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|  | <b>Schools Forum</b><br>20 January 2022   |
|   | <b>Report from the Strategic Director<br/>         of Children and Young People</b> |
| <b>Early Years National Funding Formula (EYNFF) 2022/23</b>                       |   |

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| <b>Wards Affected:</b>   | All  |
| <b>Key or Non-Key Decision:</b>  | N/A  |
| <b>Open or Part/Fully Exempt:</b><br>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act) | N/A  |
| <b>No. of Appendices:</b>  | None.  |
| <b>Background Papers:</b>  | Prior Financial reports to Schools Forum.  |
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## 1. Purpose of the Report

- 1.1. Following the confirmation of the provisional Early Years Block DSG funding for Brent, the local Early Years Funding Formula needs to be set for 2022/23.

## 2. Recommendation

- 2.1. The Schools Forum is asked to endorse Brent’s Early Years Funding Formula for 2022/23, as supported by the Early Years Funding subgroup.

## 3. Summary

- 3.1. There have been increases to the funding rates allocated to Brent for 2-year-old, and 3 and 4-year-old provision, however, overall funding allocations have reduced due to a reduction in demand for Early Years Provision since January 2020.

3.2. The local authority continues to retain 5% of the total 3&4 year old funding allocated to Brent, with 95% allocated to providers and proposes to retain 2% of the 2 year old funding.

3.3. It is recommended that for 2022/23, the following are applied to the EYNFF:

- a) A universal base rate for Brent providers for 3 and 4 year old funding of £4.74 per hour. This has increased by £0.15p from £4.59 in 2021/22.
- b) An allocation for deprivation for 3 and 4 year funding of 10%.
- c) A base rate for Brent providers for 2 year old funding of £6.16. This has increased from £6.04 in 2021/22.
- d) A cap on centrally retained funding by the local authority of 5% of 3&4 year old funding.
- e) In addition to that, a retention of £0.13p from the 2 year old funding for support services.
- f) The funding previously allocated under a disapplication for the 2017/18 academic year for additional 15 hour places for some 3 and 4 year old based on local eligibility continues to be allocated to the Under 5s Nursery Panel, and both PVI and maintained providers can apply for this, to ensure the funding continues to be targeted at vulnerable children.

#### 4. Funding from central government to the local authority

4.1. The EYNFF hourly rate for 3 and 4 year olds has increased from £5.51 in 2021/22 to £5.68 in 2022/23. Key figures are:

4.2. **Table 1** EYNFF funding rates

| <b>3 and 4 year olds</b>                         | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|----------------|
| Universal 15 hours allocation                    | £15.0m         | £14.9m         | £14.6m         |
| Additional 15 hours allocation                   | £3.78m         | £3.8m          | £3.6m          |
| Hourly rate before central spend                 | £5.45          | £5.51          | £5.68          |
| Maximum percentage for central spend             | 5%             | 5%             | 5%             |
| Hourly rate after central spend removed          | £5.18          | £5.23          | £5.40          |
| Maximum percentage for deprivation               | 10%            | 10%            | 10%            |
| Maintained Nursery Schools Supplementary Funding | £0.725m        | £0.717m        | £0.732m        |
| <b>2 year olds</b>                               |                |                |                |
| Hourly rate for 15 hours allocation              | £6.00          | £6.08          | £6.29          |
| Provider rate for 2 year olds                    | £6.00          | £6.04          | £6.16          |

## **5. A universal base rate for Brent providers for 3 and 4 year old funding**

5.1. The 3 & 4 year old funding will be distributed to providers as a universal base hourly rate plus an additional allocation for deprivation; after the 5% reduction for central resources. The universal base rate to providers has increased from £4.59 in 2021/22 to £4.74 in 2022/23 as shown below:

|   |       |
|---|-------|
| a) Overall hourly rate received from DfE              | £5.68 |
| b) Remove central spend of 5%                         | £5.40 |
| c) Allocate to Specialist Nursery Panel (0.13p)       | £5.27 |
| d) Reduce by allocation for deprivation (£5.27 x 90%) | £4.74 |

5.2. Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. The total planned value of funding supplements must not be more than 10% of the total value of planned formula funding to providers. The Department for Education (DfE) requires local authorities to use a supplement to recognise deprivation in their areas. In Brent, the maximum 10% allowable for supplements is applied to deprivation.

5.3. Deprivation is allocated based on an index called Income Deprivation Affecting Children Index (IDACI), which allocates a score according to postcodes. The index was updated by the DfE based on 2019 data, as prior to 2020/21, 2015 data was being used. Similarly to the last financial year, the 2019 IDACI scores will be used to allocate deprivation funding for 2022/23.

## **6. A base rate for Brent providers for 2 year old funding**

6.1. The DfE provisional funding estimates are based on the January 2021 census data and as expected, the actual funding allocation for 2022/23 has reduced in line with a 6% reduction in take up hours experienced between January 2020 and January 2021. This is mainly as a result of the impact of repeated lockdowns since March 2020, due to the Covid-19 pandemic. Take-up numbers for both the 2 year old and the 3&4 year old entitlements have since increased from January 2021 and are now at 90% of the pre-Covid-19 pandemic levels, based on headcounts as at November 2021. It is anticipated that these increased numbers will be reflected in the final allocation for 2022/23 which will be based on the January 2022 census.

6.2. In 2022/23, the EYNFF rate for 2 year old funding has increased from £6.08 per hour to £6.29 per hour. In 2021/22, £0.04p was retained from the £6.08 allocated as a contribution towards central services. Providers were given a rate of £6.04 per hour.

## **7. Centrally retained funding**

7.1. The DfE guideline mandates local authorities to pass through 95% of the Early Years funding for 3 and 4 years olds to providers. The department does not mandate how much of the 2 year old funding local authorities can retain for central services.

7.2. The central spend supports Early Years services as set out below. A significant number of Brent Early Years settings have accessed this support especially during the pandemic period, when this support has been particularly highly valued. Services include:

- Providing specialist Early Years advice and guidance to nursery schools, Early Years' settings and Family Wellbeing Centres to improve the quality of early learning.
- Supporting the inclusion of young children who have a range of SEND that may be affecting their learning and progress.
- Expanding supply and take-up of good quality early learning and childcare opportunities for all 3 and 4 year olds and increasing numbers of 2 year olds.
- Administration of the Nursery Education Grant (NEG) and related projects.
- Learning and development for practitioners from all parts of the sector including single and multi-day courses, projects and annual conferences.

7.3. The central spend budget is based upon the DfE estimates for the take-up of provision and is then fixed for the year. The actual income received in year is dependent upon the number of 3 and 4 year olds who take up places in Brent and are counted in the January census.

7.4. It is recommended that 5% of Early Years funding for 3 and 4 year olds is retained in 2022/23. This equates to £0.911m, compared to a £0.937m equivalent in 2021/22; a reduction of £0.026m on the previous financial year.

7.5. It is proposed to retain £0.13p of the increase to the 2 year old rate (£59k compared to £25k which was retained in 2021/22), as a contribution towards the provision of central services to support the sector. If agreed, £6.16 would be passed to providers. This allocation to central services will ensure continued delivery of the training offer which has been acknowledged by the Early Years Funding subgroup as a required service and is valued by providers, as well as other key central support provisions as outlined above. This will bring the total budget allocation for central services in 2022/23 to £0.970m, a reduction of £0.132m from the previous financial year.

## **8. Feedback from the Early Years Funding Subgroup**

8.1. A detailed discussion took place regarding the proposed hourly rates and central retention from the Early Years funding allocation.

8.2. Members of the group feedback that notwithstanding the proposed increases in funding rates, the real term difference and benefits would be minimal when increases in minimum wage for their staff were considered. All sector representatives reported financial difficulties; including outstanding debt that they and others were experiencing. Recruitment and retention also pose challenges as staff are moving to other sectors and they also stated that the needs of children have increased as a result of the pandemic. The group has advised that without further intervention at central government level, there is a significant risk of providers closing down in the next 12 months. A number of broader options were suggested by members of the group, including the

consideration of innovative partnership alliances with the private and voluntary sectors.

- 8.3. Members of the group were in agreement with the proposals to retain 2% from the 2 year allocation and 5% from the 3 and 4 year allocation for central support services and acknowledged that the Early Years support services, including the provider training offer being provided, are invaluable to the sector.

## 9. Specialist Nursery Panel

- 9.1. This is a multi-agency panel allocating funds for children with Special Educational Needs and Disability (SEND) or Children in Need (CIN), based on eligibility criteria to assist with their successful inclusion in their setting.

**Table 2: DSG Specialist Nursery Panel Budget**

| <b>Proposed income 2022/23</b>   | <b>2021/22</b>     | <b>2022/23</b>     |
|--|--------------------|--------------------|
| <b>Income</b>  | <b>£</b>           | <b>£</b>           |
| DSG High Needs Block   | (1,128,085)        | (1,128,085)        |
| Early Years Block  | (442,190)          | (416,981)          |
| Disability Access Fund   | (79,950)           | (98,400)           |
| <b>Total Income</b>  | <b>(1,650,225)</b> | <b>(1,643,466)</b> |
| <b>Expenditure</b>   |                    |                    |
| Early Years Inclusion Fund for specialist nurseries                        | 724,988            | 724,988            |
| CIN for specialist nurseries   | 288,000            | 288,000            |
| Inclusion fund for 3 & 4 year olds in non-specialist early years provision | 294,172            | 294,172            |
| Transport  | 39,627             | 39,627             |
| Staff member for EY Inclusion team   | 56,000             | 60,000             |
| Disability Access Fund   | 72,570             | 72,570             |
| CIN/2 year olds in non-specialist early years provision                    | 94,753             | 94,753             |
| Additional one off funding   | 80,115             | 69,356             |
| <b>Total Expenditure</b>   | <b>1,650,225</b>   | <b>1,643,466</b>   |

- 9.2. A disapplication to the single national funding formula regarding funding for additional 15 hour places for some 3 and 4 year olds based on local eligibility criteria was allowed by the DfE in January 2017 and applied until the summer term of 2018. This equated to 13p from the 3 & 4 year old funding rate. In January 2018, Schools Forum agreed to release this funding (approximately £0.4m in 2018/19) to this panel for allocation in order to ensure the most vulnerable children receive some additional support. The principle remains that children with the most complex needs will be supported to attend one of the specialist nurseries where appropriate. For 2022/23, the value of this funding is £0.417m.

## 10. Additional resources for maintained nursery schools

10.1. The provisional allocation for the Maintained Nursery School supplementary funding in 2022/23 is £0.732m, compared to £0.717m in 2021/22. This represents an increase of 2.1%.

10.2. This funding is split between the council's four maintained nursery schools on an agreed local formula i.e. based on business rates, a lump sum and estimated hours.

10.3. Following the 2021 Spending Review, the government has announced that it will provide a Schools Supplementary Grant of £1.2bn, of which Brent is estimated to receive £6.9m for mainstream schools. The grant will also be made available to Brent maintained nursery schools to support cost pressures in respect of the 1.25% Health and Social Care Levy (Increased National Insurance Contributions) effective from 2022/23. School level allocations of this grant will be published by the DfE in Spring 2022.

## 11. Early years funding based on DfE provisional allocations

11.1. The following table outlines an Early Years' budget based on draft allocations from the DfE and the recommendations from this paper.

**Table 3** Proposed Early Years block budget

| Income   | 2021/22<br>£(000) | 2022/23<br>£(000) | Part of high<br>pass through<br>requirement |
|--|-------------------|-------------------|---|
| Universal allocation for 3-4 year olds   | 14,918            | 14,591            | Yes   |
| Additional hours for 3-4 years from September 2017   | 3,824             | 3,628             | Yes   |
| Allocation for 2 year olds   | 3,771             | 2,852             | No  |
| Supplementary funding for maintained nursery schools   | 717               | 732               | No  |
| Disability Access Fund   | 80                | 98                | No  |
| Early Years Pupil Premium  | 64                | 55                | No  |
| <b>Total Income</b>  | <b>23,374</b>     | <b>21,957</b>     |   |
| Expenditure  |                   |                   |   |
| Distribute to providers for 3-4 year old universal offer                                     | 13,820            | 13,528            | Yes   |
| Distribute to providers for 3-4 year old children with working parents (additional 15 hours) | 3,542             | 3,363             | Yes   |
| Distribute to providers for 2 year olds  | 3,746             | 2,793             | No  |
| Supplementary funding distributed to maintained nursery schools                              | 717               | 732               | No  |
| Disability Access Fund   | 80                | 98                | No  |
| Early Years Pupil Premium  | 64                | 55                | No  |
| Central spend  | 1,102             | 970               | No  |
| Additional panel funding   | 442               | 417               | Yes   |
| <b>Total Expenditure</b>   | <b>23,514</b>     | <b>21,957</b>     |   |
| <b>Funding gap</b>   | <b>140</b>        | <b>-</b>          |   |

## **12. Financial Implications**

12.1. The financial implications have been detailed in the body of this paper.

## **13. Legal Implications**

13.1. There are no legal implications for this report.

## **14. Equality Implications**

14.1. Not applicable.

## **15. Consultation with Ward Members and Stakeholders**

15.1. Not applicable.

## **16. Human Resources/Property Implications (if appropriate)**

16.1. Not applicable.

**Report sign off:**

***Gail Tolley***

Strategic Director of Children and Young People