

	<p align="center">Schools Forum 19 January 2023</p>
	<p align="center">Report from the Strategic Director of Children and Young People</p>
<p align="center">Early Years National Funding Formula (EYNFF) 2023/24</p>	

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

- 1.1. Following the confirmation of the provisional DSG Early Years' (EY) Block funding for Brent, this report seeks Schools Forum approval of the local EY Funding Formula for 2023/24.

2. Recommendation

- 2.1. The Schools Forum is asked to endorse Brent's EY Funding Formula for 2023/24, as supported by the EY Funding Subgroup. The following updates have been applied to the Early Years National Funding Formula (EYNFF):

- a) A universal base rate for Brent providers for 3 and 4-year-old funding of £4.84 per hour. This represents a 2.1% increase of £0.10p from £4.74 in 2022/23.
- b) An allocation for deprivation supplement for 3 and 4-year-old funding of 10%.

- c) A base rate for Brent providers for 2-year-old funding of £6.84. This represents an 11% increase of £0.68 from £6.16 in 2022/23.
- d) A cap on centrally retained funding by the local authority of 5% of the 3 and 4-year-old funding.
- e) 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.
- f) In line with the DfE's proposal to roll the teachers' pay and pension grant into the EYNFF and with the increase in the planned value of supplements to no more than 12% (from 10% previously), it is proposed that the additional 2% is used to introduce a quality supplement to the 3 and 4-year-old funding allocated to providers.

3. Funding from Central Government to Brent

- 3.1. Nationally the government announced a £180 million increase for 2023/24 and £170 million for 2024/25 in the 2021 Spending Review for the EY Block. A further £20m was announced for 2023/24 to support providers with the additional National Living Wage costs associated with delivering the free childcare entitlements.
- 3.2. For Brent, the EY Block funding has increased by £1.3m compared to 2022/23 to £24.5m in 2023/24. There have been increases to the funding rates allocated to Brent for 2-year-old, and 3 and 4-year-old provisions.
- 3.3. The local authority continues to retain 5% of the total 3 and 4-year-old funding allocated to Brent detailed in paragraph 6 below, with 95% allocated to providers and 100% of the 2-year-old funding allocated to providers.
- 3.4. The government consulted on the EY funding formula which ran from July 2022 to September 2022. The consultation focused on updating underlying data within the EYNFF, mainstreaming the current separate teachers' pay and pensions grants into the EYNFF and into the MNS supplementary funding and reforming the distribution of the MNS supplementary funding.
- 3.5. The consultation results have been published and majority of the proposals had favourable responses. The EYNFF has therefore been updated to reflect the proposed changes, including mainstreaming the teachers' pay and pension grant by baselining the grant within the EYNFF. Results of the consultation can be

accessed via the following link: [Early years funding formulae - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/early-years-funding-formulae)

3.6. The EYNFF hourly rate for 3 and 4-year-olds has increased from £5.68 in 2022/23 to £5.93 in 2023/24. Table 1 sets out the key figures.

3.7. **Table 1** EYNFF funding rates

3 and 4-year-olds	2021/22	2022/23	2023/24
Universal 15 hours allocation	£14.9m	£14.6m	£16.0m
Additional 15 hours allocation	£3.8m	£3.6m	£4.0m
Hourly rate before central spend	£5.51	£5.68	£5.93
Maximum % for central spend	5%	5%	5%
Hourly rate after central spend removed	£5.23	£5.40	£5.63
Maximum % for deprivation	10%	10%	10%
Maximum % for quality supplement	0%	0%	2%
Maintained Nursery Schools Supplementary Funding	£0.717m	£0.732m	£0.778m
2-year-olds			
2-year-old funding allocation	£3.8m	£2.9m	£3.4m
Hourly rate for 15 hours allocation	£6.08	£6.29	£6.84
Provider rate for 2-year-olds	£6.04	£6.16	£6.84

4. A universal base rate for Brent providers for 3 and 4-year-old funding

4.1. The 3 and 4-year-old funding will be distributed to providers as a universal base hourly rate plus additional allocations for deprivation and quality supplement, after the 5% reduction for central spend. The universal base rate to providers has increased from £4.74 in 2022/23 to £4.84 in 2023/24 as shown below:

a) Overall hourly rate received from DfE	£5.93
b) Remove central spend of 5%	£5.63
c) Allocate to Specialist Nursery Panel (0.13p)	£5.50
d) Reduce by allocation for deprivation (£5.50 x 90%)	£4.95
e) Reduce by allocation for quality supplement (£4.95 – (£5.50*2%))	£4.84

4.2. Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. 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 and it is proposed to continue to apply this rate for 2023/24. This equates to £0.55p per hour.

4.3. The DfE took the decision to mainstream the teachers' pay and pensions grant into the 2023/24 EYNFF. Several local authorities have raised concerns that

schools-based nurseries will no longer receive the teachers' pay and pensions grant as a separate grant. To address these concerns, the government has increased the total planned value of funding supplements to no more than 12% of the total value of planned formula funding to providers, compared to 10% in 2022/23. This would allow local authorities the flexibility to use the additional 2% to fund pressures that some providers might face from, for example, addressing the need to pay contributions to the teachers' pension scheme.

- 4.4. LAs are not required to use this additional flexibility. However, to ensure that schools continue to have visibility of this funding, it is proposed to use the quality supplement to apply the additional flexibility to replace the previous teachers' pay and pensions grant that was paid by the DfE. The quality supplement would apply to Brent school-based nurseries and PVIs that meet the criteria and equates to £0.11p per hour.
- 4.5. Maintained nurseries will be excluded from the quality supplement to avoid double funding as the maintained nursery supplementary funding has been revised to an hourly funding rate that is inclusive of the teachers' pay and pensions grant.
- 4.6. The Early Years Funding Subgroup was consulted on the proposed methodology for the quality supplement, and it was agreed to use the 'qualified teacher status' data from census returns as the criteria for eligibility. The January 2023 census data will be used as the basis of funding for FY 2023/24, given this would be the latest published information available.
- 4.7. 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 2023/24.

5. A base rate for Brent providers for 2-year-old funding

- 5.1. The DfE provisional funding estimates are based on the January 2022 census data and as expected, the actual funding allocation for 2023/24 has increased, reflecting the increase in take-up percentage (57% for 2-year-olds) published by the DfE in the June 2022 statistical release.
- 5.2. This was an increase of 8% from the previous year, but take-up numbers have not yet returned to pre-pandemic levels. The local authority is taking ongoing steps to promote awareness of and increase take-up of this entitlement, including contacting eligible families encouraging them to take up their entitlement.

5.3. For 2023/24, the EYNFF rate for 2-year-old funding will increase from £6.29 per hour to £6.84 per hour. In 2022/23, £0.13p was retained from the £6.29 allocated as a contribution towards central services. Providers were given a rate of £6.16. The proposal is to pass through 100% of the 2-year-old funding to providers in 2023/24. This is due to the increased funding for the 3 & 4-year-olds which has resulted in an increase in allocation of the 5% retained for central expenditure.

6. Centrally retained funding

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

6.2. The central spend supports Early Years services as set out below. A significant number of Brent Early Years settings access this support and regard it as 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.

6.3. 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 which are counted in the January census.

6.4. It is recommended that 5% of Early Years funding for 3 and 4-year-olds is retained in 2023/24. This equates to £1.001m, compared to a £0.911m equivalent in 2022/23; an increase of £90k from the previous financial year which will go towards inflationary cost increases.

6.5. £59k was retained from the 2-year-old funding in 2022/23 as a contribution towards the provision of central services to support the sector. It is proposed to discontinue the retention of funds from the 2-year-old rate due to the increase in contribution from the 3 and 4-year-old funding. This provision 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.

7. Feedback from the Early Years Funding Subgroup

- 7.1. A detailed discussion took place regarding the hourly rates and central services retention from the Early Years funding allocation and the proposal to introduce a quality supplement to the EY NFF hourly rate for 3 and 4-year-olds.
- 7.2. Members of the group fed back that notwithstanding the proposed increases in funding rates, the real term difference and benefits would be minimal when increases, effective from April 2023, in minimum wage for their staff and other cost of living pressures were considered. All sector representatives reported financial difficulties. The on-going issue with recruitment and retention continues to pose challenges as staff are moving to other sectors. The group also cited an increase in the number of children with Special Educational Needs and the need to spend time with parents to complete application forms, for example, to complete the Disability Access Fund and Food Bank applications.
- 7.3. Members of the group agreed with the proposals to retain 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.

8. Specialist Nursery Panel

- 8.1. 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

Proposed income	2022/23	2023/24
Income	£	£
DSG High Needs Block (HNB)	(1,128,085)	(1,089,160)
Early Years Block	(416,981)	(439,003)
Disability Access Fund	(98,400)	(119,232)
Total Income	(1,643,466)	(1,647,395)
Expenditure		
Early Years Inclusion Fund for specialist nurseries	724,988	724,988
Inclusion fund for 3 & 4-year-olds in non-specialist early years provision	294,172	294,172
Staff member for EY Inclusion team	56,000	70,000
CIN for specialist nurseries	288,000	288,000
CIN/2-year-olds in non-specialist early years provision	94,753	94,753
Transport	39,627	39,627
Additional one-off funding	73,356	16,623
Disability Access Fund	72,570	119,232
Total Expenditure	1,643,466	1,647,395

8.2. The HNB allocation of £1.09m contributes to the costs associated with the children with SEND. 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 and 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 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 2023/24, the value of this funding from the EY Block is £0.439m.

9. Additional funding for maintained nursery schools (MNS)

9.1. Local authorities with MNS will continue to receive supplementary funding for the 2023/24 financial year. The provisional allocation for Brent is £0.778m compared to £0.732m in 2022/23. This represents an increase of 6%.

9.2. In response to the consultation on the early years funding, from 2023/24 the distribution of the MNS supplementary funding has been reformed to ensure that it is being shared more evenly across all local authorities with MNSs. A minimum and a cap on the hourly funding rate that local authorities can receive for their MNSs has been introduced and all providers must be paid the same hourly base rate. The government has also mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so it has now been rolled into each local authority's supplementary funding allocation.

9.3. This funding applies to the council’s four MNSs and was previously allocated on an agreed local formula i.e., based on business rates, a lumpsum and estimated hours. However, in light of the DfE’s changes to an hourly rate, this will be the basis for distribution to the MNS from 2023/24.

10. Early years funding based on DfE provisional allocations

10.1. In summary, Table 3 outlines the Early Years’ budget based on draft allocations from the DfE and the recommendations from this paper.

Table 3 Proposed Early Years block budget

Income	2022/23 £' (000)	2023/24 £' (000)	Part of high pass-through requirement
Universal allocation for 3&4-year-olds	14,591	15,995	Yes
Additional hours for 3&4-year-olds	3,628	4,030	Yes
Allocation for 2-year-olds	2,852	3,484	No
Supplementary funding for maintained nursery schools	732	778	No
Disability Access Fund	98	119	No
Early Years Pupil Premium	55	93	No
Total Income	21,957	24,499	
Expenditure			
Distribute to providers for 3&4-year-olds universal offer	13,528	14,845	Yes
Distribute to providers for 3&4-year-olds children with working parents (additional 15 hours)	3,363	3,740	Yes
Central spend	1,102	1,001	No
Additional panel funding	417	439	Yes
Distribute to providers for 2-year-olds	2,794	3,484	No
Supplementary funding distributed to maintained nursery schools	732	778	No
Disability Access Fund	98	119	No
Early Years Pupil Premium	55	93	No
Total Expenditure	22,090	24,499	
Funding gap	133	0	

11. Financial Implications

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

12. Legal Implications

12.1. There are no legal implications for this report.

13. Equality Implications

13.1. Not applicable.

14. Consultation with Ward Members and Stakeholders

14.1. Not applicable.

15. Human Resources/Property Implications (if appropriate)

15.1. Not applicable.

Related Documents

Prior Financial reports to Schools Forum

Report sign off:

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Corporate Director of Children and Young People