

## Schools Forum 15<sup>th</sup> December 2021 – Agenda Item 6

### Early Years Funding 2022-2023 Consultation Proposals Report

#### 1. Introduction

- 1.1 West Northamptonshire Council (WNC) is required to consult with providers on the proposed arrangements for the Early Years Funding Formula for PVI, Childminders and Maintained Nursery Sector funded providers. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February 2021, although the final decision rests with the local authority. Unless a disapplication is authorised by the Secretary of State, the formula cannot be changed after the financial year has started.
- 1.2 WNC is committed to supporting and enabling the funded and non-funded Early Years sector to deliver sustainable and high quality provision within West Northamptonshire. The proposal available within this report has been based on a safe and sound balance of our commitment to passport as much DSG funding to providers as possible, as well as being able to meet our statutory duties as a council in delivering a high quality service to the Early Years Sector.

#### 2. Background

- 2.1 The Schools and Early Years Regulations 2018, (Regulation 22) require local Authorities to ensure that from April 2018 at least 95% of the hourly funding rate for 3 and 4 year olds allocated by the Department for Education is passed on to providers through the formula, or other funding paid directly to providers. The DfE monitor this requirement through the WNC annual s251 budget returns.
- 2.2 Early Years Block DSG is calculated based on the number of hours children are taking up during census week, January 2022 (first 5 months of 2022-23) and January 2023 (for last 7 months of 2022-23). If a provider does not compete the censuses, the service does not receive funding for those children and we should not be funding that setting.
- 2.3 During normal circumstances, the DfE announce the early years national increases for the separate funding elements; 3&4 year old, 2 year old, disability access fund (DAF), early years pupil premium (EYPP) and early years maintained nursery setting supplement (EYMNS), for the coming year directly after the Government Budget announcement in October. However, due to Covid 19, this was delayed by a month and this was received on 25<sup>th</sup> November 2021.

#### 3. Rates to be received by WNC - Exact rates to be announced in the final settlement to be announced in December 2021.

- 3.1 WNC are due to receive an increase of 21p in the base rate, per hour for 2 Year funded places and between 12p to 17p for 3 and 4 year old funded places. **Exact rates to be announced in the final settlement to be announced in December 2021 but each LA will see at least 12p added to 3&4 year old base rate.**
- 3.2 This report outlines WNCs preferred distribution of any increases received on a percentage basis for inclusion in the early years consultation document. Percentages are used because of the uncertainty regarding the final rates and indicative budget we will receive at the time of

going out to consult with providers and the financial modelling work that will need to be undertaken once received.

- 3.3 Please note that the 3&4 year old and 2 year old hours we pay to providers per year is approximately 4-6% greater than the number of hours we are funded on. This is part of the calculation we need to complete each year to set the affordable increase to the base rates.
- 3.4 For example if we receive a 21p increase for 2 year olds, to distribute the additional funding in full we would need to increase the rate by 19.8p, not the full 21p (based on 106% of hours to be funded in comparison to hours the ESFA fund for the LA). The calculations of both funding we will receive and funding we pay out to providers must be based on estimates which can be subject to large changes. This is even harder to forecast for 2022-23 with the covid situation impacting on take up of the funded entitlements and the change in the way 2021-22 is being funded as a result.
- 3.5 It is because of the difficulty in making these forecasts that the Government allow LAs to put a contingency into their funding calculations (and for submission on the s251 budget return). This contingency is not centrally held funding, as its name may suggest, but forms part of the pass through rate of 95% of funding to providers and is for additional funding payments that are likely to be needed above the funded hours in the initial budget setting process.
- 3.6 The information on rates increases so far received are as follows:

**Table 1: 2022-23 Early Years Funding Announcements**

Funding provided to WNC	2021-2022	2022-2023
<b>2 Year old base rate</b>	£5.41	£5.62
<b>*Universal and Extended Entitlement for 3 and 4 year olds</b>	£4.49	£4.61 to £4.66
<b>Early Years Pupil Premium (EYPP)</b>	£0.53p	£0.60p
<b>Disability Access Fund (DAF)</b>	£615**	£800
<b>Maintained Nursery Settings protection</b>	various	3.5% increase

*\*The DfE have given the **minimum** funding floor increase to be £4.61 per hour for the universal and extended funding for 3 and 4 year olds. \*\*per eligible child, per year*

#### 4 There is no intention to change the current formula funding structure for 2022-23

4.1 As per the DfE/ESFA guidance the following are and will be included in the local funding formula for early years settings for 2022-2023:

- ⇒ 2-year-old base rate
- ⇒ 3 and 4-year-old Universal and Extended base rate\*
- ⇒ \*Notional SEND within the base rate (*must be spent on SEND before requesting additional SEND support*)
- ⇒ Deprivation payments on IDACI bands under 30%
- ⇒ Early years pupil premium
- ⇒ Disability Inclusion fund
- ⇒ Disability Access fund

4.1 The Notional SEND is part of the base rate (noted separately on the published WNC funding formula in 2021-22). For 2022-2023 we want to make clear that the purpose of the Notional SEND, which whilst paid for alongside the base rate, has specific requirements.

4.2 The expectation of all Early Years Providers is that the Notional SEND is to be used to support children with additional needs. The Notional SEND will form part of the Early Years Audit process where, upon request, evidence on how the funds have been spent and the impact on children will be requested.

4.3 Notional SEND is the primary support of children with additional needs in Early Years.

4.4 The non-statutory Early Years High Needs (EYHNF) Funding process and rates will be reviewed and discussed in January 2022 Schools Forum. The Notional SEND will form part of the EYHNF process and details of how this funding has been utilised will be required before any additional funding is granted.

## 5 Maintained Nursery School Supplement

5.1 Of the 5 Maintained Nursery Schools in West Northamptonshire, all are facing significant budget pressures, are currently undergoing restructures, have federated or are in negotiations to federate, for the purpose of reducing costs.

5.2 Maintained Nursery Schools have additional regulatory burdens that School Nursery Units, PVI's and Childminders don't have and have less freedom to reduce costs:

- Must have a head teacher
- Must have a qualified SENCO
- Pay and pensions have to follow the LAs pay scales
- A qualified teacher must be onsite at all times
- Usually located in buildings that are large, old, and expensive to maintain – less freedom to choose premises
- Inspected under the same Ofsted criteria as primary schools, rather than those used for Early Years settings in the private and voluntary sector, with longer inspections
- No lump sum, like a primary school would receive.
- Reduced supplement year on year since implemented
- Supplement isn't applied to extended hours but MNS were asked to support low income families by offering 30 hours. They lost supplement as a result
- Schools' level of compliance arrangements

5.3 West Northamptonshire Council receives a supplement for the 5 Maintained Nurseries Sector (MNS), 4 in the North and 5 in the West, which is passed onto the MNS in full. This is a separate part of the Early Years Block funding received by WNC specifically for the MNS. If we do not pass this on to the MNS it would not be within the DSG funding for WNC. Therefore, this has no local impact on PVI's, childminders or maintained nursery units.

5.4 5.4 The supplement is provided to protect the MNS at the hourly rate they were paid for 3 and 4 year old **universal** hours before the Early Years National Funding Formula (EYNFF) changes were implemented in 2017-18. The difference between the protected rate and the current local base rate

is multiplied by the hours from the censuses used to calculate the LAs funding. As the base rates have increased each year, the supplement has decreased so that increases elsewhere in the sector have not been received by the MNS. The 2022-23 announcement noted above of a 3.5% increase is the first increase in the supplement protection base rate since 2017-18.

5.5 However, even with the small increase in the protection rate, without a redistribution of the supplement to the MNS, most of our MNS will fail to move out of a deficit budget position. For that reasons we are proposing to distribute the supplement in the same way that it is generated – based on Universal 3&4 year old census hours (i.e. without a large lump sum to Pen Green (North NC) and Camrose). This proposal was first presented at Shadow Schools Forums in March 2021.

## **6 Proposed Funding Formula for WNC 2022-23 - Rates and Consultation with the sector**

6.1 West Northamptonshire Council (NNC) is required to consult on the proposed arrangements for the Early Years Funding Formula for participating Early Years funded providers.

6.2 As part of this consultation process, a survey will be issued to the Early Years Providers in West Northamptonshire to capture their views and ideas regarding the Early Years Funding for PVI and Childminders and the Maintained Nursery Sector for 2022-2023.

6.3 The Proposed rates are as follows and will be based on information received in the December announcement and subsequent financial modelling, to be taken to the January Schools Forum meeting:

**Table 2: proposed % distribution of increases to funding rates to be added to 2021-22 rates for 2022-23 budgets**

<b>Funded Entitlements</b>	<b>2021-22 rates</b>	<b>To be added to existing formula funding</b>	<b>Sector</b>
<b>2 year old funding</b>	£5.23 per hour	100% of the new funds available	PVI, Childminders, Maintained nursery units and Maintained Nursery Schools
<b>Universal and Extended Entitlement for 3 and 4 year olds</b>	£4.05 per hour	60% of the new funds available	
<b>Notional SEND</b>	£0.08 per hour (included within the above base rate)	£0.14 per hour (included in the above base rate)	
<b>Deprivation for 3 and 4 year olds 30% SOA</b>	£0.28 per hour	25% of the new funds available	
<b>Inclusion Fund – including Notional SEND and Early Years High Needs</b>	£8.00 per hour	10% of the new funds available	
<b>Centrally retained budget</b>	5%	Remains at 5% of the 3&4 year old funding	Central Services
<b>Early Years Pupil Premium (EYPP)</b>	£0.53 per hour	100% increase per hour per eligible child, 7p	PVI, Childminders, Maintained

		expected	nursery units and Maintained Nursery Schools
<b>Disability Access Fund (DAF)</b>	£615 per child per year	100% increase, £185 increase per year per eligible child expected	
<b>Maintained Nursery Sector Supplementary Funding (MNS)</b>		3.5% increase on protected base rate expected	Maintained Nursery Schools

## 7. Early Years Consultation Questions

7.1 The proposed questions for the survey are as follows:

	<b>Proposed questions</b>
<b>1</b>	Do you support the LAs proposal to add: <ul style="list-style-type: none"> <li>• 60% of any available increase in 3 and 4 year old funding into the base rate</li> <li>• 25% of any available increase in 3 and 4 year old funding into the deprivation factor</li> <li>• 10% of any available increase in 3 and 4 year old funding into the inclusion fund</li> <li>• 5% of any available increase in 3 and 4 year old funding into the central funding for early years</li> </ul>
<b>2</b>	If you do not agree with the proposals for 3 and 4 year olds, what would your proposal be?
<b>3</b>	Do you support the LA's proposal to add 100% of the available 2 year old funding into the base rate for 2 year olds?
<b>4</b>	If you do not agree with the proposals for 2 year olds, what would your proposal be?
<b>5</b>	Do you support the LA's proposal to distribute the Maintained Nursery Supplement (the separate part of the Early Years Block funding received by WNC for the MNS) according to the rate and hours that the funding is provided to WNC?
<b>6</b>	If yes, would you like to see a staged approach to this, or a complete move to this distribution in 2022-23 budgets

7.2 A survey will be released on 16<sup>th</sup> December and close 13<sup>th</sup> January. Details will be analysed, and information detailed for the 18<sup>th</sup> January 2022 Schools Forum Meeting. Further information regarding the survey will be sent to providers via the Provider Portal.

## 8. Next Steps

8.1 Forum to agree the following points:

1. Increase base rates at suggested percentages for local early years funding formula.
2. Agree the proposed questions for the consultation with the sector regarding the hourly rates.

3. Agree the proposed approach and questions for the MNS consultation with the sector regarding the distribution of the MNS Supplement received by the LA.
4. Agree the timing of the consultation period.