**Appendix 6**

**Changes for EYSFF 2023 and 2024**

**Addendum to Schools Forum consultation 2023/24**

On December 16th 2022 the DfE published their response to the consultation on the national funding formulae, explaining the changes they have made to the formulae, that have been used to determine next year’s hourly rates. The response document can be found at [here](https://gbr01.safelinks.protection.outlook.com/?url=https%3A%2F%2Furldefense.com%2Fv3%2F__https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fconsultations%2Fearly-years-funding-formulae__%3B!!MOeJA3Fs6wML0Q!FV2BLGLDUzZCl4I1OqDv4DZhz5lDn25kd7S-zBrkEUXneI9OILn0mKfoe79Yq3B1lMnQcjR9omWmoz7LVdFbai83bMga3Oi2459lhTrOMBWB%24&data=05%7C01%7CAllison.Jones%40merton.gov.uk%7C94b9603953024b91354208dadf500ed5%7Cb0ee2432273c49ed87221c7f3f9f7bb6%7C0%7C0%7C638067832181207939%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=Z%2FRpY9qS93SlIUlJgIVv%2BvH44jHvqQwP2Vg0gifExTs%3D&reserved=0).

The Department has also announced an additional £20m funding for Early Years, on top of the additional £180m for 2023-24 already announced at the Spending Review.  Taken together, this will help support providers at a national level with the additional National Living Wage costs associated with delivering the free childcare entitlements next year.

**Differences between 2022 to 2023 and 2023 to 2024**

The EYNFF used for calculating 3 and 4-year-old hourly rates in 2023 to 2024 remains similar to the formula that was introduced and used directly between 2017 to 2018 and 2019 to 2020 and then used as the starting point for consecutive pence uplifts to hourly rates in 2020 to 2021, 2021 to 2022 and 2022 to 2023. However, as outlined in the consultation response it is confirmed that the following changes have been made to the early years funding formulae for 2023 to 2024:

* the starting point hourly rates for each EYNFF formula factor have been updated for the first time since 2017 to 2018 based on the increased funding secured for 2023 to 2024 in the Spending Review, additional funding to reflect the recently announced National Living Wage increases and the majority of the money that has previously been paid through the early years element of the Teacher’s Pay and Pension Grant (TPPG)
* the additional needs formula factors have been calculated using more up-to-date part-time equivalent (PTE) volumes and pupil characteristic data, for example, January 2022 censuses. The definition of the disability living allowance (DLA) factor has been changed to better align with other funding formulae
* the area cost adjustment (ACA) factors have been updated for new data, where possible, and improved, for example the methodology for calculating the proxy factor for premises costs has been extended to better reflect the provider composition differences between local authorities
* year-to-year protections and funding floors have been revised for 2023 to 2024, for example, the loss cap protection has been removed and a new +1% year-to-year protection and +4.9% gains cap has been introduced. These are applied before rounding the hourly funding rates to the nearest penny

**Several changes have been made to the 2-year-old entitlement formula:**

* the base rate for the formula has been updated for the first time since 2015 to 2016 based on the increased funding secured for 2023 to 2024 in the Spending Review and additional funding to reflect the recently announced National Living Wage increases
* the base rate calculations for 2023 to 2024 are now based on the most up-to-date data available, for example, January 2022 censuses
* the ACA factor has been updated and improved, for example, the general labour market (GLM) data has been updated, and a proxy factor for premises costs has been introduced to align the method with the ACA used in the EYNFF
* a new +1% year-to-year protection and +10.0% gains cap has been introduced for 2023 to 2024. These are applied before rounding the hourly funding rates to the nearest penny (to note Merton is one of the LAs who have had the 10% gains cap applied)

**Impact for Merton formula**

Within the published requirements, LAs are expected to agree a methodology for the distribution of the TPPG, within the EYSFF. Currently the distribution is via a separate grant based on school places/numbers from January census for universal places only and 2 year old places.

Within the current EYSFF requirements the formula factors apply to both the universal and extended hours and this will now apply to the distribution of the TPPG via the new formula factor. To note the new TPPG is based on all places, both universal and extended, across all the sector for 3 and 4s only

The DfE recommended route for the distribution of the TPPG is via the Quality Supplement. The Quality Supplement is to support workforce qualifications or systems leadership. In the past Merton has not distributed funding via the Quality Supplement, following consultation with schools and settings each year

See separate appendix for consultation for the proposed methodology for distributing TPPG across Merton settings from 23/24.