



**West Northants Schools Forum: 13 December 2022**  
**Agenda Item 8**  
**Early Years Consultation 2023-24**

**List of Appendices**

None

**Related Agenda Items**

Agenda item 4 – 2022-23 DSG Monitoring

Agenda item 6 – High Needs Project Update

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## 1 Introduction / foreword

- 1.1 Local authorities are required to consult providers on annual changes to their local formula. Schools Forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February 2023. Indicative budgets for providers are to be published by 31<sup>st</sup> March 2023.
- 1.2 This paper brings the draft consultation for West Northamptonshire Council's early years funding arrangements to 2023-24 to Schools Forum to allow them to input into the consultation before it is published.
- 1.3 We aim to consult with childcare providers between 3rd January and 27<sup>th</sup> January 2023 to ensure views can be taken into account in setting the 2023-24 early years funding formula for West Northamptonshire Council at the 7<sup>th</sup> February 2023 Schools Forum meeting.

### 1.4 Key Issues 2023/24:

- In July 2022 the DfE opened their EYNFF 2023-24 consultation which provided proposed funding formula updates and provisional funding rates for West Northamptonshire Council (WNC) for 2023-24. The changes update the underlying data on which the EYNFF formula is based which could change the national distribution of some parts of the early years funding. The teachers pay and pensions grants (TPPG) are also being added to the baseline funding.
- In 2023-24 WNC aims to continue to pass through 95% of DfE funding for 3&4 year-olds to providers with the remaining 5% of the 3&4 year old funding being centrally retained, as per 2022-23 funding arrangements, and
- To continue to pass through 100% of funding for 2-year-olds to providers,
- This consultation proposes that 95% of any increase in the DfE funding rate for 3&4 year olds announced by the DfE in December 2022 is used to increase the hourly rate so as to be fully distributed to providers.
- As in prior (non-covid affected) years, WNC funds more 2-year-old hours and 3&4 year old hours than the DfE funds WNC for which means that the LA is unable to afford to match the DfE increase in hourly rates in full. Calculations looking at prior years census data current take up indicates that WNC can pass on 96.4% and 96% respectively for 2 year old and 3&4 year old rates. The difference being put into a contingency.
- WNC are proposing to remove the notional SEND from our local formula for 2023-24 budgets and to move 4p of this into the inclusion fund to meet budgetary demand pressures.
- The MNS supplement distribution for 2023-24 will be distributed 95% as the grant is calculated by the DfE. The remaining 5% distributed based on the Income Deprivation Affecting Children Indices (IDACI).
- WNC has a £1m reserve within its DSG balances from 2020-21 due to covid causing a reduced uptake of nursery places. We will distribute £500k of this to providers in 2023-24 and the remainder in 2024-25 (calculated after final grant adjustments as notified to us in July 2024) to support with cost of living increases.

## 2 Provisional EYNFF

- 2.1 The Department for Education has [consulted on proposals for changes in the early years national funding formula for 2023-24](#). The outcome is expected to be announced in mid-December as part of final DSG settlement for 2023-24.
- 2.2 Early years national funding formula allocates funding to local authorities (LAs) based on 3&4 year old hours (universal 15 hours per week and additional per week), 2 year old hours, early years pupil premium funding, disability access funding, and a maintained nursery supplement.
- 2.3 The 3&4 year old and 2 year old funding rates are different for each LA and although the rates have increased, none of the underlying data has been updated since the EYNFF was introduced in 2017-18, and many of the datasets underpinning the formula factors are not using the latest data. The most significant change for 2023-24 is that the DfE are proposing to update the base data used to allocate the funding to Local authorities “to ensure the funding system remains fair, effective, and responsive to changing levels of need.”
- 2.4 The changes proposed in the funding consultation on early years for 2023-24 are:
- Updating based data – resulting in new levels of funding across the country “so funding is better matched to current levels of need”. Funding levels will shift between LA areas as the latest data shows that different LAs relative needs have changed.
  - Protection for LAs while undergoing this change, every local authority will see an increase in their hourly funding rate of at least +1%
  - Incorporating the teachers pay and pension grants (TPPG) into the LA funding rate for 3&4 year olds
  - Reforms to create a fairer distribution of maintained nursery school supplementary funding.
- 2.5 Alongside the consultation, provisional rates for LA funding were provided. These are shown in Table 1.

**Table 1: Provisional LA funding for early years 2023-24**

LA name	2022-23 EYNFF rate (£ / hr)	Illustrative 2022-23 TPPG rate (£ / hr)	2022-23 EYNFF rate + illustrative TPPG rate (£ / hr)	Illustrative 2023-24 EYNFF rate (£ / hr)	Change (£) from 2022-23 rate	Change (%) from 2022-23 rate
WNC	£4.66	£0.04	£4.70	£4.91	£0.21	4.5%

LA name	2022-23 2YO funding rate (£ / hr)	Illustrative 2023-24 2YO funding rate (£ / hr)	Change (£) from 2022-23 rate	Change (%) from 2022- 23 rate
WNC	£5.62	£5.81	£0.19	3.4%

*\*EYNFF Early years national funding formula*

*\*\*TPPG teachers pay and pension grant*

- 2.6 The changes to the base data are likely to change the national distribution of early years funding so the DfE are proposing year-to-year protections to mitigate the impact of the reforms and ensure local authorities can manage the changes at a local level. For 2023-24, they propose to set this at +1% meaning every local authority sees an increase in their hourly funding rate in 2023-24.
- 2.7 If the worst-case scenario happens and WNC receive the minimum increase in the final settlement, then assuming the 1% increase does not include the 4p TPPG grant being rolled into the 3 & 4 year old rate, then the lowest rates WNC could receive would be:
- 3&4 year old:  $(4.66 \times 1.01) + 0.04 = 4.75$
  - 2 year old:  $5.62 \times 1.01 = 5.68$
- 2.8 Due to uncertainty around the rates that WNC will receive for 2023-24, this paper presents two versions of our proposal for the consultation, one with the lowest protected rate at +1% of 2023-24 rates and one with the provisional rates as provided by the DfE in July 2022. These rates are given so that Schools Forum members can discuss the principles in setting the budgets and content of the consultation document ahead of the final rates being received in the December settlement. In the final consultation document for providers, a single set of final rates will be included, apportioned in the same way as shown here. The results of the consultation will be taken to Schools Forum on the 7<sup>th</sup> of February for finalising (Schools Forum vote as to make the final decision on the central budget) and the base rate for 3&4 and 2 year old rates (Schools Forum vote to inform WNC's decision on formula budgets).
- 2.9 Proposed changes to the funding of the maintained nursery supplement (MNSS) are discussed in section 8.
- 2.10 As in pre-covid years, the number of part time equivalents (PTEs, which are 570 hours per annum) are calculated for the first 5 months of 2023-24 based on the Spring 2023 census and the last 7 months of the 2023-24 financial year will be based on the January 2024 census, but notified to LAs in July 2024 after the end of the financial year which runs from April to March for LAs.

### 3 Funding for 3&4 year olds

3.1 The early years national funding formula rate is provided to authorities to fund:

- The base rate to providers for 3&4 year olds (universal 15 hours and additional 15 hours),
- Supplements – WNC have the mandatory deprivation supplement
- Special Education Needs Inclusion Fund (SENIF)
- Central funding (up to 5% as agreed by Schools Forum)

3.2 It is calculated by the DfE on a base rate per hour a universal base rate (UBR) of funding for each child (89.5% of funding); an uplift for children with additional needs (10.5% of funding); and an area cost adjustment to reflect variations in costs across the country:



3.3 The financial modelling to see how much of a funding increase can be passed to providers looks at the latest available full year of payments because there is seasonal fluctuation in the uptake of places at nurseries. The comparison of those hours to the funding hours shows a difference of approximately 96% (i.e. we are funded for 96% of the hours we pay out for 3&4 year olds). This difference is usually referred to as the “contingency” with a specific budget set aside to cover the difference.

**Table 2: Early Years Budgets from 2022-23 to 2023-24 with two estimates +1% (protected minimum) and provisional (4.5% 3&4 year olds and 3.4% 2 year olds)**

Formula Component	2022-23 Total £m	2023-24 Budget min +1%	Increase £m	Increase %	2023-24 Budget provisional increases	Increase £	Increase %
Central 5%	1.13	1.14	0.01	0.9%	1.18	0.05	4.5%
3&4 year old base rate	20.39	20.4	0.01	0.0%	20.94	0.55	2.7%
TPPG rolled into base (shown separately)	0	0.19	0.19	100.0%	0.19	0.19	100.0%
Deprivation	0.39	0.39	0	0.0%	0.39	0.00	1.0%
SENIF	0.7	0.92	0.22	31.4%	0.92	0.22	31.4%
<b>3&amp;4 year old Subtotal</b>	<b>22.61</b>	<b>22.84</b>	<b>0.23</b>	<b>1.0%</b>	<b>23.63</b>	<b>1.02</b>	<b>4.5%</b>
2 year old	1.89	1.91	0.019	1.0%	1.95	0.06	3.4%
MNS supplement	0.77	0.71	-0.06	-7.4%	0.88	0.11	14.8%
EYPP	0.22				To be confirmed		
DAF	0.13				To be confirmed		

3.4 The indicative distribution of 3&4 year old funding increases and the 3&4 year old rates under the minimum and provisional settlement awards.

**Table 2: 3&4 year old Formula components estimated rates affordable under minimum and provisional**

Formula Component	2022-23 rates per hour	2022-23 rates per hour - 1% minimum	Distribution of per LA funded hour minimum increase 4p	2022-23 rates per hour - provisional	Distribution of per LA funded hour provisional increase 21p
Central 5%	na	na	0p	na	1p
3&4 year old base rate	£4.18	£4.18	0p	£4.28	10p
TPPG rolled into base (shown separately)	£0.04	£0.04	0p	0.04	4p
Deprivation	£0.32	£0.32	0p	0.32	0p
SENIF	£8.00	£8.00	4p (total budget increase 0.2m(	£8.00	4p
contingency	na	na	0p	Na	2p
<b>Total</b>			<b>4p</b>		<b>21p</b>

*na for budgets that are not distributed per hour basis*

3.5 As previously noted, the actual rate will be calculated once the December DSG settlement is announced and final modelling on updated hours paid to providers from January to December 2022.

#### **4 Central 5% retained budget**

4.1 Local authorities, in planning their budget allocations for the forthcoming financial year, need to allocate at least 95% of their EYNFF hourly rate to providers. The remaining 5% of expenditure could include the following:

- centrally retained funding (for central services or services in-kind, including special educational needs and disability (SEND) services)
- transfer of any funding to 2-year-olds
- any extra hours that local authorities choose to fund in addition to the government's entitlement hours for 3&4-year-olds
- any funding movement out of the early years block

4.2 WNC uses the central funding budget for the payments service provision and the learning, skills and education service (LSE).

- 4.3 The areas of work within the LSE include; Assessments within the Early years foundation stage. Information about the Early years foundation stage assessment requirements, learning and development within the Early years foundation stage, the Ofsted ready series - useful information to help prepare for an Ofsted inspection for providers registered on the Early Years Register, safeguarding and welfare within the Early years foundation stage; information about keeping children safe including the safeguarding and welfare legal requirements for Ofsted registered providers, Special educational needs and disabilities (SEND) and inclusive practice within the Early years foundation stage and supporting children with Special educational needs (SEND) and promoting inclusion and equalities for all children and families
- 4.4 If any underspends occur on the central funding, we propose the first call on that underspend would be to offset overspends in other parts of the early years budgets, for example any overspend on the SENIF. With any remainder to be put in an early years reserves for future distribution to providers.

## 5 Funding for 2 year olds

- 5.1 Funding to providers for disadvantaged 2 year olds is provided at a single hourly rate. Historically, WNC has aimed to pass through 100% of funding for 2 year olds to providers (i.e. retained none for central services or high needs) and this is proposed to continue.



- 5.2 As with the 3&4 year old funding, the termly average take-up usually exceeds the January average take-up, which results in WNC funding more provider hours than the number for which it was funded by the DfE. If WNC funded providers at the DfE hourly rate, the budget for 2 year olds would be overspent each year. WNC still expects to pass through the whole of the 2 year old budget to providers, the rate paid to providers has been set at 96.4% of the LA funded 2 year old rate (as per 2022-23) to recognise the disparity in funded and paid hours.

**Table 3: Proposed Hourly rate changes**

<b>Formula Component (Includes 0.04 TPPG)</b>	<b>BUD GET £</b>	<b>LA Funded Rate</b>	<b>Local Formula Rate</b>	<b>Increase from 2022-23 £</b>	<b>Increase from 2022-23 %</b>
<b>2022-23</b>	1.89	5.62	5.42	na	na
<b>2023-24 at +1% - estimate 1</b>	1.91	5.68	5.47	0.05	1.0%
<b>2023-24 at provisional +3.4% - estimate 2</b>	1.95	5.81	5.60	0.18	3.4%

5.3 WNC has a key focus on increasing take-up for disadvantaged 2 year olds to maximise the opportunity for early identification and early intervention. For this reason, we adopt this approach to ensure that as many children can benefit as possible within the budget available. In 2023-24 it is proposed that the same approach is adopted, with the aim that the LA neither overspends nor underspends on the 2year old budget, taking one year with another.

## **6 Other formula elements EYPP and DAF**

6.1 The other formula elements, we plan to increase rates in line with the rates announced by the DfE in the EY settlement for 2023-24.

## **7 Special Educational Needs Inclusion Fund**

7.1 All local authorities are required to establish an inclusion fund in their local funding systems for 3&4 year olds with special educational needs (SEN) taking up the free entitlement, regardless of the number of hours taken. This fund supports local authorities to work with providers to address the needs of individual children with low level or emerging SEND. The structure also supports local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014. Local authorities can establish their SEN inclusion funds using funding from either one or both of their early years block and high needs block of the DSG.

7.2 Eligible providers can apply for SENIF for children who are on the Early Support Pathway/known to the Sensory Support Service and are aged three and four or have deferred school entry. Providers are expected to demonstrate that the provision required for the child is significantly beyond high-quality inclusive practice.

7.3 SENIF should be used in a variety of ways and in conjunction with other funding streams such as the Disability Access Fund (DAF) and Early Years Pupil Premium. SENIF is a contribution towards the needs identified within the request.

7.4 SENIF runs in addition to a child's Early Years funding formula entitlement.



- 7.5 In WNC since 2022-23 the SENIF is funded entirely from the early years budget. This budget is regularly under pressure with increased with more multifaceted emerging needs. The forecast end of year position for 2022-23 is an overspend of £218k based on the position at end of Quarter 2. For this reason we are proposing to move 4p of the notional send base rate into the SENIF to cover this budget pressure and the remaining notional SEND into the base rate as part of completely removing the notional SEND. This will create a total budget of £0.92m for the SENIF.
- 7.6 It is proposed that as part of the wider review of SEND provision and funding in WNC, that the SENIF allocation process is reviewed in the next year. This review will be completed between the Council, providers and parents with a view of understanding the need for support for children with SEN, and how these needs can be best met.

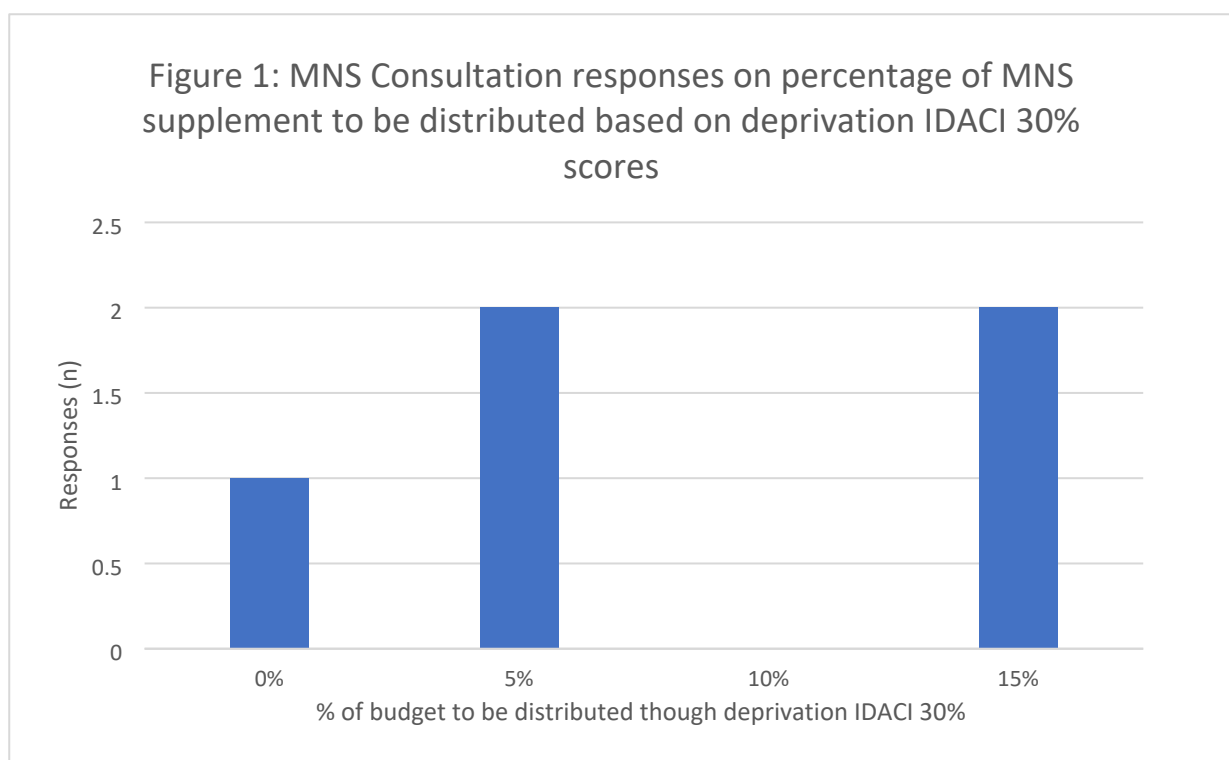
## 8 Maintained Nursery School supplement

- 8.1 The DfE are proposing to reform the way in which maintained nursery school (MNS) supplementary funding is distributed to local authorities to correct the most extreme outliers, including those local authorities which currently do not attract any supplementary funding for their MNSs. To facilitate this, the DfE are investing an additional £10m into MNS supplementary funding from 2023-24 to ensure that the vast majority of local authorities see their supplementary funding hourly rate increase, with a more generous increase for the lowest funded.
- 8.2 The DfE are also introducing a funding floor of £3.80 per hour and a cap of £10.00 per hour which means that all local authorities would attract a minimum of c£3.80 per hour and maximum of £10 per hour on top of their EYNFF allocation for **universal 15 hours** delivered in maintained nursery schools.
- 8.3 WNC is however, one of the higher funded LAs and currently receive £4.73 per hour in 2022-23, the national average is £3.19. The provisional figures provided in the DfE early years funding consultation give a rate of £5.44, but it states that this is “pre-reform” level and including £0.56 from the rolling in of TPPG into the base MNS supplement rate. The provisional and worst-case positions are shown in table 4.

Table 4: Maintained Nursery Supplement Funding under the provisional hourly funding rate and at the protected floor level following the reforms.

Possible changes to MNS funding	2022-23 MNS Rate (£ / hr)	Illustrative 2023-24 MNS rate including TPPG (£ / hr)	July 2022 statement of DSG £	Illustrative LA allocation for MNS supplementary funding for 2023-24 (£)	Increase/decrease (includes TPPG £90k) £
Provisional rates	4.73	5.44	766,421	881,505	115,084.30
Protected Floor	3.8	4.36	766,421	706,715	-59,706.14

- 8.4 WNC are proposing a change to the local distribution of the funding received for EYMNSS for 2023-24. The majority of funding will remain to be distributed to the 5 MNS settings on the census basis in which it is paid to WNC by the DfE. WNC will also continue to distribute a proportion of the funding based on deprivation levels at those settings.
- 8.5 In September the 5 MNS were consulted regarding the deprivation statistical basis and the percentage of funding to be distributed for deprivation. Four out of five nurseries supported using IDACI 30% (income deprivation affecting children index in the 30% most deprived areas). Whereas the responses to the level of funding to use support nurseries with higher levels of deprivation was more mixed, and are shown in figure 1 below.



8.6 Based on the results of the survey The deprivation proportion of 5% will be distributed based on IDACI 30% of the children in the January census.

## **9 One-off additional support payment**

9.1 WNC has a £1m reserve within its DSG balances from 2020-21 resulting from the lower uptake during the covid closures. The aim of these reserves was to be paid across to settings once funding changes were understood and the impact of covid variances were settled. The audit of 2020-21 has not yet completed but assuming that closes with no amendments, we aim to partly distribute the reserve in 2023-24.

9.2 We plan to distribute £500k of this to providers in 2023-24 and the remainder in 2024-25 (calculated after final grant adjustments as notified to us in July 2024) to support with cost of living increases. Initial calculations would suggest this would be an addition to the base rate of 9p for 2023-24. Any overspend at the end of 2023-24 not met from in year balances would take first call on remaining reserve balances but anything remaining would be added to the formula for 2024-25 as it is for 2023-24.

## **10 Proposed Consultation Questions**

1. Do you agree with the proposal to remove the notional SEND budget?
2. Do you agree with moving £220k from the notional SEND budget into the SENIF budget (equivalent to 4p on the base rate)?
3. Do you agree with passing all of the increase on 3&4 year old funding through the base rate for universal and additional hours?
4. Do you understand that the "contingency budget" for 3&4 year olds is the expected funding WNC will need to pay as base rate for 3&4 year olds above the number of hours that WNC is funded for by the DfE?
5. Do you agree with passing all of the increase on two year old funding through the 2 year old provider rate?
6. Do you agree with the proposal to set the central budget at the maximum 5% of the 3&4 year old funding?
7. Do you agree with the proposal that any unspent central budget be used to offset any overspends in other areas of the early years budget?
8. Do you agree with the MNS proposal to fund 5% on IDACI 30% and the remainder on January census hours?
9. Do you agree with the proposed distribution of early years reserve funding as a one-off distribution to support providers with the increased cost of living?

## **11 Financial implications**

11.1 The resource and financial implications of the EY budget are set out in the body of this report.

## **12 Legal implications**

12.1 There are no legal implications arising from the proposals.

### **13 Risks**

- 13.1 The budgets are built on known assumptions and pressures identified so far. Whilst areas of risk have been identified, the continuing effect of change in demand for early years nursery places and disparity between take up and the census on which funding is based, will be monitored throughout the year and reported back to Forum within the monitoring reports.

### **14 Recommendations for Schools Forum**

- 8.1 That Schools Forum agrees the areas for consultation with early years providers for 2023-24 budgets

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