

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information



### **Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

**This report provides an update on Early Years Block formula funding matters.**

### **Date (s) of any Previous Discussion at the Forum**

A report outlining key matters and emerging themes for discussion regarding 2023/24 early years entitlement funding arrangements was presented to the Schools Forum on 14 September 2022 (Document OS).

### **Background**

We reported in the Forum's September and October meetings that the final details of the Early Years Block settlement, and operational guidance, for 2023/24 were not yet known. We explained that the DfE had however, recently (in September) concluded a national consultation on Early Years Block funding, and we set out the main proposals, and key concerns that we have, in relation to this consultation. We refer members to Document OS, presented on 14 September, in which we set out the key considerations behind the development of EYSFF proposals, and Early Years Block management, for the 2023/24 financial year.

We had anticipated that the DfE would by now have announced the Early Years Block settlement, and formula funding arrangements, for 2023/24, enabling us to present to this Forum meeting our consultation document on proposals for the Early Years Single Funding Formula (EYSFF). However, these announcements have not been made. Indicatively, these are now anticipated for either later in December or in January. We hope to be able to present a consultation document to the Forum's meeting to be held on 11 January, though we are not certain of this. In any case, our period of consultation on the 2023/24 EYSFF will need to extend beyond the 11 January (the meeting at which the Schools Forum makes its recommendations on the 2023/24 DSG and formula funding arrangements). As we have done in the last couple of years therefore, we anticipate presenting to the Forum on 11 January a planned Early Years Block budget for 2023/24, which will be based on assumptions and estimates that are made prior to the completion of our consultation.

We have updated benchmarking of our Early Years Single Funding Formula (EYSFF), now using 2022/23 financial year information. Updated comparisons with other local authorities will be presented within the consultation document and are summarised later in this report.

It is helpful to quickly remind Forum members of our recent considerations and actions relating to our Early Years Single Funding Formula:

- In 2020/21, we began to reduce the proportion of our 3&4-year-old Early Years Single Funding Formula (EYSFF), that is allocated via the Deprivation & SEND supplement, with the intention to reduce this over 3 years from 9.5% to the average of our statistical neighbours, rounded up to 6%, in support of affordability and of maximising our Universal Base Rates, having also identified that we are currently spending a higher proportion of our EYSFF on this supplement than other authorities are. However, recognising the impact of the COVID-19 pandemic, we did not take the planned second step (to reduce from 8% to 7%) in 2021/22 and we retained 8% in 2022/23. The current Regulations place a restriction on the use of supplements in the 3&4-year-old EYSFF; supplements cannot allocate more than 10% of EYSFF funding.
- As a consequence of the retention at 8%, in part, we have continued to allocate reserves (one off monies from brought forward balances) held within the Early Years Block to protect the values of the 2-year-old and 3&4-year-old Universal Base Rates at their current year levels of £5.55 and £4.39 per hour. The 2022/23 planned budget incorporated £0.734m of reserves and we held £4.18m of reserves in total within the Early Years Block at the end of 2021/22. We have identified that we must continue to discuss how our EYSFF arrangements can most effectively, but sustainably, support the early years sector in its delivery of the entitlements going forward, recognising that reserves can only be spent once.
- In 2022/23, Bradford's rate of funding from the DfE for the 3&4-year-old entitlements increased from £4.69 to £4.86 per hour. This represented an increase of + 3.62% (+ £0.17). £0.15 of this increase was passed directly through to providers (£0.14 through the Universal Base Rate and £0.01 through the Deprivation and SEND Supplement). Bradford's rate of funding for the 2-year-old entitlement increased from £5.36 to £5.57 per hour. This represented an increase of + 3.92% (+ £0.21). £0.19 of this increase was passed directly through to providers through the 2-year-old Setting Rate. £0.02 was allocated to supported the cost of continuing 2-year-old access to the Early Years SEND Inclusion Fund (EYIF).

### **Background (continued)**

- Since April 2019, we have operated an amended Early Years Inclusion Fund (EYIF), supporting emerging SEND. The DfE has indicated within the current national SEND Review that how SEND is supported in early years will change, and that this is likely to have knock-on implications for early years entitlement funding, including for EYIF and for the Disability Access Fund (DAF).
- We have identified the critical significance of national DfE decisions concerning the continuation of the Maintained Nursery School Supplement. This Supplement has been confirmed as continuing for the current 3 year spending period (which covers up to March 2025). Following the DfE's uplift of funding rates, in 2022/23, we uplifted the sustainability lump sum protection that we allocate to our nursery schools, for the first time since 2017/18.
- We are currently introducing a new Bradford Provider Headcount Portal for providers to use to submit their entitlement delivery information to the Authority. We have signalled that, as the use of this Portal is extended, including to schools and academies in 2023/24, we will have an opportunity to consider whether our early years entitlement counting arrangements should adjust to be more responsive to changes in numbers within each term. There are pros for, and cons against, such a change in approach.

Please note that discussion on the central retention of funding within the Early Years Block is presented in Document PI.

### **Details of the Item for Consideration**

#### **Benchmarking of the EYSFF 2022/23**

It is important that we regularly compare our Early Years Single Funding Formula (EYSFF), with other local authorities. It is also important that we review our direction of travel for 2023/24 in this context. The comparisons below are based on 2022/23 budget information, which has been published by the DfE.

The table below shows the median averages of 3&4-year-old and 2-year-old provider Universal Base Rates (UBR) for the current 2022/23 financial year.

<b>3&amp;4 Year Old Entitlement UBRs 2022/23</b>	<b>UBR £</b>
<b>Bradford</b>	<b>£4.39</b>
Yorks & Humber Regional Average	£4.31
Statistical Neighbour Average	£4.43
National Average (including London)	£4.45
<b>National Average (excluding London)</b>	<b>£4.35</b>

<b>2 Year Old Entitlement Base Rates 2022/23</b>	<b>Base Rate £</b>
<b>Bradford</b>	<b>£5.55</b>
Yorks & Humber Regional Average	£5.51
Statistical Neighbour Average	£5.46
National Average (including London)	£5.57
<b>National Average (excluding London)</b>	<b>£5.52</b>

Additional important points of comparison:

- As in Bradford, the vast majority of local authorities continue to fund the 2-year-old entitlement using only a single flat Universal Base Rate of funding per hour, without any additional supplements.
- Approximately 2/3rds of local authorities, including Bradford, continue to set a 2-year-old Universal Base Rate, which is lower than the rate of funding for 2-year-olds that they received from the DfE within the Early Years Block i.e. 2/3rds of authorities in 2022/23 'top-sliced' the provider funding rate to use a proportion of this funding for other purposes.
- The national median average spending on Early Years SEND Inclusion Funds (EYIF), as an amount per child per hour (calculated on all entitlement children and all entitlement hours), was £0.12, compared with £0.06 in Bradford. The statistical neighbours average was closer to Bradford, at £0.06, and the Metropolitan Districts average was higher at £0.10. Approximately 1/4 of other local authorities allocated EYIF funding to 2-year-olds in 2022/23, as we do in Bradford. Spend per child per hour on EYIF is affected by the number of claims, as well as by the value of funding allocated per claim. Our comparison (our lower spend on EYIF) should be viewed in the context of our investment (from High Needs Block funding) in the Early Years Enhanced Specialist Provisions (EYESPs) that are attached to 6 maintained nursery schools. These EYESPs deliver provision for children with EHCPs as well and those that are identified with significant additional needs that are being assessed for an EHCP. In other authorities, where EYESPs are not established, these assessment children would be supported by EYIF.

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- When we initially compared this position in 2018/19, the national average spending on supplements in the 3&4-year-old EYSFF was 4.4% and the average of our statistical neighbours was 5.7%. Bradford in 2022/23 spends 8.0% (excluding use of reserves and the maintained nursery school supplement). All local authorities are required to have a deprivation supplement and a small number of authorities also used other permitted supplements, such as a quality supplement. It is a little difficult to update this % calculation for 2022/23, because of the way supplement spending information is now presented within national benchmarking statistics. It is difficult to cleanly see the proportion of 3&4-year-old funding that is allocated on supplements, without the inclusion of the maintained nursery school supplement, which will have a distorting impact on the figures because this supplement is not present in all authorities. With this limitation, we calculate that the national average spending on supplements in the 3&4-year-old EYSFF in 2022/23 is 4.8% and the average of our statistical neighbours is 5.6%. These %s were 4.8% and 6.3% respectively in 2021/22. These % are therefore, not significantly different from the %s we found in 2018/19. If we were to remove the maintained nursery school supplement from these calculations, on an estimated basis, the national average would be 3.4% and the statistical neighbour average would be 3.6%. However, this would not necessarily represent a fully accurate picture of deprivation supplement spending, as we would expect that a good proportion of the maintained nursery school supplement is spent on supporting deprivation. But, overall, the benchmarking continues to evidence our significantly higher spending on supplements, in addition to high / higher Universal Base Rate funding.

### 2023/24 EYSFF Informal Indicative Modelling

We cannot yet put forward confirmed or formal proposals for our 2023/24 EYSFF. We have however, modelled a scenario, which assumes a) that our rates of funding from the DfE increase by 1% (which is what the DfE's summer consultation proposed) and b) that the schools' Teacher Pay and Pensions Grants are merged into the EYSFF (which is also what the DfE's consultation proposed). We have incorporated:

- The requirement to adopt a new Quality Supplement, for the purpose of replicating within the 3&4-year-old EYSFF the Teacher Pay and Pensions Grants to schools / academies (for their employment of teachers). We don't have the details of this supplement yet, but we have ring-fenced the funding so that it not available to use to support the wider EYSFF.
- The critical need now to manage our higher level of spending on the Deprivation and SEND Supplement within the 3&4-year-old EYSFF, with the expectation that we will now take the previously planned (but delayed) 2<sup>nd</sup> step to reduce spending from 8% to 7%.
- Bringing back into our EYSFF calculation a proportion of the 'benefit' that comes into our Early Years Block as a result of our profile of entitlement numbers. This is explained further in Document PG.
- Our proposals for the central retention of funds, which are presented in Document PG.
- The planned extension of the new Headcount Portal to schools and academies, for the purpose of collecting entitlement delivery information, replacing the use of the DfE termly censuses, but with no change in 2023/24 to our existing termly counting arrangements.
- The retention of our existing approach to the protection of maintained nursery school funding, which protects base-rates and deprivation funding and which also incorporates a 'sustainability' formula factor.
- The continuation of our existing Early Years SEND Inclusion Fund (EYIF) arrangements.
- The continuation of our existing Disability Access Fund (DAF) arrangements.

In this scenario, informally and indicatively, the headlines for our EYSFF in 2023/24 are:

- The main 3&4-year-old Universal Base Rate increases from £4.39 to £4.44 per hour (+£0.05; +1.14%). The Maintained Nursery School protected base rate increases by the same cash value, from £5.98 to £6.03 per hour (+£0.05; +0.84%).
- The 2-year-old Universal Base Rate increases from £5.55 to £5.61 per hour (+£0.06; +1.10%).
- Incorporating estimated changes in Index of Multiple Deprivation (IMD) scores for the January 2023 Census, Deprivation and SEND Supplement funding in the 3&4-year-old EYSFF reduces by a median average of £0.04 (in classes) and £0.03 (in PVI) per hour. Existing deprivation rates of funding for Maintained Nursery Schools continue to be protected, via the Supplement.
- We will be required to deploy balances brought forward (one off monies) to ensure that we can meet the cost of our EYSFF arrangements. On current estimates, we calculate that we may need to earmark in the region of £0.95m in 2023/24.

**Implications for the Dedicated Schools Grant (DSG) (if any)**

A summary of the overall impact of proposals (the estimated position of the Early Years Block in 2023/24) is presented in Document PF Appendix 1 (DSG Summary).

On current estimates, we calculate that we may need initially to earmark in the region of £0.95m of brought forward balances to ensure that we meet the cost of EYSFF arrangements in 2023/24.

This indicates that we continue to 'overspend' our Early Years Block allocation and that further mitigating actions are likely to be required in future years, as the value of the surplus brought balance that we have available reduces.

**Recommendations**

**Recommended – Members are asked to consider and to note the information presented in the report.**

**List of Supporting Appendices / Papers (where applicable)**

None

**Contact Officer (name, telephone number and email address)**

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