

ITEM 7

Early Years NFF Budget and Distribution 2022/23

Schools Forum – 7 February 2022

Schools Forum is asked to:-

1. Note the early years indicative budget 2022/23
2. Agree to funding payment arrangements from April 2022 (1.5)
3. Agree proposal for payment method for MNS for 2022-25 (three year period) (2.1)

1. Early Years funding

- 1.1 Unlike the main schools block the Early years block does not have factors which can be used by Forum but relies instead on Government guidance and precedence from previous years in order to reduce fluctuations over time and to give providers some confidence about what funding they might expect. The only locally made decision is around how the Disabled Access Fund (DAF) is allocated.
- 1.2 The government has announced new hourly rates for 2022/23. Croydon's rates are as follows:
 - i. 2YO now £6.03, up from £5.82 and
 - ii. 3YO now £5.44 up from £5.27
- 1.3 The 2YO rate is a straight 'pass through' arrangement but the 3YO rate is top-sliced by up to 5% with the single funding formula requiring a minimum 95% pass through to providers;
- 1.4 Last year the 3YO rate was £4.93 i.e. 93.5% of £5.27 with the other 1.5% being held back for a deprivation uplift. In April any deprivation underspend will be distributed to ensure the LA meets the 95% 'pass through' rate expected by government.
- 1.5 The recommendation from the EYWG is to maintain the current model i.e. £5.44 x 93.5% = £5.08 and a deprivation reserve set at 1.5%

Table 1 - sets out the budget for 2022/23 based on the DfE indicative allocation 22/23.

Please note there has been an overall decrease from the previous year budget.

Funding	Indicative allocation	Rate
Universal 3 &4 year old funding &15 Xtr hours funding	Funding: 24,488,693.00	
	Funding 95% 23,264,258.35	Dfe rate: 5.44
	Funding 93.5%: 22,896,927.96	Hourly rate: 5.08
	Deprivation 1.5%: £367,330.48	Hourly rate: £1.02
	5% top slice: £1,224,434.65	
2 yr old funding	£2,591,918	Hourly rate: £6.03
EYPP (Early Years Pupil	£154,584.00	Hourly rate: £0.60

Premium)		
DAF	£125,600	Per child: £800
MNS (Maintained Nursery Schools)	£452,307.00	
Total	27,813,102	

2. Distribution for MNS for 2022-25

2.1 The forum is asked to vote on the distribution method of the MNS supplement for the financial year 22/23.

- a) **Option 1.** Distribute the supplement equally with all 5 nursery schools receiving the indicative sum of £90,461.00 which will divide into an indicative sum of £30,153.00 each term. Please note this figure is subject to change once the confirmed figure is provided (usually July)
- b) **Option 2.** (Current method) Distribute the supplement proportionately based on roll numbers. The figure per child is not known until the forecast figures are confirmed in spring 22. However table 2 below provides an example of how the supplement would be distributed (figures provided for example purposes only).

Table 2

Nursery	Pupil numbers	Proportionate share: £1,130.77 per pupil	Termly payment
N1	87	98,376.00	32,792.00 X3
N2	65	73,500.88	24,500.29X3
N3	55	62,192.00	20,730.66X3
N4	70	79,153.72	26,384.57X3
N5	123	139,084.40	46,361.46X3
Total	400	£ 452,307.00	£ 452,307.00

2.2 It is worth noting that the MNS indicative budget has been consecutively adjusted for the last 3 years as follows:

- a) 19/20: Indicative MNS Jan 19 £529.188. Actual MNS July 19 £508.501. Issued: 176,396.00 in July 19, 162,604.65 in October 19, 169,500.35 in March 20. **Total issued: £508.501**
- b) 20/21: Indicative MNS Jan 20 £536.405 Actual MNS November 21 £516.295. Issued: 169,500.32 in July 20, 169,500.32 in November 21, 169,500.35 in February 21. **Total issued: £536.405**
- c) 21/22: Indicative £536.406. Adjustment from 20/21: 20,110 (received Nov 21) = £516.296 (see table 3 for distribution method) **Total to be issued: £516.296**

Table 3

	Pupil numbers	% Split	Round to 2dp	1st Instalment	Adjustment paid Sep 21	Amount owed for the rest of the year to be split in 2 instalments	Nov 21	Feb 22
N1	98	22.53	116321.49	54,375.00		61,946.49	30973.24	30973.25
N2	69	15.87	81936.18	20,069.00	8,293.00	53,574.18	26787.09	26787.09
N3	60	13.8	71248.85	43,788.00		27,460.85	13730.43	13730.42
N4	93	21.37	110332.45	31,016.00	7,211.00	72,105.45	36052.72	36052.73
N5	115	26.43	136457.03	29,192.00	18,076.00	89,189.03	44594.51	44594.52
	435	100	516296	178440	33580	304,276.00	152137.99	152138.01

2.3 Indications show that there will also be an adjustment for 2021/2022 and the final adjustment will be known in July 2022. There is also a significant reduction in the budget proposals for 2022/2023 as a result of less pupils being in MNS. There is an underspend to be distributed (amount to be confirmed) which is hoped to ease the pressure of the reduced MNS supplement.

3. Funding payments

3.1 The LA is proposing to align the method in which early years providers receive their DSG to half termly payments rather than the current 12 monthly payments for PVI's and Preschools for PVI's and termly in advance MNS & Schools. This means there would be 6 payments over the financial year.

3.2 The proposal is that the requirement for budget setting in February will be removed. Providers will be paid 75% of their forecast funding figures inspead - which are already provided at the beginning of each term. Providers will receive the final 25% when the full termly headcount is submitted and any necessary adjustments have been made on the actual numbers of children accessing funding at their settings.

3.3 The rationale for this proposal is to support the sector by eliminating over and under budget setting, to streamline in house operations to ensure that all early years' providers are paid via the same method and to reduce the pressure on a reduced staff team by eliminating checking 204 individual budgets. Due to the current staffing position the team would not be able to check 204 budgets and would require additional staffing to do this.

3.4 Table 4 shows a snapshot of budgeted and actual numbers of children for a pre-school, day nursery, independent and maintained setting. Childminders do not set budgets so they have not been included in the snapshot. These settings were randomly chosen. Table 4 highlights the issues that can arise from over and underestimating budgets, which can lead to significant clawbacks (figures in red table 4) which impacts on their business.

3.5 Under estimates can also put pressure on a settings cashflow as the adjustment to the funding comes after the end of each term. Table 5 shows an example of how the proposed method would work for the same settings. The proposed method will remove the budgeting and therefore providers will get paid for children who are actually attending, eliminating both over and under estimates.

3.6 As the number of the children can change over the course of the term (between the submission of the forecast and the actual submission) is proposed and that 75% of the forecast submission is paid at the beginning of the term and 25% will be paid after any

adjustments at the end of each term. It is recognised that the first month of the proposed method may be a difficult time for providers who until now have received payments monthly.

- 3.7 There are risks to both the current and proposed method. The current method can place a financial risk on the LA if a setting over budgets and then closes whilst in deficit. The proposed method poses a risk if a setting closes mid-term. To support with this it is proposed that the 20/21 underspend which is due to the sector is distributed in March 22 to support providers with this transition.
- 3.8 The above proposals to change the current funding to the Early Years Sector will be put forward to the Director of Finance Investment and Risk & Section 151 Officer in accordance of the LA scheme of delegation with reference FR-FSOD 97 as part of the governance arrangements.

Table 4 - snapshot of budgeted and actual numbers of children for a pre-school, day nursery, independent and maintained setting

Setting	Spring 21	Summer 21	Autumn 21
1: Pre-school	Budget: □ 2:1 □ 3&4: 28	Budget: □ 2: 1 □ 3&4: 32	Budget: □ 2: 1 □ 3&4: 32
	Actual: □ 2:3 □ 3&4: 25	Actual: □ 2:2 □ 3&4: 28	Actual: □ 2:1 □ 3&4: 19
	-2,974.52	-5,879.02	-6,353.20
2: Day nursery	Budget: □ 2: 15 □ 3&4: 74	Budget: □ 2: 13 □ 3&4:13	Budget: □ 2: 22 □ 3&4: 45
	Actual: □ 2:17 □ 3&4: 45	Actual: □ 2:15 □ 3&4: 65	Actual: □ 2:12 □ 3&4: 51
	-11,977.65	-7,395.00	-11,023.35
3: Independent	Budget: □ 2: 0 □ 3&4: 57	Budget: □ 2: 0 □ 3&4: 51	Budget: □ 2: 0 □ 3&4:44
	Actual: □ 2:0 □ 3&4: 58	Actual: □ 2:0 □ 3&4: 62	Actual: □ 2:0 □ 3&4: 66
	11,785.40	9,169.80	19,596.75
4: Maintained	Budget: □ 2: 16 □ 3&4: 95	Budget: □ 2: 10 □ 3&4: 95	Budget: □ 2: 15 □ 3&4: 80
	Actual: □ 2:12 □ 3&4: 83	Actual: □ 2:11 □ 3&4: 103	Actual: □ 2:20 □ 3&4: 75
	-27,327.15	4,954.65	-3,500.40

Table 5 - an example of how the proposed method would work for the same settings as Table

Setting	Forecast	Funding owed	Funding paid beginning of the term 75%	Actual	Funding actually owed	Adjustment	Total
Pre-school	Spr 21						
	2YO: 3	2,880.90	2,160.70	3	2,880.90	720.22	2,880.90
	3YO: 23	18,709.35	14,032.01	25	20,336.25	6,304.24	20,336.25
	Sum 21						
	2YO:1	1,134.90	851.17	2	2,269.80	1,486.30	2,269.80
	3YO:28	26,917.80	20,188.35	28	26,917.80	6,729.45	26,917.80
	Aut 21						
	2YO: 2	2,444.40	1,833.30	2	2,444.40	611.10	2,444.00
	3YO: 20	20,706.00	15,529.50	19	19,670.70	4,141.20	19,670.70
Day nursery	Spr 21						
	2YO: 17	16,325.10	12,244	17	16,325.10	4,081.28	16,325.10
	3YO: 44	35,791.80	26,843.85	45	36,605.25	4,081.28	36,605.25
	Sum 21						
	2YO:15	17,023.50	12,768	15	17,023.50	4,255.88	17,023.50
	3YO:63	60,565.05	45,423.79	65	62,487.75	17,063.96	62,487.75
	Aut 21						
	2YO:7	8,555.40	6,417	12	14,666.40	8,249.85	14,666.40
	3YO: 50	51,765.00	38,823.75	51	52,800.30	13,976.55	52,800.30

Independent	Spr 21						
	2YO: 0	0	0	0	0		
	3YO: 57	46,366.65	34,774.99	58	47,180.10	12,405.11	47,180.10
	Sum 21:						
	2YO: 0	0	0	0	0	0	0
	3YO: 62	59,603.70	44,702.78	62	59,603.70	14,900.93	59,603.70
	Aut 21						
	2YO: 0	0	0	0	0	0	0
Maintained	3YO: 61	63,153.30	47,364.98	66	68,329.80	20,964.83	68,329.80
	Spr 21						
	2YO:11	10,563.30	7,922	12	11,523.60	3,601.13	11,523.60
	3YO:82	66,702.90	50,027.18	83	66,702.90	16,675.73	66,702.90
	Sum 21						
	2YO: 8	9,079.20	6,809	11	12,483.90	5,674.50	12,483.90
	3YO: 95	91,328.25	68,496.19	103	99,019.05	30,522.86	99,019.05
	Aut: 21						
2YO:18	21,999.60	16,500	20	24,444.00	7,944.30	24,444.00	
3YO:68	70,400.40	52,800.30	75	77,647.50	24,847.20	77,647.50	

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