

**TO: SCHOOLS FORUM  
12 JANUARY 2023**

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**2023-24 PROPOSALS FOR THE EARLY YEARS BLOCK BUDGET**

**Executive Director: People  
Executive Director: Finance**

**1 PURPOSE OF DECISION**

- 1.1 The purpose of this report is to seek agreement from Schools Forum to proposals for the 2023-24 Early Years budgets, including the values to be attributed to the Bracknell Forest Council Early Years Funding Formula.

**2 RECOMMENDATIONS**

**That the Forum considers the Early Years Budget proposal from the council and AGREES:**

- 2.1 **That for the 2023-24 financial year the Executive Member for Children, Young People and Learning sets**
- i. **The Early Years Dedicated Schools Grant (DSG) income budget at £8.689m (Table 2)**
  - ii. **The funding rates in the Early Years Funding Formula are as set out in Table 3**
  - iii. **The proposed budgets as set out in Annex 2**
  - iv. **The proposed changes to the arrangements for the Early Years Special Educational Needs Inclusion Fund as set out in points 5.19 and 5.20**

**That the Forum NOTES:**

- v. **The impact of funding protection introduced by the Department for Education in the latest DSG on early years funding rates in Bracknell Forest as set out in points 5.7 to 5.9.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 The proposals have taken account of local priorities and estimated levels of available resources.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None. The proposals reflect the approach agreed by Schools Forum on 8 December 2022 and the overall affordability within the financial settlement allocated by the Government.

## 5 SUPPORTING INFORMATION

### Background

- 5.1 This report presents proposals on the Early Years Block element of Dedicated Schools Grant that the Department for Education allocates to Local Authorities to fund provisions and support for children up to the age of 5. It covers:
- i. the 15 hours free entitlement to education and childcare for disadvantaged 2-year-olds
  - ii. the universal 15 hours free entitlement to education and childcare for all 3- and 4-year-olds
  - iii. the extended 15 hours free entitlement to education and childcare for eligible working parents of 3- and 4-year-olds
  - iv. the Early Years Pupil Premium
  - v. the Disability Access Fund
  - vi. the Special Educational Needs Inclusion Fund
  - vii. other specialist and general support services

### National Funding Framework

- 5.2 The Department for Education uses an Early Years National Funding Formula to distribute Dedicated School Grant income to Local Authorities. This funding framework sets out key requirements on Local Authorities in setting their Early Years Block budgets for **3- and 4-year-olds**. These are:
- i. To develop and maintain a local Early Years Funding Formula in accordance with parameters set by the Department for Education, undertaking consultation with providers and the Schools Forum when any changes are proposed, where the Early Years Funding Formula:
    - i) should include a single funding rate (including the same base rate and supplements) for both entitlements (that is, both the universal 15 hours, and the additional 15 hours for working parents)
    - ii) must plan to pass on at least 95% of funding directly to providers – the “pass through rate”
    - iii) must use a universal base rate, paid at the same value to all providers
    - iv) must use a deprivation supplement to target additional funds to the providers admitting the most disadvantaged children
    - v) can include other discretionary supplements, which the Department for Education restricts to rurality / sparsity, flexibility of provision, English as an additional language or quality of provision
    - vi) supplements selected by a Local Authority can generally use any measure of eligibility, provided it is applied equally to all providers in a transparent and fair way
    - vii) must not allocate more than 10% of funding through supplements
  - ii. That a Special Educational Needs Inclusion Fund must be created to support children with lower level or emerging Special Educational Needs
  - iii. Required to pass on the Early Years Pupil Premium to providers to support eligible disadvantaged children

- iv. Required to pass on Disability Access Funding to providers to support disabled children's access to the entitlements
- 5.3 Requirements on funding providers for **the most disadvantaged 2-year-olds** is more straightforward than for 3- and 4-year-olds, with no "pass through rate" or payment of additional funding supplements with the Department for Education encouraging Local Authorities to pay a single flat rate amount. Neither is there a requirement for the Special Educational Needs Inclusion Fund to apply to 2-year-olds, although this is permitted and included in arrangements in the Bracknell Forest Special Educational Needs Inclusion Fund.

Provisional estimate of Early Years Block Dedicated Schools Grant income

- 5.4 In the summer 2022 the Government consulted on proposed changes to the Early Years National Funding Formula. The government's response to the consultation and the changes made to the formula were published on 16 December 2022 and proposed to update the DSG funding formulae for the early education entitlements for children aged 2, 3 and 4 as they are no longer using the most recent data available. Using up-to-date data will help to ensure the funding system remains fair, effective, and responsive to changing levels of need. The consultation also confirmed that the funding currently allocated through the Teacher's Pay and Pension Grant (TPPG) and paid to maintained schools would in future be mainstreamed into the main Early Years National Funding Formula. Therefore, from April 2023, maintained schools will no longer receive separate funding through the TPPG.

Annex 1 sets out the changes in more detail.

- 5.5 The Government also announced additional funding for the early years entitlements of £20m in 2023-24 on top of the additional £180m for 2023-24 announced at the Spending Review, and the hourly funding rates for the 2-, 3- and 4-year-old entitlements for 2023-24.
- 5.6 In 2023-24 Bracknell Forest will receive an increase in funding for 3- and 4-year-olds of £0.26 per hour and for eligible 2-year-olds of £0.62 per hour. In addition, the national funding rate for early years pupil premium (EYPP) will increase by £0.02 per hour and the national funding rate for the disability access fund (DAF) will increase by £28 per year. Table 1 sets out the change in funding rates.

**Table 1: Change to Early Years Funding received by BFC**

	2022-23 funding rate	2023-24 funding rate	Change
2-year old's	£6.25	£6.87	9.9%
3- & 4-year old's	£5.32	£5.58	4.9%
EYPP	£0.60	£0.62	3.3%
DAF	£800	£828	3.5%

Note: the 2022-23 funding rates quoted above are after adjusting for the funding received separately through the TPPG that will in future be paid through the Early Years DSG.

- 5.7 As would be expected, changing the dataset in the Early Years DSG has resulted in a redistribution of funding between LAs. In order to ensure that every LA receives an increase in their hourly funding rate, the DfE has introduced funding protections that limit increases in order to fund top ups that are required to LAs that would otherwise

receive reduced funding. All LAs will therefore receive a minimum increase in their hourly funding rate of 1%, with gains in 3- and 4-year-old funding capped at 4.9% and 2- year-olds capped at 10%.

- 5.8 Without the gains cap, funding for 3- and 4-year-olds in BF would have been set at £5.90 per hour, £0.32 higher than the capped rate. This would have represented a 10.9% increase in funding rather than the 4.9% actual. Funding for 2-year-olds would have been set at £7.44 per hour, £0.57 higher than the capped rate which represents a 19.0% increase.
- 5.9 The capping of Local Authority funding rates in the early years national funding formula by the Department for Education impacts directly on the income of early years providers in Bracknell Forest. Whilst providers will see an increase in hourly funding rates for 2023-24, data from provider surveys indicates that costs are increasing at a higher rate than the funding increase and it is expected that providers will see a real terms reduction in funding.
- 5.10 To reflect potential fluctuation in take-up of the entitlements, and therefore costs, the Department for Education uses 2 census points to calculate each Local Authorities Early Years Block Dedicated Schools Grant income. January 2023 part-time equivalent actual head count data of eligible children aged 2, 3 or 4 for 15 or 30 hours are used to calculate the first 5 months of the financial year from April to August 2023; with the equivalent January 2024 data used to fund the 7 months from September 2023 to March 2024.
- 5.11 Table 2 below provides a summary of the £8.689m anticipated Early Years Block Dedicated Schools Grant income for 2023-24 and Annex 2 provides a more detailed breakdown of the calculation. The calculation uses January 2022 actual part-time equivalent data as a proxy for likely take up in 2023-24 financial year so represents an estimate.

**Table 2: Forecast Early Years Block Income 2023-24**

Item	Estimated amount
Funding for 3- & 4-year-olds: universal 15 hours	£5,465,781
Funding for 3- & 4-year-olds: extended 30 hours for working parents	£2,495,053
<b>Sub Total: 3- &amp; 4-year-olds</b>	<b>£7,960,834</b>
Funding for 2-year-olds	£633,418
Funding for Early Years Pupil Premium	£55,590
Funding for Disability Access Fund	£40,042
<b>Total</b>	<b>£8,689,884</b>

Funding decisions previously taken by Schools Forum

- 5.12 The report presented to the Forum on 8 December 2022 proposed that no changes are made to the Early Years Funding formula for 2023-24.
- 5.13 In the absence of complete financial information from the Department for Education for the 2023-24 Early Years Block Budget, the Forum agreed the following approach to setting the budget and associated provider hourly rates:
- i. The components of the Early Years Funding Formula as agreed for 2022-23 are retained for 2023-24

- ii. The Early Years Block Budget for 2023-24 will be allocated using the following principles:
  - i) 95% of total income allocated to providers via the Early Years Funding Formula
  - ii) If the Department for Education announces an increase in the Early Years Block budget, the increase in funding is allocated to providers via the uniform base rate
  - iii) 5% of total income managed centrally by the council
- iii. The Disability Access Fund and Early Years Pupil Premium funding allocation should be allocated to providers at the same funding rate as received from the Department for Education

5.14 The current Early Years Funding Formula and funding rates are set out in Annex 3.

5.15 On 8 December 2021 Schools Forum agreed that the Deprivation Supplement would apply to the universal and extended entitlements for 3- and 4-year-olds. Feedback indicates that further clarification regarding the implementation of the Deprivation Supplement is required.

- i. All funded universal and extended hours for 3- and 4- year-olds eligible for the Early Years Pupil Premium attract a deprivation supplement of £2.00 per funded hour
- ii. For universal hours this supplement is comprised of
  - i) £1.38 from the Deprivation Supplement in the Early Years Funding Formula
  - ii) £0.62 from Early Years Pupil Premium funding.
- iii. For Extended hours the supplement is comprised of
  - i) £2.00 from the Deprivation Supplement in the Early Years Funding Formula

#### Budget Proposals

5.16 Reflecting on the DfE funding settlement, the final budget proposals for 2023-24 are as follows

- 1. The funding rate for the Deprivation Supplement will remain unchanged for 2023-24.
  - i) The number of funded hours claimed through the extended 30 hours entitlement are increasing year on year and this trend is forecast to continue. As these hours now attract deprivation funding for 3- and 4-year-olds eligible for the Early Years Pupil Premium the cost of the deprivation supplement is forecast to increase.
  - ii) To address this increase it is proposed that the deprivation supplement is increased from 3.8% to 4.1% of the total funds allocated to providers through the Early Years Funding Formula.
- 2. The funding rate for the Quality Supplement will remain unchanged for 2023-24.
- 3. The Quality Supplement will decrease as a proportion of the total funding allocated through Early Years Funding formula from 2% to 1.8%.
- 4. The Basic rate paid to providers will increase from to £4.60 to £4.92 from April 2023. The funding allocated to the Basic rate will decreased from 94.2% to 94.1% of the total funds allocated to providers through the Early Years Funding Formula.

5. The funding allocated to the Early Years Special Education Needs Inclusion Fund and the Provider 3- & 4-year-old Contingency will decrease from 1.4% to 1.3% of the total funds allocated to providers, remaining relatively unchanged in monetary terms.

- 5.17 Table 3 sets out the proposed 2023-24 Early Years Funding Formula that incorporates the proposed changes to the Formula and the agreed approach for setting the budget and associated provider rates.

**Table 3: Summary of the proposed 2023-24 Early Years Funding Formula**

EYFF Element	Weighting	Proposed hourly funding rate	% total EY funding
<b>Deprivation Supplement</b>	1.7% via average IDACI scores of children attending setting. Band 2	£0.32	
	Band 1	£0.16	
	2.4% via child eligibility to EYPP	£1.38	
<b>Quality Supplement</b>	1.8% of EYFF via setting leadership qualification Level 5 and above	£0.14	
<b>Uniform Base Rate</b>	94.1% of EYFF	£4.92	
	Indicative EYFF average provider rate	£5.23	92.4%
	Average SEN funding	£0.07	1.3%
	Average contingency funding	£0.07	1.3%
	<b>Subtotal to providers (average)</b>	<b>£5.30</b>	<b>95%</b>
	Average BFC funding (5%) max	£0.28	5%
	Indicative funding 3- and 4-year-olds	£5.58	100%
	Provider funding rate for 2-year-olds	£6.38	

- 5.18 Data on funded hours for the 2022 calendar year was used to compare the impact of the proposed 2023-24 Early Years Funding Formula to the current Early Years Funding formula on forecast provider income with the following highlight changes:

- i. 9 (6%) providers will see increased income of up to 6%
- ii. 129 (92%) providers will see increased income of up to 8%
- iii. 2 (1%) providers will see increased income of up to 10%

(This forecast is based on 140 providers funded in the 2022-23 financial year and is provided as an exemplar only).

Arrangements for the Special Educational Needs Inclusion Fund

- 5.19 The policy for the early years Special Educational Needs Inclusion Fund has remained unchanged since it was introduced in April 2017. The policy sets 3 levels of additional support, the criteria for each level against which a child's needs are assessed and the funding each level attracts. The Council is currently working on further developments to this policy to ensure the application process and use of the funds remain robust while meeting the needs of child, parents, and providers. However, while this work is

progressing it is proposed that the following changes to the policy are made to maximise the use of the allocated funding:

- i. Increase the funding for each level of support by 20%, so that for a child attending for the 15 hours universal entitlement the additional funding per term would be £852 for a low level of support, £1,272 for moderate and £2,124 for high.
  - ii. Extend funding to include the extended entitlement, so that for a child attending for the full 30 hours entitlement the additional funding per term would be £1,704 for a low level of support, £2,544 for moderate and £4,248 for high.
  - iii. Payments will be adjusted pro rata to reflect the actual hours a child attends a provision, up to a maximum of 30 hours a week.
- 5.20 Using funding data from 2022 as a proxy, the proposed changes to the Special Educational Needs Inclusion Fund are forecast to increase expenditure from £0.073m to £0.098m and is affordable within the proposed funding allocation for 2023/24 of £0.116m.

#### Arrangements for the Disability Access Fund

- 5.21 Disability Access Fund allocations to Local Authorities are based on Disability living Allowance recipient data which is not shared with the Council. Historically this has resulted in the Bracknell Forest Council receiving more funding for the Disability Access Fund than has been distributed. Where this is the case, the guidance to Local Authorities as set out in the Operational Guide is that *'local authorities are expected to spend any additional funding in line with the principles and aims of the fund'*.
- 5.22 The current arrangements for the Disability Access Fund underspend in Bracknell Forest, as previously agreed by Schools Forum, is to retain the underspend centrally to be used in supporting children in early years with Special Educational Needs and Disabilities.

#### Next Steps

- 5.23 The Early Years Block budget proposal for 2023-24 will be presented to the Executive member for approval on 21 March 2023.
- 5.24 Providers will be notified of indicative funding rates for 2023-24 by 1 February 2023, and funding rates for 2023-24 will be confirmed on 23 March 2023.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

#### Borough Solicitor

- 6.1 The legal issues are addressed within the report. Local authorities should follow the *Early Years Entitlement: local authority funding of providers operational guide 2023 to 2024*, published by the Department of Education on 16<sup>th</sup> December 2022, when setting the local funding formula. In setting the funding formula local authorities must consult the Schools Forum on changes to local early years funding formulas. Although the final decision rests with the local authority, the proposals put forward in this report seeks the agreement of the Schools Forum as a part of the consultation.

#### Executive Director of Resources

- 6.2 The Executive Director of Resources is satisfied that the anticipated financial implications arising from this report can be financed by the Early Years Dedicated Schools Grant.

### Impact Assessment

- 6.3 No Equalities Impact Assessment is required as the proposed changes implement statutory guidance which includes eligibility criteria.

### Strategic Risk Management Issues

- 6.4 There is no perceived risk, all proposals are within budget limits and are informed by feedback from the Early Years Forum.

### Climate Change Implications

- 6.5 The recommendations from this report are not expected to have an impact on emissions of carbon dioxide

## **BACKGROUND PAPERS**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/718179/Early\\_education\\_and\\_childcare-statutory\\_guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf)

Early education and childcare statutory guidance for local authorities - June 2018

[Early years entitlements: local authority funding of providers operational guide 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_years_entitlements_local_authority_funding_of_providers_operational_guide_2022_to_2023_-_GOV.UK_(www.gov.uk))

Early years entitlements: local authority funding of providers operational guide 2022 to 2023

## **CONTACT FOR FURTHER INFORMATION**

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### **Early Years Funding: Differences between 2022 to 2023 and 2023 to 2024**

The EYNFF used for calculating 3 and 4-year-old hourly rates in 2023 to 2024 remains similar to the formula that was introduced and used directly between 2017 to 2018 and 2019 to 2020 and then used as the starting point for consecutive pence uplifts to hourly rates in 2020 to 2021, 2021 to 2022 and 2022 to 2023. However, as outlined in the consultation response we can confirm that the following changes have been made to the early years funding formulae for 2023 to 2024:

- the starting point hourly rates for each EYNFF formula factor have been updated for the first time since 2017 to 2018 (see table 2) based on the increased funding secured for 2023 to 2024 in the Spending Review, additional funding to reflect the recently announced National Living Wage increases and the majority of the money that has previously been paid through the early years element of the TPPG
- the additional needs formula factors have been calculated using more up-to-date part-time equivalent (PTE) volumes and pupil characteristic data, for example, January 2022 censuses. The definition of the disability living allowance (DLA) factor has been changed to better align with other funding formulae
- the area cost adjustment (ACA) factors have been updated for new data, where possible, and improved, for example the methodology for calculating the proxy factor for premises costs has been extended to better reflect the provider composition differences between local authorities
- year-to-year protections and funding floors have been revised for 2023 to 2024, for example, the loss cap protection has been removed and a new +1% year-to-year protection and +4.9% gains cap has been introduced. These are applied before rounding the hourly funding rates to the nearest penny

Several changes have been made to the 2-year-old entitlement formula:

- the base rate for the formula has been updated for the first time since 2015 to 2016 based on the increased funding secured for 2023 to 2024 in the Spending Review and additional funding to reflect the recently announced National Living Wage increases
- the base rate calculations for 2023 to 2024 are now based on the most up-to-date data available, for example, January 2022 censuses
- the ACA factor has been updated and improved, for example, the general labour market (GLM) data has been updated, and a proxy factor for premises costs has been introduced to align the method with the ACA used in the EYNFF
- a new +1% year-to-year protection and +10.0% gains cap has been introduced for 2023 to 2024. These are applied before rounding the hourly funding rates to the nearest penny

Following the outcome of the consultation the 2023 to 2024 calculations for supplementary funding for maintained nursery schools have also been changed:

- all local authorities' hourly supplementary funding rates have been increased in line with funding secured in the Spending Review and additional funding to reflect the recently announced National Living Wage increases
- teachers' pay grant and teachers' pension employer contribution (TPPG) funding has been rolled in
- a minimum funding floor and cap have been applied to create a fairer distribution of this funding

## Proposed 2023-24 EY Budgets

<b><u>2023-24 EY Budget</u></b>	<b>3 and 4 year olds</b>						<b>2 year olds</b>			
	Hourly funding rate	Funded hours per week	Funded weeks per year	Total funded hours	Total Funding	%	Hourly funding rate	Total funded hours	Total Funding	%
<b><u>Forecast DSG funding from the DfE:</u></b>										
15 hours free entitlement funding forecast	£5.58	15	38	979,531	£5,465,781		£6.87	92,201	£633,418	
30 hours free entitlement funding forecast	£5.58	15	38	447,142	£2,495,053		-	-	-	
<b>Total BFC estimate of EY DSG funding</b>	<b>£5.58</b>			<b>1,426,673</b>	<b>£7,960,834</b>		<b>£6.87</b>	<b>92,201</b>	<b>£633,418</b>	
2022-23 rate *	£5.32						£6.25			
Change	£0.26	4.9%					£0.62	9.9%		
<b><u>For allocation through the EY Funding Formula (notional split by supplement):</u></b>										
Basic rate	£4.92	94.1%	of allocated funds		£6,919,222		£6.38	92,201	£589,078	93%
Deprivation supplement (average)	£0.21	4.1%	of allocated funds		£301,588		-	-	-	
Quality (average)	£0.09	1.8%	of allocated funds		£135,000		-	-	-	
<b>Total BFC estimate of EY Funding Formula allocation</b>	<b>£5.23</b>	(average)			<b>£7,355,811</b>	<b>92.40%</b>	<b>£6.38</b>	<b>92,201</b>	<b>£589,078</b>	<b>93.0%</b>
2022-23 rate *	£4.96						£5.62			
Change	£0.27	5.4%					£0.76	13.5%		
<b><u>Funding to be managed by the Council</u></b>										
<i>Outside the 5% cap of EY Funding Formula:</i>										
SEN Inclusion Fund	£0.07	1.3%	of total available funds		£103,491				£12,668	
Provider Contingency	£0.07	1.3%	of total available funds		£103,491					
					£206,982	<b>2.60%</b>			£12,668	<b>2.0%</b>
Total within the 95% allocation to providers - the "Pass through rate"					<b>£7,562,792</b>	<b>95.00%</b>			<b>£601,747</b>	<b>95.0%</b>

## Proposed 2023-24 EY Budgets

	3 and 4 year olds				2 year olds	
<i>Inside the 5% cap of EY Funding Formula:</i>						
BFC Services	£0.28	5.0% of total available funds				
Outreach to parents				£42,010		£31,671
Professional support to providers				£143,890		£0
Business support to providers				£87,000		£0
Free entitlement systems and software				£77,392		£0
Management of the EY Funding Formula				£47,750		£0
<b>Total BFC estimate of funding to be managed by the Council</b>				<b>£398,042</b>	<b>5.0%</b>	<b>£31,671 5.0%</b>
<b>Total BFC estimate of EY funding</b>				<b>£7,960,834</b>	<b>100.00%</b>	<b>£633,418 100.0%</b>
<b><u>Other Income</u></b>						
Early Years Pupil Premium	£0.62	15	38	89,661	▼	£55,590
Ring fenced Disability Access Fund		£828	per PTE	48.36	▼	£40,042
<b>Total anticipated income - DSG and other</b>				<b>£8,689,884</b>		

\* Includes addition of the TPPG funding @ £0.08

### Annex 3

#### Summary of the 2022-23 Bracknell Forest Early Years Funding Formula

EYFF Element	Weighting	Proposed hourly funding rate	% Total EY funding
<b>Deprivation Supplement</b>	1.6 % of EYFF via IDACI scores Average IDACI score of children attending setting.		
	Band 2	£0.32	
	Band 1	£0.16	
	2.2% of EYFF via child eligibility to EYPP	£1.40	
<b>Quality Supplement</b>	2.0% of EYFF via setting leadership qualification Level 5 and above	£0.14	
<b>Uniform Base Rate</b>	94.2% of EYFF	£4.60	
	Indicative EYFF average provider rate	£4.88	92.2%
	Average SEN funding	£0.07	1.4%
	Average contingency funding	£0.07	1.4%
	<b>Subtotal to providers</b>	<b>£5.03</b>	<b>95%</b>
	Average BFC funding (5%) max	£0.26	5%
	Indicative funding 3- and 4-year-olds	£5.29	100%
	Provider funding rate for 2-year-olds	£5.81	