

**Schools Funding Forum 20<sup>th</sup> October 2022****ITEM 6****Subject Heading:****Early Years Funding formula  
consultation****Report Author:****Nick Carter – Principal Finance Officer  
(Schools)****Eligibility to vote:****All members****SUMMARY**

This report provides details of the Government consultation held on the Early Years funding formulae and the response submitted by the LA.

**RECOMMENDATIONS**

That the Schools Funding Forum notes the report.

**REPORT DETAIL**

The Government launched a consultation on the Early Years funding formulae on 4 July 2022 with a closing date of 16 September 2022. In his presentation at the Early Years Term Preparation Session, on 9 September 2022, Hany Moussa advised providers that there was still time for them to submit a response if they had not already done so.

The full consultation document is available at:

<https://consult.education.gov.uk/funding-policy-unit/early-years-funding-formulae-2022/>

The response submitted by the Local Authority is included at Appendix A. It should be stressed that this is a response on behalf of the LA, rather than on behalf of the Schools Funding Forum or EY providers in Havering.

## **The areas covered by the consultation**

The consultation made a number of proposals regarding the early years funding formulae for 2023-24, particularly updating the data underpinning the formulae and adjustments to different factors within the formulae, to ensure funding was directed where it was most needed. These are the formulae determining the allocations to LAs rather than the local formula that determines distribution to providers.

The consultation was broken down into five sections looking at:

- Early years national funding formula (EYNFF) for universal and additional entitlements for 3&4 year olds
- EYNFF for 2 year olds
- Proposals for year on year protections to enable LAs to manage changes at a local level
- Impacts
- Reform of the Maintained Nursery School Supplement
- Equalities Impact Assessment

The DfE stress that the proposals do not affect the total funding for Early Years, which was set at the last spending review, rather the formula for distributing that funding.

### **1. EYNFF for 3&4 year olds**

The LA hourly funding rate is made up of a base rate plus funding for additional needs, multiplied by an area cost adjustment.

#### **Base rate**

Since 2020-21 LAs have been provided with a fixed pence uplift to a formula figure that goes back to 2017. The DfE are proposing to go back to using a formula to calculate funding.

#### **Additional needs factor**

Three proxy measures are used to determine this, free school meals eligibility for KS1 and KS2 pupils, EAL for KS1 and KS2 pupils and Disability Living Allowance for 0-5 year olds. The DfE believe that FSM, EAL and DLA are still the correct measures to use. The datasets used, however, date back to 2015 and 2016. The DfE are looking to use the most recent available data. Additionally they wish to include part time pupils under 5 in the FSM data and use the DLA figure for 3-4 year olds only.

*Question 1: Do you agree with our proposal to update the underlying data in the additional needs factor in the EYNFF?*

*Question 2: Do you agree with our proposal to move to using the free school meals headline measure?*

*Question 3: Do you agree with our proposal to update the way in which the Disability Living Allowance data is used?*

### **The Area Cost Adjustment (ACA)**

The DfE are proposing to update the data used in the calculation of the Area Cost Adjustment. The nursery rates adjustment within the ACA is currently calculated using private sector data only. The DfE intends to bring schools data into the equation, proportionate to the number of nursery pupils in the school.

*Question 4: Do you agree with our proposal to update the underlying data used in the area cost adjustment in the EYNFF, in particular the rateable values data and the GLM data, when available?*

*Question 5: Do you agree with our proposed amendments to the proxy measure for premises related costs in the EYNFF, including introducing schools rateable values data?*

### **Teachers Pay and Pension Grant**

This continues to be paid as a separate grant for nursery aged pupils in schools. For 5-16 year olds the grant was rolled into the main NFF. The DfE is proposing that the grant is incorporated into the main body of early years funding, but that local authorities are then encouraged to distribute this via a more broadly defined quality supplement, to ensure the funding continues to be used for the original purpose.

*Question 6: Do you agree with our proposed approach to mainstreaming the early years element of the teachers' pay and pensions grants*

*Question 7: Do you agree with our proposal to update the operational guide to encourage local authorities to take account of additional pressures that some providers might face using the existing quality supplement?*

## **2. EYNFF for 2 year olds**

The LA hourly funding rate is made up of a base rate multiplied by an area cost adjustment. The DfE are proposing the same change to the Area Cost Adjustment as for 3&4 year olds.

*Question 8: Do you agree with our proposal to update the underlying data in the area cost adjustment in the 2-year-old formula?*

*Question 9: Do you agree with our proposal to introduce a proxy for premises related costs into the 2-year-old formula?*

### 3. Protections

The DfE intend to introduce protections and gains caps to smooth the impact of the proposed changes above.

*Question 10: Do you agree with our proposed approach to protections in the EYNFF for 2023-24?*

*Question 11: Do you agree with our proposed approach to protections in the 2-year-old formula for 2023-24?*

### Impacts

For 2023-24 the DfE propose to set the level of protection at +1%, meaning every local authority sees an increase in their hourly funding rate. There would be a gains cap of 4.5%.

The DfE formula modelling shows that the rate at which Havering is funded would increase as shown below:

Age	2022-23 rate (£)	2023-24 rate (£)	Change (£)	% change
2 yr olds	6.03	6.48	0.45	7.5
3&4 yr olds with pay and pension grant	5.59	5.72	0.13	2.3
3&4 yr olds without pay and pension grant	5.59	5.66	0.07	1.3

### Maintained nursery schools

Questions 12 and 13 related to proposed changes in the funding of maintained nursery schools. There are no maintained nursery schools in Havering

### Equalities Impact Assessment

*Question 14: Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?*

### Other

*Question 15: Are there any other comments that you would like to make about our proposed reforms?*

## Response ID ANON-ESDE-RYPU-H

Submitted to Early years funding formulae

Submitted on 2022-09-16 19:18:18

### Introduction

What is your name?

Name:

Hany Moussa

What is your email address?

Email:

hany.moussa@havering.gov.uk

Are you responding as an individual or on behalf of an organisation?

Organisation

What is the name of your organisation?

Organisation:

London Borough of Havering

What type of organisation is this?

Type of Organisation:

Local Authority

What local authority area are you or your organisation based in?

Local Authority area:

Havering

Would you like us to keep your responses confidential?

No

Reason for confidentiality (optional):

### EYNFF additional needs factor

1 Do you agree with our proposal to update the underlying data in the additional needs factor in the EYNFF?

Yes

Do you agree with our proposal to update the underlying data in the additional needs factor in the EYNFF?:

Agree with the proposal to update the EYNFF dataset as per the suggested dataset, and for it to be subsequently updated annually to form a true reflection of the level of need each year.

2 Do you agree with our proposal to move to using the free school meals headline measure?

Yes

Do you agree with our proposal to move to using the free school meals headline measure?:

\* How will all phase schools be factored into this, as the document only references data from "state-funded nursery and primary schools"?

\* Additionally since the inception of UIFSM, FSM numbers have been adversely affected. This is due in part to parents/carers not registering for FSM at KS1 as their children get the meal as standard. It has been noted that parents/carers are engaging and only applying when they want to benefit from other schemes, e.g. HAF, School holiday meal vouchers, etc. As the data is suppressed for KS1 for the reasons mentioned, will the dataset have a multiplier incorporated in the formula to reduce the impact of the suppressed data.

3 Do you agree with our proposal to update the way in which the Disability Living Allowance data is used?

No

Do you agree with our proposal to update the way in which the Disability Living Allowance data is used?:

Limiting the dataset to the age range of 3-4 years will adversely affect the funding to LAs, which in turn will lead to a reduction in the overall allocations for 3/4 year olds.

A review of the use of the proxy factor of DLA may be worth exploring. For consistency with the High Needs NFF, the use of two proxy factors of Bad Health (Number of children in bad health resident in LA) and Disability Factor (Number of children entitled to DLA resident in LA) may be worth implementing in this or future updates. This will relate to children aged 0-5 as that will be the cohort that will be supported by the funding attributed to these factors.

Limiting the age range to be exclusively to 3-4 year olds may be interpreted as a sign that the Inclusion Fund that LAs adopt to support children with emerging and additional needs, can only support that age bracket.

## EYNFF area cost adjustment

4 Do you agree with our proposal to update the underlying data used in the area cost adjustment in the EYNFF, in particular the rateable values data and the GLM data, when available?

Yes

Do you agree with our proposal to update the underlying data used in the area cost adjustment in the EYNFF, in particular the rateable values data and the GLM data, when available?:

Agree with the approach to update the dataset, should the data be available.

With the GLM, the current dataset will be ten years old and won't be reflective of the current pressures and multiplier that should be used. As stated on the consultation document, the GLM dataset may be updated for future funding years' calculation.

Could the DfE consider using a different proxy for the interim, in order for the formula to be updated and be more accurate, rather than be skewed based on historical data which may not be reflective of the current position.

5 Do you agree with our proposed amendments to the proxy measure for premises related costs in the EYNFF, including introducing schools rateable values data?

Unsure

Do you agree with our proposed amendments to the proxy measure for premises related costs in the EYNFF, including introducing schools rateable values data?:

Agree with the introduction of schools within the new NIPRCA, however it is not clear whether infant and primary schools with nurseries will be included or whether it is all infant and primary schools. If it is the latter, then the data for schools will be suppressed as there is a bigger cohort of children in other years which will deflate the schools part of the calculation. Would like to see that only schools with nurseries being used in the calculation.

## Teachers' pay and pensions grants

6 Do you agree with our proposed approach to mainstreaming the early years element of the teachers' pay and pensions grants?

No

Do you agree with our proposed approach to mainstreaming the early years element of the teachers' pay and pensions grants?:

Strongly disagree with this transfer into the Early Years Block, as this will artificially inflate the Early Years block allocation for 3/4 year olds and also, the transfer will not reflect the current funding that would be attributable for the grants.

The proposal is not consistent with the approach that is being proposed for Maintained Nursery Schools (MNS) with those grants continuing to be separate from the overall Early Years allocation.

LAs have worked well with providers, whether it is PVI or mainstream schools, at bringing a universal approach and formula that applies uniformly across the sector, and for these grants to be included in the Early Years block and only apply to mainstream schools and MNS, then that would create tension between the types of provisions and undo the work that LAs have done since the EYNFF came into force. An update to the operational guidance will not alleviate the issues, and will provoke further adverse reaction from the PVI provisions.

7 Do you agree with our proposal to update the operational guide to encourage local authorities to take account of additional pressures that some providers might face using the existing quality supplement?

No

Do you agree with our proposal to update the operational guide to encourage local authorities to take account of additional pressures that some providers might face using the existing quality supplement?:

For the reasons outlined in question 6 response.

## 2-year-old funding formula

8 Do you agree with our proposal to update the underlying data in the area cost adjustment in the 2-year-old formula?

Yes

Do you agree with our proposal to update the underlying data in area cost adjustment in the 2-year-old formula?:

Same response as question 4.

Agree with the approach to update the dataset, should the data be available.

With the GLM, the current dataset will be ten years old and won't be reflective of the current pressures and multiplier that should be used. As stated on the consultation document, the GLM dataset may be updated for future funding years' calculation.

Could the DfE consider using a different proxy for the interim, in order for the formula to be updated and be more accurate, rather than be skewed based on historical data which may not be reflective of the current position.

9 Do you agree with our proposal to introduce a proxy for premises related costs into the 2-year-old formula?

No

Do you agree with our proposal to introduce a proxy for premises related costs into the 2-year-old formula?:

The proxy factor of FSM should be considered as that dataset will bring a consistent approach to those children who are being supported by the two year old funding, and that will form a better basis of allocating funding.

Premises may be considered after the introduction of the FSM proxy, however we need to see the impact of the FSM factor before commenting on the potential use of the premises related costs factor.

## Protections

10 Do you agree with our proposed approach to protections in the EYNFF for 2023-24?

No

Do you agree with our proposed approach to protections in the EYNFF for 2023-24?:

The threshold for protection does not reflect and support the current and future increased costs. A minimum level of 2.5% is sought, although that level will not cover the increased costs, however it will be a sign that LAs and providers are being supported with adequate protection to deliver the entitlement.

11 Do you agree with our proposed approach to protections in the 2-year-old formula for 2023-24?

No

Do you agree with our proposed approach to protections in the 2-year-old formula for 2023-24?:

Same reasons as per question 10.

The threshold for protection does not reflect and support the current and future increased costs. A minimum level of 2.5% is sought, although that level will not cover the increased costs, however it will be a sign that LAs and providers are being supported with adequate protection to deliver the entitlement.

## Reform of maintained nursery school supplementary funding

12 Do you agree with our proposal to introduce a minimum hourly funding rate and a cap on the hourly funding rate for MNS supplementary funding?

Not Answered

Do you agree with our proposal to introduce a minimum hourly funding rate and a cap on the hourly funding rate for MNS supplementary funding?:

Not answered.

We have no view on this question as there are no MNS in the LA.

13 Do you agree with our proposed approach to rolling the teachers' pay and pensions grants into MNS supplementary funding?

No

Do you agree with our proposed approach to rolling the teachers' pay and pensions grants into MNS supplementary funding?:

The TPPG for mainstream schools with nurseries and MNS needs to be identified separately and not rolled into the MNS supplementary funding.

This consistent approach is sought as the transfer to the 3/4 year old allocation of the TPPG for mainstream schools with nurseries artificially inflates the 3/4 year old allocation.

Please refer to question 6 and 7 responses for further details.

## Equalities Impact Assessment

14 Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?

Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?:

## Any other comments

15 Are there any other comments that you would like to make about our proposed reforms?

Are there any other comments that you would like to make about our proposed reforms?:

The proposed increases and update for current datasets is welcomed.

However when the allocations are reviewed, the increases in 3/4 year old is less than the 2 year old, even though the 3/4 year old allocations has the TPPG included.

Early Years provisions have provided childcare and education despite many issues that have occurred in the last few years, via the pandemic to the current cost of living crisis. In order to support them, we would like to see that funding and support is reflective of their position and their on-going commitment to support children.