

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 further details of the Government's 15 March 2023 Budget Statement: on the extension of the early years entitlements, on the allocation of additional Early Years Block monies for the delivery of the current entitlements from September 2023, and on the development of wrap-around provision in schools and academies.

Date (s) of any Previous Discussion at the Forum

The Schools Forum made its recommendations on the 2023/24 Early Years Block and Early Years Single Funding Formula on 11 January 2023. An update was presented on 8 March (Document PT).

Background

The 2023/24 Early Years Block settlement was published by the DfE on 16 December 2022. We reported to the Schools Forum on 11 January, that:

- Bradford's rate of funding from the DfE for the 3&4-year-old entitlements is increased from £4.86 to £5.05 per hour in 2023/24. This represents an increase of + 3.91% (+ £0.19). However, £0.14 of this increase relates purely to the transfer of the school-led Teacher Pay and Pensions Grants into the EYSFF. This is not 'new money' into the District, just simply a technical change in the source of an existing funding stream. Adjusting for this (excluding the £0.14), our equivalent rate of funding per hour in 2023/24 is £4.91, which represents an increase of 1.03%. This confirms that we are funded on the DfE's 1% 'floor'. A 1.03% increase in 2023/24 represents the lowest increase that is received by local authorities within the national early years settlement. This comes at a time when costs for providers have significantly increased. We stated that the 1% settlement immediately restricts the flexibility that we have to increase our provider funding rates in 2023/24 in response.
- Bradford's rate of funding from the DfE for the 2-year-old entitlement is increased from £5.57 to £5.63 per hour. This represents an increase of + 1.08% (+ £0.06). As with the 3&4-year-old entitlement funding rate, this confirms that we are funded on the DfE's 1% 'floor' for the 2-year-old entitlement. Again, this comes at a time when costs for providers have significantly increased, and the 1% settlement immediately restricts the flexibility that we have to increase our provider funding rates in 2023/24 in response.

At the January meeting, the Schools Forum gave its support to the Authority's proposals for the approach to the funding of the early years entitlements (the Early Years Single Funding Formula) for the 2023/24 financial year. Following the completion of the wider consultation, the Authority recommended to Council that the Early Years Single Funding Formula (EYSFF) that was set out in the Authority's consultation be used to calculate budget shares for all providers delivering entitlement provision for 2 and 3 & 4 year olds in 2023/24. This was agreed by Council on 23 February and has now been actioned.

Our current Universal Base Rates for early years entitlement providers for 2023/24 are:

- 2-year-old entitlement: £5.61 per hour (increased by 1.08% on 2022/23).
- 3&4-year-old entitlement: £4.46 per hour (increased by 1.59% on 2022/23).

We reported to the Forum on 8 March that, within its discussion on the Schools Budget proposals, the Council's Executive expressed its significant dissatisfaction with the 1% Early Years Block settlement that Bradford has received from Government; 1% falls well short of the high rising costs that are faced by early years providers, as well as by the Council. The Executive asked that the Schools Forum continues to closely consider and to highlight this issue. Following consideration of this, the Forum resolved that the Chair, on behalf of the Schools Forum, writes to the Secretary of State on this issue. This letter has not yet been sent, as we are waiting for the details of the additional allocations, that were announced by the Chancellor on 15 March, before framing the content of this letter.

Details of the Item for Consideration

Summary of the Budget Announcements

On 15 March 2023, the Chancellor announced that new entitlements will be introduced in phases:

- From April 2024, all working parents of 2 year olds can access 15 hours per week.
- From September 2024, all working parents of children aged 9 months up to 3 years old can access 15 hours per week. The DfE indicated that the “average rate” of funding for local authorities for the under 2-year-old entitlement will be £11 per hour in 2024/25.
- From September 2025, all working parents of children aged 9 months up to 3 years old can access 30 hours per week.

The Chancellor also announced additional entitlement funding, of £204m from September 2023 rising to £288m in 2024/25, to increase the funding that is paid to early years entitlement providers for the delivery of *the existing entitlements*, above the 2023/24 Early Years Block funding rates that were announced by the DfE on 16 December 2022. The DfE has stated that this additional funding will allow the national average rate for local authorities for 2 year olds to increase by 30%, from the current national average rate of £6 per hour, to around £8 per hour from September 2023. The DfE has also stated that the national average rate of £5.29 per hour for 3&4 year olds will rise “in line with inflation to over” £5.50 per hour from September 2023.

The Chancellor also announced that schools and local authorities will be funded to increase the supply of wraparound care; the Government’s policy commitment being for all primary schools to provide 8am to 6pm provision from 2026, with a pathfinder programme supporting initial development. £289m of start-up funding has been announced (to be allocated over 2 years from September 2024), but with the details of the allocation of this, as well as of how the cost of wrap around provision may be supported in the longer term, still to be provided. Other details, such as how the policy commitment will be rolled out and whether wrap around provision will be compulsory for all primary schools, are also to be provided.

Thinking about the DSG, early years formula funding and the financing of central support services, the entitlement funding and extension announcements broadly mean:

- We will need to closely plan the implementation of the extensions, in line with the DfE conditions and guidance. There is much to consider here, beginning for the 2024/25 financial year. A main aspect of this clearly will be concerned with ensuring the sufficiency of places, with analysis to identify the extent to which the extensions may increase the number of childcare places that are required, in addition to just simply altering the way that existing childcare provision is financed (with this in the future being financed by the Government through formula funding mechanisms, rather than through parental fees). There may be capital considerations, as there have been when the entitlements have previously been extended. However, it may also be the case that extending the entitlements may just help to counter, within existing capacity, the reduction in the numbers of early years children that has come from demographic trends. We also will need to consider the impact of extension on the different early years provider sectors.
- We will need to closely consider whether our Early Years Single Funding Formula needs to change to absorb effectively the new entitlements, beginning from April 2024. An aspect of this will be continuing to closely review our rates of funding for providers, but with this review always having to operate within the quantum of funding that we receive from the Government. Another aspect will be responding to any changes that may be directed by the DfE e.g. in setting minimum rates of funding, in the use of supplements (such as for the 2-year-old entitlement, where we do not currently use a supplement), in the protection of maintained nursery schools and in the use of funding for central support services. Another aspect that stands out will reviewing how entitlement delivery is counted for funding purposes. We currently use termly counts, but will this kind of fixed approach to counting be the most appropriate way of funding providers for the entitlement for children aged between 9 months and 2 years?
- We will need to closely consider the knock on financial implications for the DSG where it is appropriate and necessary to increase the size of the Authority’s central capacity, as well as the knock on implications for centrally managed SEND funding streams, including Early Years Inclusion Fund (EYIF) and services that are funded by the High Needs Block.
- We will need to closely consider how new / increased funding and new / increased costs affect the overall affordability position of our Early Years Block. This is in the context of us already using carry forward balances to support our existing level of expenditure. Within this, we need to be careful to understand the financial inefficiencies that may be present during the set-up phases. For example, we have previously identified that, when a new or extended entitlement begins in September, this costs our Early Years Block between September to March more than the funding that we receive from the DfE for the same period.
- We have a more immediate piece of work to complete, and a decision to take, regarding how we allocate the additional monies for the existing entitlements that we expect to receive for the period September 2023 to March 2024.

Details of the Item for Consideration

Allocation of Additional Monies September 2023 to March 2024 - Outline

We had hoped that we would be able to present to the Schools Forum at this meeting a more detailed outline / proposal of how the additional Early Years Block monies that we have received from the DfE will be allocated. However, at the time of writing this report, the DfE has not yet announced the additional allocations for each local authority, nor the conditions that may cover these allocations. For example, the DfE may require local authorities to pass a minimum value through to providers and / or may set other conditions. It is not normally permitted for local authorities to adjust their Early Years Single Funding Formulae during the year. Secretary of State permission is required to do so. So it is very possible that conditions will be applied to this additional funding, and that these conditions may be focused on requiring local authorities to pass through the funding to providers by increasing delivery funding rates.

As we set out in the summary section, earlier in this report, the DfE has stated that this additional funding will allow the national average rate for local authorities for 2 year olds to increase by 30%, from the current national average rate of £6 per hour, to around £8 per hour from September 2023. The DfE has also stated that the national average rate of £5.29 per hour for 3&4 year olds will rise "in line with inflation to over" £5.50 per hour from September 2023. On this basis, prior to further details being published, we anticipate that the weighting of the new funding that we will receive will be towards the 2-year-old entitlement, with a more modest increase available for the 3&4-year-old entitlement.

Depending on the conditions that the DfE sets, we anticipate applying the following principles to the allocation of the additional funding that we will receive:

- We absolutely wish to maximise the allocation of the additional funding directly to providers, recognising that the increases in the rates of funding so far, that we have been able to afford from the Early Years Block settlement that was published on the 16 December 2022, are significantly lower than the expected increases in costs that are being met by providers, especially increases in salaries costs.
- The additional funding will be used to increase provider rates for the autumn 2023 and spring 2023 delivery. However, we will not retrospectively re-calculate the funding that has been allocated for the delivery of the entitlements over the summer term 2023. This is because we expect that the DfE will only allocate funding for the September to March period.
- We anticipate allocating the additional funding across the two entitlements (the current 2-year-old and the current 3&4-year-old entitlement) in a 'ring-fenced' manner, in line with the way that the DfE has allocated the money i.e. if the increase provided by the DfE for the 2-year-old entitlement is greater, then we will uplift our 2-year-old entitlement funding rate on the same lines; we would not divert 2-year-old funding to the 3&4-year-old entitlement, and vice versa.
- We anticipate that the additional funding will be allocated to providers by adjusting only the Universal Base Rates, meaning that we would not adjust supplement funding in the 3&4-year-old entitlement. We would also not adjust the calculation of the additional lump sum sustainability funding that is received by maintained nursery schools. We would also not adjust other elements of our Early Years Single Funding Formula, including EYIF and DAF funding.
- We will wish to allocate a total additional value of funding that does not materially affect the overall affordability position of our Early Years Block in the 2023/24 financial year. In January 2023, we agreed with the Schools Forum a planned budget, which set aside £0.957m of brought forward balance to support the full potential cost of our 2023/24 Early Years Block arrangements. We do not wish the allocation of additional funding to result in a substantial deviation from this planned position. Within this, we have previously identified that, when a change in DfE funding is made at September, this disturbs the normal pattern of how our overspending in summer term is reimbursed by our underspending in autumn term, which affects our overall in year Early Years Block financial position. This is because the DfE funds us on a 7/12ths basis (7 months for the period September to March) whereas we will fund providers for 26/38ths (26 weeks of delivery – 14 weeks in autumn and 12 weeks in spring) across the same period. 26/38ths of cost is proportionately more than 7/12ths of funding. We will need to factor this into our analysis of by how much we can afford to uplift rates of funding without affecting our overall affordability position. This may mean that rates of funding may not increase in line with the headlines that are published by the DfE.
- We will need to more closely consider the issue of 'new burdens' related to the additional work, and on-going capacity that the Local Authority will require, to support the roll out and on-going delivery of extended entitlements. We are likely therefore, at an appropriate point, to wish to discuss with the Schools Forum adjusting the central capacity that is funded by the Early Years Block. However, this discussion is likely to be more appropriate to have within the 2024/25 DSG decision making cycle and therefore, to be had separately from more immediate decisions about the allocation of additional monies that have become available during this financial year for the delivery of the existing entitlements.

Details of the Item for Consideration

In its consultative role, we ask for views from the Schools Forum on this outline and on these principles.

In terms of next steps, depending on the timing of the DfE's announcements, we anticipate presenting a report to the next Forum meeting, which:

- Will set out a more detailed proposal of how the additional monies will be allocated from September. Whilst we wish to consult with the Schools Forum, at the next available opportunity, before confirming for providers funding rate changes, we are conscious that providers will increasingly over the summer term ask the Authority for information on what their new rates of funding will be for the autumn and spring terms. As such, to support the process, in advance of the next Forum meeting, we envisage convening the Early Years Working Group to consult further on proposals, once these have been fully developed, and also to make providers aware of what the Authority proposes, so that they can begin to plan on this basis.
- Will begin to more closely consider the formula funding changes that may need to be made from, and the financial implications for the DSG and for the Early Years Block of, the extension of the early years entitlements beginning at April 2024. This will need to be worked through within our 2024/25 DSG and formula funding decision making cycle. The Local Authority expects the Early Years Working group shortly to begin to consider these matters more closely.

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

Our understanding of the implications for the DSG are still to informed by the DfE's more detailed announcements, on the additional allocations that Bradford may receive in this current year and on the conditions for the use of these allocations, as well as more detailed guidance, which will explain the extension of the early years entitlements and the financing of this.

We will need to consider not only the allocation of Early Years Block funding to entitlement providers, but also the implications for the financing of additional central capacity that is likely to be needed to support the extension of the entitlements, as well as wider DSG implications that extension may have, especially from supporting early years children with SEND, through Early Years Inclusion Funding EYIF) as well as via allocations and support services that are funded from the High Needs Block.

Recommendations

Recommended –

- (1) the Schools Forum is asked to consider and to note the information presented.**
- (2) The Schools Forum is asked for any initial feedback on the allocation of the additional Early Years Block monies that Bradford will receive for the period September 2023 to March 2024, as outlined in the report.**

List of Supporting Appendices / Papers (where applicable)

None

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