



Briefing on the DfE funding and ratios consultations

14 July 2022

Early Years Funding Consultation

Covers the allocation of funding to local authorities for:

- 3- and 4-year-old hourly rates incl Teachers' pay and pension grant
- 2-year-old entitlements
- Maintained nursery schools supplementary funding

NB: changes affect the amount of money LAs receive but not the rules governing the formulae they use to allocate funds to providers

3- and 4-year-old entitlements

- DfE propose that allocations of early years funding to local authorities would be updated annually rather than being based on the figures available in 2017 using:
 - for the **additional needs component** of the funding (10.5%), the most recent data relating to Free School Meals, English as an Additional Language and Disability Living Allowance
 - for the **Area Cost Adjustment** the most recent available figures to reflect local variations in staffing and premises costs.
 - A **minimum funding floor** for the 3- and 4-year-old funding (currently £4.61) in 2023-24 to reflect the national average rate increase
 - **Year-to-year protections**, set at +1% in 2023-24, meaning all LAs see their funding rates increase by at least 1% compared to 2022-23.
 - **A gains cap** which current illustrative modelling puts at 4.5% for 3- and 4-year-olds
- **Teachers' pay and pensions grants**
 - In line with having incorporated the funding for 5-16 mainstream schools in the National Funding Formula, it is proposed to roll the majority of the funding into the 3- and 4-year-olds entitlement funding under the EYNFF (other than that for MNS)

Incorporating Teachers' pay and pensions grants in the 3/4yo funding

- **How amount of TPPG is calculated:**
 - Currently calculated using 2-4yo headcount.
 - DfE are proposing to calculate instead on 3- and 4-year-old PTEs, because so few 2-year-olds. They believe that using 3- and 4-year-olds headcount and putting all of the money through the EYNFF will sufficiently cover both.
- **How it is proposed to be distributed:**
 - DfE propose to include each local authority's indicative 2022-23 TPPG funding within the 3/4yos baseline against which they apply protections for 2023-24.
 - "We encourage local authorities to continue to use this funding to support some of the costs for which the grants were originally introduced. We propose to change local (non-statutory) funding guidance to LAs by updating the language in the operational guide regarding the **quality supplement**, which is one of the existing discretionary supplements that local authorities can choose to include in their local funding formula. We would encourage LAs to consider using this supplement **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.**"
- Difficult to estimate how that will change the amount LAs receive in future years and will be up to local decision makers to determine whether it continues to be allocated to schools or not.

2-year-old funding entitlements

- DfE propose that the 2-year-old funding formula will be brought more closely in line with the other entitlements:
 - the formula (base rate x Area Cost Adjustment) will be updated instead of applying fixed uplifts across the board
 - The Area Cost Adjustment will be brought in line with the version used for the other entitlements by adding premises costs
 - the formula will be updated from year to year as new data becomes available
 - the relative weightings of these costs will be aligned
- Protections would be applied (and will replace the current loss cap):
 - A gains cap which current illustrative modelling puts at 8.6% for the 2-year-old entitlement.

Implications funding changes for LAs

3/4yo funding entitlements

- Local authorities will receive an increase of between 1% and 5% for their hourly rate
- Majority of LAs in London and the North East will receive only 1%
- LAs in other regions are more likely to have higher increases (4-5%)

2yo funding entitlements

- LAs in London and the South East are likely to see the highest levels of increase (up to 9%)
- LAs in the North East, North West, Yorkshire and Humberside and East and West Midlands will mostly see minimal increases (mostly only 1%)
- The picture is variable for LAs in the South West (rises from 1-5%)

Combined impact of changes

- In many areas larger increases in the 3/4yo rates are offset by smaller increases in 2yo rates and vice versa
- However, some areas get minimal increases from either including most LAs in the North East, Liverpool, Knowsley, Manchester, Blackburn, Halton, Sheffield, Bradford, Doncaster, Walsall, Wolverhampton, Leicester, Nottingham
- See spreadsheet in consultation docs for how each LA is affected

MNS supplementary funding

- DfE proposes increasing the level of funding for the least well funded maintained nursery schools (MNS), with an additional £10m allocated for 2023-24.
 - a **3.1% increase for all** to the basic hourly rate on which supplementary funding is calculated
 - to introduce a **minimum funding floor (c£3.80ph)** for the MNS supplementary funding hourly rate so **all LAs with MNS** will now receive supplementary funding
 - to introduce a **cap on the MNS supplementary funding hourly rate of £10 per hour** (affecting Hampshire and Westminster only)
 - to **allocate maintained nursery schools' share of the the early years element of the teachers' pay and pensions grants** (c. £8m of the total £60m) through the supplementary funding

LAs where MNS supplementary funding will increase to £3.80ph floor

- **East Midlands:** Lincolnshire, Leicestershire
- **East of England:** Bedford Borough, Essex, Hertfordshire, Central Bedfordshire, Norfolk, Suffolk
- **Inner London:** Camden*, Tower Hamlets, Lambeth
- **North East:** North Tyneside, Sunderland, Newcastle upon Tyne, Durham, Darlington, South Tyneside
- **North West:** Halton, Blackburn with Darwen, Warrington, Bolton, St Helens, Wigan, Cumbria
- **Outer London:** Barnet*, Harrow*, Kingston upon Thames, Waltham Forest, Richmond upon Thames, Croydon, Greenwich
- **South East:** Wokingham, Reading, Windsor and Maidenhead, Southampton, Buckinghamshire, Oxfordshire, Brighton and Hove, Milton Keynes, West Berkshire, West Sussex, Slough, Kent
- **South West:** City of Bristol, Devon,
- **West Midlands:** Worcestershire, Warwickshire, Wolverhampton, Walsall, Stoke-on-Trent, Birmingham
- **Yorks & Humber:** Sheffield, East Riding of Yorkshire, North East Lincolnshire, York, North Yorkshire, Wakefield, Bradford

(Listed by order of magnitude of increase within LA. Asterisk denotes no supplementary funding at present. See [spreadsheet](#) for amount of increase.)

EYFS regulatory changes

Dfe proposes to:

- change the current statutory **minimum staff:child ratios for 2-year-olds from 1:4 to 1:5**
- make EYFS statutory framework explicit that **childminders can care for more than the specified maximum of 3 children under the age of 5 if they are caring for siblings of children they already care for, or their own baby or child.** Childminders will still be limited to caring for a maximum of six children under the age of 8.
- making the EYFS explicit that “adequate supervision” while children are eating means that children must be in sight and hearing of an adult.

Further feedback is being sought on **whether future proposals for changes should consider**

- a ratio of 1:10 for children aged 3 and over attending day care facilities for a session of less than a continuous period of four hours in any day
- a calculation so that a ratio can apply across a mixed age group of children, instead of ratios for specific age groups.

Comments and questions