

**CITY OF WESTMINSTER
SCHOOLS' FORUM – 18TH JANUARY 2023**

**REPORT BY THE LEAD STRATEGIC FINANCE MANAGER – CHILDREN'S
SERVICES**

EARLY YEARS FUNDING 2023/24

This report provides information on initial 2023/24 early years budgets announced in December 2022 by the Education & Skills Funding Agency (ESFA) and the methodology for allocating funding to providers.

FOR DECISION

1 INTRODUCTION

- 1.1 The ESFA published initial 2023/24 early years budgets in December 2022. These budgets are currently based on the January 2022 census.
- 1.2 Budgets for 2023/24 will be further updated during 2023/24 to take account of more recent census data once this is available.

2 EARLY YEARS BUDGETS 2023/24 - INITIAL ALLOCATION

The ESFA published the 2023/24 early years allocation in December 2022 and the indicative budgets are set out below in Table 1 below:

WCC Budgets - £m	2023/24 Initial	2022/23*	Change
Universal Entitlement (3/4YO) - 15hrs	8.590	8.504**	0.086
Working Family Entitlement (3/4YO) – 30hrs	1.346	1.333**	0.013
Disadvantaged 2YO Entitlement - 15hrs	1.285	1.168	0.117
Early Years Pupil Premium (3/4YO)	0.123	0.119	0.004
Disability Access Fund (3/4YO)	0.058	0.050	0.008
Maintained Nursery Supplement (3/4YO)	1.300	1.467**	-0.167
Total	12.701	12.641	0.060

*At July 2022 - the final funding allocation for 2022/23 will be published in July 2023.

**2022/23 figures include TPPG for comparison purposes.

- 2.2 The Chancellor's 2021 Spending Review announced additional funding for the early years entitlements worth £160m in 2022-23, £180m in 2023-24 and £170m in 2024-25, compared to the 2021-22 financial year. This is to enable local authorities to increase the hourly rates paid to childcare providers for the government's early years entitlements and reflects cost pressures, as well as anticipated changes in the number of eligible children.

- 2.3 Through summer 2022, The DfE ran a consultation on the Early Years National Funding Formula (EYNFF) for 2, 3 and 4-year-old which included a review of maintained nursery school (MNS) supplementary funding.
- 2.4 The ESFA confirmed that Westminster City Council's Early Years National Funding Formula (EYNFF) hourly rate will increase from £8.01* to £8.09 in 2023/24 – this is an increase of 1%. The EYNFF rate is multiplied by the total number of children expected to access 15 or 30-hours of free childcare across the borough to produce the universal and working family entitlement budgets.
- *The 2022/23 rate is made up of EYNFF (£7.86) plus TPPG (£0.15). From 2023/24, the TPPG will be rolled into the EYNFF.
- 2.5 2023/24 budgets are indicative and based on January 2022 census data. These initial allocations will be updated later using census data from January 2023 and January 2024.
- 2.6 Local authorities are required to pass at least 95% of their 3 to 4-year old funding from Government to early years providers to deliver the universal and working family entitlements. This is referred to as the hourly 'pass-through' rate.
- 2.7 Local authorities can retain 5% of their 3 to 4-year old funding from Government to support the provision of central early years-related services
- 2.8 From the 95%, budgets are then set aside for Deprivation (passed on as a supplement to those in IDACI bands A-F and calculated at 10% of the hourly pass-through rate), the SEN Inclusion Fund and contingency funding (to manage fluctuations in numbers not captured in census data – e.g. peaks in summer months that are no longer apparent by the time of the next census). The budget remaining is divided by the total number of hours the ESFA expect to be accessed to calculate the hourly pass-through rate.
- 2.9 The hourly pass-through rate has been calculated at £7.00 per hour for 2023/24 as per calculations set out in [Appendix A](#) – an increase of £0.20 from £6.80* in 2022/23 (*excluding TPPG).
- 2.10 The 2023/24 budget for 2-year olds has increased in line with the ESFA's national hourly rate rise from £6.87 to £7.56 (+ 10%).
- 2.11 Budgets for Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and the Maintained Nursery Supplements (MNS) shown in Table 1 above are ringfenced and therefore excluded from the above hourly rate calculations.

The MNS hourly rate has reduced by £1.55* (12%), EYPP has increased by 2p (3.2%) per hour and DAF has increased by £28 (3.5%) per child per year for 2023/24. These budgets are also intended to support provision for 3 to 4-year olds only.

*As per the EYNFF rate, the MNS' share of TPPG will also be rolled into the MNS supplementary funding from 2023/24. There is a separate paper on the MNS review to take into account the funding reductions.

3 RECOMENDATIONS

- 3.1 Schools' Forum is asked to note the methodology used to arrive at the budgets and hourly rate of £7.00 for providers in 2023/24, which is transparent and deemed to strike a balance between allocating the maximum available to all providers while also allowing for eligible children to benefit from funding for deprivation and the SEN Inclusion Fund.
- 3.2 Schools' Forum is asked to note that the budget set aside for contingency is prudent and strikes a balance between providing a safeguard for managing fluctuations and maximising the amount passed directly to all providers through the hourly base rate.
- 3.3 Schools' Forum is asked to note the reduction in funding for maintained nurseries in line with the reduced rates for 2023/24.
- 3.4 Schools' Forum is asked to consider the content of this report and agree the hourly rate of £7.00 to be paid to providers of early years childcare and education in 2023/24 as set out in Appendix A.

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Background Papers:

Early years entitlements: Local Authority funding of providers operational guide 2023 to 2024: <https://www.gov.uk/government/publications/early-years-funding-2023-to-2024/early-years-entitlements-local-authority-funding-operational-guide-2023-to-2024>

Appendix A – indicative early years budget 2023/24 (hourly rate methodology).