

<b>Date of meeting:</b>	Thursday 18 <sup>th</sup> May 2023
<b>Title of report:</b>	<b>Funding Allocation Methodology for the Maintained Nursery School Supplementary Funding Grant</b>
<b>Type of report:</b> Delete as required	For information
<b>Executive summary:</b> Including reason for submission	This report provides an update on the work that has been undertaken, in consultation with the three Maintained Nursery Schools (MNS) operating within North Yorkshire, on reviewing and updating the funding allocation methodology for the MNS Supplementary Funding Grant.
<b>Budget / Risk implications:</b>	The levels of funding delivered by MNS Supplementary Funding Grant impacts on the sustainability of the three MNS operating within North Yorkshire. The funding allocated is contained within the MNS Supplementary Funding Grant allocation provided by the DfE through the Early Years' block of the Dedicated Schools Grant (DSG)
<b>Recommendations:</b>	<p>The North Yorkshire Schools Forum is asked:</p> <ol style="list-style-type: none"> <li>i. To note the review of the funding allocation methodology for the MNS Supplementary Funding Grant and the work undertaken, in consultation with the three MNS operating with North Yorkshire, to develop a proposed updated allocation methodology.</li> <li>ii. To note the recommendation to CYPS Executive Members and the Corporate Director – Children &amp; Young People's Service to approve an updated funding allocation methodology for the MNS Supplementary Funding Grant based on: <ul style="list-style-type: none"> <li>• £50,000 lump sum per MNS</li> <li>• The remainder of the funding distributed by: <ul style="list-style-type: none"> <li>- 80% universal 3 &amp; 4-year-old funded hours (termly headcount data)</li> <li>- 10% 3 &amp; 4-year-old post code deprivation Band A level (highest level – IMD score &gt;34.17) (January headcount data)</li> <li>- 10% 3 &amp; 4-year-olds eligible for Disability Access Funding (DAF) (3 year average)</li> </ul> </li> </ul> </li> </ol>
<b>Voting Requirements</b>	N/A
<b>Appendices:</b>	

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**Funding Allocation Methodology for the Maintained  
Nursery School Supplementary Funding Grant****1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides an update on the work that has been undertaken, in consultation with the three Maintained Nursery Schools (MNS) operating within North Yorkshire, on reviewing and updating the funding allocation methodology for the MNS Supplementary Funding Grant.

**2.0 BACKGROUND**

- 2.1 The DfE have previously provided specific supplementary funding for MNS to enable their 2016/17 funding levels related to the delivery of universal provision to continue to be maintained under the Early Years National Funding Formula (EYNFF) arrangements. This has enabled a higher level of funding to continue to be paid to MNS during the period which the supplementary funding is in place. In Summer 2022, the DfE announced an additional £10m investment in MNS supplementary funding from 2023-24, and they also consulted on proposals to distribute the MNS supplementary funding more evenly across all LAs with MNSs in 2023-24. In December 2022, the DfE confirmed the following developments for MNS supplementary funding for 2023/24:

- The introduction of a minimum funding floor set at £3.80 per MNS hour and a cap set at £10 per MNS hour, in order to distribute the supplementary funding more evenly between LAs with MNSs. North Yorkshire is receiving the floor level funding rate of £3.80 per MNS hour for three and four-year old universal provision.
- The funding which MNSs currently receive through the teachers' pay and pension grants will be rolled into the supplementary funding that LAs receive for their MNSs from 2023-24. The indicative funding rate rolled into the MNS supplementary funding for North Yorkshire is £0.50 per hour; this funding is included within the overall £3.80 MNS supplementary funding rate.

- 2.2 The indicative MNS supplementary funding value for North Yorkshire is £414k for the 2023/24 financial year. The indicative supplementary funding allocation is subject to adjustment at the end of the financial year to reflect the actual three and four-year old universal hours delivered within the year by the MNS. The DfE have indicated that the level at which the minimum funding floor will be set for 2024-25 along with all other MNS supplementary funding rates will be announced in Autumn 2023. They have also stated that levels of supplementary funding for MNS for the financial years after this will be subject to the outcome of the next Spending Review.

- 2.3 North Yorkshire received £2.57 per MNS 3 & 4-year-old universal hour in respect of the MNS supplementary funding grant level for the 2022/23 financial year. In addition to the supplementary funding, the MNS also received separate DfE grant funding to support the cost pressures related to teachers' pay and pension increases. For the 2023/24 financial year, the separate teachers' pay and pensions grant has been mainstreamed. The MNS supplementary funding grant has increased to £3.80 per MNS 3 & 4-year-old universal hour; the base rate has increased from £2.57 to £3.30, with an addition of £0.50 per hour related to the mainstreaming of the pay and pensions grant. Given the significant increase in the MNS supplementary funding grant level for the 2023/24 financial year, it was considered appropriate to review the grant

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distribution methodology in conjunction with the three MNS operating within North Yorkshire.

**3.0 FUNDING ALLOCATION METHODOLOGY FOR THE MAINTAINED NURSERY SCHOOL SUPPLEMENTARY GRANT**

- 3.1 The allocation methodology previously utilised for the distribution of the MNS supplementary funding grant consisted of a lump sum allocation (£32,170) plus an amount (£1.69) per universal 3 & 4-year-old hour. Indicative funding allocations are produced at the start of the financial year based on the previous year funded hours; the allocations are updated at the end of the financial year to reflect the actual 3 & 4-year-old universal hours delivered in year.
- 3.2 Local authority officers have worked with representatives from the three MNS operating within North Yorkshire to review the funding allocation methodology for the MNS supplementary funding grant. The work has focused on agreeing the key principles for the allocation methodology and considering the options modelled as to the most appropriate for implementation.
- 3.3 The review identified the following key principles for the funding allocation methodology:
- Funding allocation across the three MNS must be contained within the MNS Supplementary Funding Grant allocation received from the DfE (2023/24 indicative funding allocation £414k)
  - The allocation methodology should seek to support the financial viability of all 3 MNS
  - The allocation methodology should reflect the operating context and characteristics of the three MNS in terms of:
    - 3 & 4-year-old funded hours delivered
    - Deprivation
    - High Needs
  - The allocation data used should be objective and easily available
  - The allocation methodology should be transparent and able to be locally forecasted
  - The allocation methodology should avoid significant funding turbulence, both in the transition from the previous allocation methodology and from year to year going forward.
  - Administration of the allocation methodology should be proportionate to the level of funding involved.
- 3.4 The review considered the operating context and characteristics of the three MNS and found key differences in:
- The levels of 3 & 4-year-old funded hours delivered
  - The levels of deprivation of the localities each establishment serves
  - The numbers of children with high needs attending each establishment
- 3.5 Having regard to the key principles for the funding allocation methodology, the following factors were considered to be the most appropriate basis for a funding allocation methodology:
- A lump sum of £50,000 per MNS
  - The remainder of the funding to be distributed by:

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- 3 & 4-year-old funded hours. Options: Universal hours only or universal + extended hours
- Deprivation. Options: Deprivation levels associated with the 3 & 4-year-old children attending the MNS or numbers of children eligible for early years pupil premium
- High Needs. Options: The number of children eligible for Disability Access Funding (DAF) or the number of children eligible for Element 2 high needs funding.
- The provision of a “funding floor” that provides a minimum of a 20% funding increase for each MNS for the 2023/24 financial year supplementary funding grant compared to the level of supplementary grant + teachers’ pay and pension grant received in the 2022/23 financial year.

3.6 Modelling was undertaken based on the factors and criteria detailed in 3.5 above. From this modelling, the option that was considered to most appropriately reflect the requirements of the key principles provided a funding allocation methodology based on:

- £50,000 lump sum per MNS
- The remainder of the funding distributed by:
  - 80% universal 3 & 4-year-old funded hours (termly headcount data)
  - 10% 3 & 4-year-old post code deprivation Band A level (highest level – IMD score >34.17) (January headcount data)
  - 10% 3 & 4-year-olds eligible for DAF (3 year average)

3.7 The 2023/24 indicative MNS supplementary funding grant allocations, based on the proposed funding allocation methodology, for the maintained nursery schools are as follows:

	<b>Childhaven Nursery School</b>	<b>Brougham Street Nursery School</b>	<b>Otley Street Nursery</b>
Lump Sum	£50,000	£50,000	£50,000
3 & 4-Year-Old Universal Funded Hours	£65,243	£69,159	£76,788
Deprivation (Band A)	£16,590	£5,679	£4,130
DAF	£7,764	£13,976	£4,659
<b>Total</b>	<b>£139,597</b>	<b>£138,814</b>	<b>£135,577</b>
<i>For Information: 2022/23 MNS Supplementary Funding Allocation + Teachers’ Pay &amp; Pension Grant</i>	<i>£103,427</i>	<i>£106,392</i>	<i>£112,162</i>

The indicative funding allocations will be updated at the end of the financial year to reflect the actual data for the current financial year.

3.8 The review of the funding allocation methodology for the MNS Supplementary Funding Grant and the associated options modelling process has been undertaken in conjunction with the three MNS operating within North Yorkshire. Two meetings have been held with the MNS on 29 March 2023 and 18 April 2023 to discuss and seek views on the allocation principles, options modelling and the final proposed allocation methodology. The MNS expressed a view for the allocation methodology to be widened to recognise deprivation and high needs factors; this view has been reflected

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in the proposed updated funding allocation methodology. The three MNS also supported a broadly equal split of the funding across the three establishments; the proposed methodology has sought to achieve an equitable allocation of the funding that recognises both the individual operating characteristics of the individual establishment and the need for financial viability for each establishment. The three MNS have indicated their support for the proposed funding allocation methodology for the MNS Supplementary Funding Grant.

#### 4.0 RECOMMENDATIONS

##### 4.1 The North Yorkshire Schools Forum is asked:

- i. To note the review of the funding allocation methodology for the MNS Supplementary Funding Grant and the work undertaken, in consultation with the three MNS operating with North Yorkshire, to develop a proposed updated allocation methodology.
- ii. To note the recommendation to CYPS Executive Members and the Corporate Director – Children & Young People’s Service to approve an updated funding allocation methodology for the MNS Supplementary Funding Grant based on:
  - £50,000 lump sum per MNS
  - The remainder of the funding distributed by:
    - 80% universal 3 & 4-year-old funded hours (termly headcount data)
    - 10% 3 & 4-year-old post code deprivation Band A level (highest level – IMD score >34.17) (January headcount data)
    - 10% 3 & 4-year-olds eligible for Disability Access Funding (DAF) (3 year average)

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