



NORTH YORKSHIRE COUNTY COUNCIL

EARLY YEARS FUNDING RATES

(Disadvantaged 2-year olds and 3 & 4-year olds)

A CONSULTATION PAPER

25 January 2023

Deadline for responses: 5pm, 22 February 2023

- 1.0 Background and introduction**
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1.0 Background and Introduction

- 1.1 On 16th December 2022, the Department for Education (DfE) confirmed that the early years funding rates used to distribute funding to local authorities will increase in North Yorkshire for the 2023/24 financial year. The hourly funding rate paid to the local authority for disadvantaged two-year olds will increase to £5.70 from £5.57 (representing a 2.3% increase), and the hourly funding rate for three and four-years olds paid to the local authority will increase to £4.87 from £4.61 (representing a 5.6% increase).
- 1.2 The DfE have also confirmed that the national funding rate for the early years' pupil premium will increase from 60p to 62p per eligible child per hour, and the Disability Access Fund will increase from £800 to £828 per eligible child per year.
- 1.3 The funding for maintained nursery school (MNS) supplements will continue for 2023/24 and has been confirmed at £3.80 per MNS hour.

2.0 Disadvantaged Two-Year Old Proposed 2023/24 Provider Funding Rate

- 2.1 In respect of disadvantaged two-year old funding, North Yorkshire will receive an increase in the local authority rate from £5.57 per hour to £5.70 from 1st April 2023. The local authority retains approx. 1% of this funding to support developments with regard to the early years' strategy within North Yorkshire.
- 2.2 **It is proposed to increase two-year old hourly funding rate paid to providers by 13p per hour from £5.51 to £5.64 for the 2023/24 financial year.**

3.0 Three and Four-Year Old Proposed 2023/24 Provider Funding Rate

- 3.1 In respect of the three and four-year old funding rates, North Yorkshire will receive an increase in the local authority rate from £4.61 per hour to £4.87 from 1st April 2023. 5p per hour of the increase in the funding rate for three and four-year olds relates to the inclusion in the local authority funding rate of the teachers' pay and pension grant for the 2023/24 financial year; previously this funding has been paid as a separate grant to schools and academies operating early years' provision where the early years' children are on the school roll. The remainder of the increase, equating to 21p per hour, relates to the funding increase outlined in the Government Spending Review announcements and the updating of the data used by the Government in the national early years funding formula calculation for the 2023/24 financial year. The local authority hourly funding rate covers both the costs of provider funding and any central services related to early years' provision that are provided by the Local Authority free at the point of delivery.
- 3.2 The regulations accompanying the Early Years National Funding Formula (EYNFF) restrict the level of the three and four-year old funding rate which can be retained by the local authority for the delivery of centrally managed services associated with early years' provision. The level of funding allowed to be retained is a maximum of 5%.
- 3.3 **It is proposed to increase three and four-year old universal and extended entitlement hourly funding rate paid to providers by 20p per hour from £4.31 to £4.51 for the 2023/24 financial year.** Dependent on the decisions made for 2023/24 in relation to the provider funding supplement proposals detailed in section 4 below, the

provider base rate funding may increase by a further 1p to 6p in addition to the proposed increase of 20p per hour.

4.0 Three and Four-Year Old Funding Supplements

4.1 The three and four-year old funding rate paid to early years providers consists of a base funding rate hour and funding supplements. Within North Yorkshire, funding supplements are currently paid for:

- deprivation (mandatory funding supplement), and
- sparsity (optional supplement)

4.2 Deprivation Funding Supplement

Deprivation funding is paid at the end of each term and is based on the hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

The deprivation funding rates for the 2023/24 financial year will be unchanged as follows:

<i>Band</i>	<i>2023/24 Deprivation Hourly Funding Rate</i>	<i>IMD Score</i>
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

4.3 Sparsity Funding Supplement

Sparsity funding within North Yorkshire has been used to support providers in areas where there is limited choice of early years' provision, and in circumstances where the provider would struggle to remain viable without additional interim financial support. Providers must apply for the funding and meet the following criteria:

- There is not a similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider within 3 miles
- The provider is projecting that they will be operating at a loss in the next 12 months
- The provider has less than 3 months operating costs within their reserves
- Any funding awarded is based on a financial assessment carried out by the local authority and the agreement of a recovery plan to return the provider to financial sustainability.
- The maximum funding award is £16,000.

Over recent years there has been very limited usage of the £50,000 funding allocation for the Sparsity supplement. **It is now considered appropriate to request the views of the sector on removing the Sparsity funding supplement for the 2023/24 financial year and to instead use the Local Authority Early Years funding reserve**

to provide any short term exceptional financial support to a provider where this is required to secure sufficiency of early years provision within a geographical area until the availability of provision can be stabilised. The removal of the Sparsity funding supplement would allow the funding previously allocated to the supplement to be added to the provider base rate funding. This would increase the three and four-year old provider base funding rate by a further 1p per hour, in addition to the 20p detailed in 3.3 above.

4.4 Additional Funding Arising from The Inclusion of the Teachers Pay & Pension Grant Funding in the Local Authority Funding Rate for Three & Four-Year Olds

For the 2023/24 financial year, the DfE have made the decision to include funding related to the teachers' pay and pension grant in the funding rate paid the local authority for three and four-year olds. In the 2022/23 financial year, this funding was paid as a separate grant to schools and academies operating early years provision where the early years' children are recorded on the school / academy roll. The grant funding was paid to support schools and academies with additional funding for higher than anticipated pay increases for teachers and increases in the employers' contribution rate for teacher's pensions. The inclusion of the grant funding equates to an additional 5p per hour on the local authority funding rate for three and four-year olds within North Yorkshire. The local authority is inviting views from the sector on two options for the distribution of this funding:

a. Option 1

To increase the three and four-year old provider base funding rate by an additional 5p per hour (in addition to the 20p detailed in section 3.3 above)

b. Option 2

To introduce a Quality Supplement which would be paid to those providers that employ a qualified teacher to deliver the early years provision, where the qualified teacher is employed on teachers' pay and conditions and where the employer pays into the teachers' pension scheme for the teacher delivering the early years' provision.

The Quality Supplement rate would be 22p per hour for three and four-year old universal and extended hours.

The funding supplement would only be payable to those providers meeting the eligibility criteria, with providers being required to provide evidence of meeting the eligibility criteria

5.0 Consultation Process

Providers are asked to complete the online survey at:

<https://consult.northyorks.gov.uk/snapwebhost/s.asp?k=167412116690> to tell us your views on the proposals for early years funding rates for the 2023/24 financial year detailed in sections 2, 3 and 4 above. The survey will be open until 5.00pm on Wednesday, 22nd February 2023.

The responses received to this consultation will be considered by the NYCC Executive Members for the Children & Young People's Service in their decision-making process in relation to early years' funding rates for the 2023/24 financial year.