

SCHOOLS FORUM – 24TH FEBRUARY 2023**EARLY YEARS HOURLY RATES 2023-24****Introduction**

The purpose of this paper is to advise Schools Forum members of the uplift in hourly rates to be paid to Early Years providers in 2023-24 in respect of two-year-olds and three-and-four-year-olds.

Background

In the November 2022 Spending Review the Chancellor announced an additional £20m investment on top of the £180m of additional funding in 2023-24 compared to 2021-22. Local authorities will receive average funding increases of 3.4% for 3–4-year-olds and 4% for 2-year-olds.

On the 16th December 2022 it was confirmed that in 2023-23 the hourly funding rates paid to NELC would increase by 6p an hour for the two-year-old entitlement and by 26p an hour for the three-and four-year-old entitlements.

In respect of the 2-year-old funding the rates have not increased in line with the announcement.

The reason for this is during the summer of 2022 the government undertook a consultation on the Early Years National Funding Formula (EYNFF). They responded to this in December 2022. The results of this consultation is what was used to distribute funding to the individual Councils. Essentially prior to this funding methodology change funding was distributed using a flat rate to all Councils but the consultation proposed making the distribution method more formulaic. This has been introduced and factors now included are general labour market data, rateable value and floor space data, free school meals, English as an additional language and Disability Living allowance.

As a result of the above our increase in 2 year old funding is 1.1%. We are one of 64 out of 151 LA's who have received this increase. All but 4 of the Yorkshire and Humber LA's have received this increase.

Current position

Work has been undertaken to determine how much of the rate increase to be received by the Local Authority can be passed on. The projected funding position working on the passporting of the full increase is demonstrated in the table below:

	2 year olds	3 & 4 year old universal	3 & 4 year old extended	Total
Current illustrative	1,911,822	6,299,850	2,418,365	10,630,037
Less Centrally retained - 5%	-95,591	-314,993	-120,918	-531,502
Available funding	1,816,231	5,984,858	2,297,447	10,098,535
Cost of full passport of increase	1,832,712	5,854,762	2,541,469	10,228,943
under / (over)	-16,481	130,095	-244,022	-130,408
Estimated in year funding adjustment	-11,606	-126,849	270,202	131,747
total under / (over) allocation	-28,087	3,246	26,180	1,339

The above table shows that based on current knowledge and projections the passporting of the full increase will leave a small underspend of £1k.

The new hourly rates are:

- 2 year old - £5.43
- 3 & 4 year old - £4.57

The supplements for deprivation and the methodology will remain unchanged.

Recommendation

The setting of the Early Years hourly rates does not require a formal decision from the Schools Forum and the report is for information only.

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