-by-step calculations 2023 to 2024 published by the ESFA shows how this rate is calculated. As discussed above, the EYNFF factors have been updated for 2023-2024 and this has resulted in a reduction to the Area Cost Adjustment factor for Wolverhampton from 1.15 to 1.03. This change means that Wolverhampton's updated hourly rate would be £5.18 per hour before the minimum 1% uplift protection was applied (more details for this can be found in the document Early years funding rates and step-by-step calculations 2023 to 2024).
- 2.2 Adjustments to this rate are made on an annual basis as shown in the table below, and the proposal is to maintain the existing adjustments at the same level as in 2022-2023, whilst introducing a new adjustment to ensure the Teachers Pay and Pension Grant element is distributed correctly.
- 2.3 Prior to 2023-2024 Maintained nursery schools and school nurseries have received separate Teachers pay and pension grants. An element of the increased hourly rate for 3- and four-year-old in 2023-2024 relates to the 'mainstreaming' of the school nurseries element of these grants into the overall rate. It is therefore proposed that for 2023-2024 this element is top-sliced from the hourly rate for three- and four-year-olds, to be distributed solely to school nurseries.

2.4 It is proposed the three- and four-year-old rate of £5.19 is utilised as below:

3- & 4-Year-Old Funding	2023-2024 Hourly Rate (£)	2022-2023 Hourly Rate (£)
Local Authority Settlement	5.19	4.99
Separate Teachers Pay and Pension element for School nurseries	0.15	n/a
Special Educational Needs Inclusion Fund Top Up Grant	0.09	0.09
Deprivation Supplement Funding	0.35	0.35
Centrally Retained Funding	0.04	0.04
Universal hourly rate for all settings	4.56	4.51

2.5 The two-year-old hourly rate is passed through in full to settings. The Wolverhampton rate in 2023-2024 will be £5.67 which is an increase of 1% from 2022-2023 rate of £5.61. As above the level of this increase is due to the reduction in the Area cost adjustment factor for Wolverhampton and the fact the Council therefore triggers the 1% minimum funding minimum protection.

2.6 Local Authorities are expected to “pass-through” a minimum of 95% of this hourly rate funding to providers and as the SEN Inclusion, Deprivation and Teachers pay and Pension will be passed through to providers the pass-through rate of this formula will be 99.2% in 2023-2024. The centrally retained element is proposed to remain at 4 pence for 2023-2024, resulting in estimated total income to the Council of £118,000 per annum, whilst the forecast 2023-2024 cost of the Early years’ service is £449,000 (including overheads). Whilst the Council will be required to move further towards funding the Early Years support service through the Early Years DSG Grant, it is mindful of the need to pass as much funding as possible to providers and therefore this will be a gradual process in consultation with Schools forum.

2.7 The table below sets out the proposed hourly rates for Early Years funding in 2023-2024:

Proposed Hourly Rates (2023-2024)	Hourly rate (£)
Base hourly rate (3- & 4-year-olds – Universal and additional entitlement)	4.56
2-year-old hourly rate	5.67
Maintained Nursery supplementary funding (The rate includes £0.48 relating to the Teachers pay and pension grant which Maintained nurseries will no longer receive separately)	3.80

2.8 As noted above the Deprivation and Inclusion funding is passed to settings in addition to the base rate for three- and four-year-olds.

2.9 The following table sets out the Early years block budgets for 2023-2024 based on the indicative settlement:

DEDICATED SCHOOLS GRANT	2023-2024 allocations (indicative) £million
EARLY YEARS' BLOCK	
Distributed to settings at base rate £4.56 per hour	13.6
Teachers pay and Pension funding distributed to school nurseries based on 2022-2023 allocation	0.4
Deprivation supplement Distribution £0.35 per hour	1.0
Maintained Nursery School Supplementary Funding £3.80 (Inc Teachers pay and pension grant)	1.2
2-year-old funding - distributed to settings at £5.67 per hour	2.9
Early Years Pupil Premium at £0.62 per hour	0.4
Total Distributed to Providers	19.5
BASED ON ELIGIBILITY	
SEN Inclusion Fund at £0.09 per hour	0.3
Disability Access Fund	0.1
RETAINED FOR CENTRAL SUPPORT SERVICES	
Contribution to Central Support Services at £0.04 per hour	0.1
TOTAL EARLY YEARS BLOCK	20.0

3.0 Disability Access Fund

3.1 Disability Access Fund (DAF) is distributed at a rate of £828 per eligible pupil. If a pupil attends more than one setting using their free entitlement, the parent must nominate the main setting to receive the supplement. If a pupil moves from one setting to another after the DAF has been paid, the new setting will not receive the grant for this pupil until the anniversary of the initial payment has been reached. There are no amendments to the distribution of this fund, as it is clearly defined by DfE and DWP eligibility criteria.

4.0 Maintained Nursery School Supplementary Grant

4.1 The maintained Nursery School Supplementary grant continues to be available in 2023-2024, as detailed above the hourly rate will be £3.80 (£2.93 in 2022-2023) and the total indicative allocation is £1.2 million. The uplift is in part due to the inclusion of funding for the Teachers pay and pension grant, which settings will not receive separately in 2023-2024. The element of the uplift relating to teachers' pay and pension is £0.48 per hour, and the indicative total of this is £152,000 of the overall allocation, which is in line with the teachers' pay and pension grant funding received by maintained nurseries in 2022-2023 (£153,000), however the proposal is for this element to be paid as part of the overall rate of £3.80 rather than via separate criteria.

4.2 The remainder of the uplift in the Maintained Nursery Supplementary funding hourly rate is due to the fact that the ESFA has now introduced a funding floor at £3.80 (and a maximum rate of £10.00). This means that although the increase due to Teachers pay and Pension grant and annual increase of 3.4% would only take the rate to £3.51, the new EYNFF funding floor moves this rate up to £3.80.

4.3 The maintained nursery supplement is considered as ringfenced by the Council and so any overall underspend at the end of the financial year (once confirmed by the final Early

years block allocation in the July following the end of the financial year in March) will be paid to settings in line with grant funding in year.

5.0 SEN Inclusion Funds

- 5.1 Each Local Authority is required to have SEN Inclusion Funds for all three- and four-year-olds with special educational needs (SEN) who are taking up free entitlements, regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to address the needs of individual children with SEN. This fund also supports local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.
- 5.2 SEN Inclusion funds are targeted at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.