

EXECUTIVE 29th March 2022

Report Title	Distribution of Maintained Nursery Supplementary Fund 2022/23
Report Author	Ann Marie Dodds, Director of Children's Services (Interim)
Executive Member	Cllr Scott Edwards, Executive Member for Children, Families, Education and Skills

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	

List of Appendices

Appendix A – Equalities Screening

Appendix B – Equalities Impact Assessment

1. Purpose of the Report

- 1.1. This report considers options for the distribution of maintained nursery supplementary funding for 2022/23 and requests a review of funding for ongoing years to be undertaken. The options were consulted upon with the 4 maintained nurseries, Highfield, Croyland, Ronald Tree and Pen Green. Full consideration has also been given to the options in consultation with the North Northamptonshire Schools' Forum as statutory consultee.

2. Executive Summary

- 2.1 The Maintained Nursery Supplementary Fund is one element of the Dedicated Schools Grant. The supplement is awarded to the council to ensure the additional requirements placed upon maintained nurseries can be appropriately discharged. The Department for Education (DfE) make the award to the Council based upon the participation levels of children in the universal free entitlement. North

Northamptonshire Council have seen a reduction in the funding available to distribute across the 4 maintained nurseries from the DfE.

- 2.2 Historic funding arrangements by Northamptonshire County Council have lacked transparency and have created a funding model that is inequitable and has placed 3 of the 4 settings at risk of closure.
- 2.3 Consultation with the settings and review by the Schools' Forum have resulted in two options being recommended to Executive for the funding of the maintained nurseries in 2022/23. Further review will be undertaken to establish the medium/longer term financial arrangements for all 4 maintained nurseries.

3. Recommendations

3.1 It is recommended that the Executive

a) Note that either of the following options may be considered for approval;

Option Two- A halfway house between a participation-based model and a 0% Minimum funding guarantee for three (Croyland, Highfield, Ronald Tree) of the four nurseries.

Option Four- Based upon a 25% increase on the minimum funding guarantee for three (Croyland, Highfield, Ronald Tree) of the four nurseries to realign budgets towards participation.

b) Note that the Schools' Forum (as statutory consultee) recommended approval of either Options Two or Four

c) Agree that either Option Two or Four should be used to distribute the maintained nursery supplementary funding for 2022/23.

d) Request that the Scrutiny Commission include a review of finance, provision and performance arrangements of maintained nurseries to their Workplan

e) Commission a financial audit of the 4 Maintained Nurseries Highfield, Croyland, Ronald Tree and Pen Green for the period 2017/18 through to 2021/22.

3.2 Reasons for Recommendations:

a) The Schools' Forum for North Northamptonshire agreed at their meeting on 17th March 2022 to recommend 2 options to the Executive for their decision. These options were discussed in detail at the meeting on 17th March following a consultation with the 4 maintained nurseries. The recommended options are therefore supported by the statutory consultee.

b) The options that forum support are:

- i) The move to a half-way house (option 2) which seeks to address historic discretionary funding arrangements for the 4 maintained nurseries. This option seeks to move towards a participation-based formula for the funding of maintained nurseries. The reason for the intermediate ('halfway') position (option 2) as opposed to a full participation-based approach is because forum recognise that to shift immediately to a purely participation-based approach would place services to children and families in Corby at immediate risk whilst budgets and staffing structures are realigned. It is felt that to achieve a transparent and equitable long-term funding mechanism this first step will move towards the national funding model. This would allow for all settings to plan for a participation-based model of funding.
- ii) The alternative option would see a minimum funding guarantee for Highfield, Croyland and Ronald Tree plus an uplift of 25%. This option (Option 4) was considered as acceptable to School Forum as it seeks to increase funding to 3 of the 4 maintained nurseries whilst minimising the reduction of funding to Pen Green. This model would see a reduction of supplement for Pen Green to be met from their unallocated reserves (2020/21). It would also increase funding to 3 of the settings and where it is not adequate to recover deficits it may achieve stability whilst additional work is undertaken to move to a longer-term, transparent funding model.
- c) Historic funding arrangements have resulted in significant discrepancies in the funding arrangements for the 4 maintained nurseries. This has put the long-term financial sustainability of 3 of the 4 nurseries at risk and has resulted in large surpluses in one of the 4 nurseries. To better understand the arrangements and to enable appropriate and transparent funding arrangements to be put into place, ensuring lessons are learned, it is recommended that Scrutiny consider the historic/current arrangements and operation of the 4 maintained nurseries.
- d) The inconsistency regarding the funding arrangements and financial position of the 4 nurseries has prompted the need for a greater understanding which will be achieved through a financial audit.

3.3 Alternative Options Considered:

3.3.1 The North Northamptonshire School Forum considered 5 options (as contained in papers see link para 8.1). These options are captured in 4.4.4. Only 2 options were deemed appropriate for further consideration. Those options being a move to a 'halfway house' and an uplift of 25% to three of the four maintained nurseries.

3.3.2 Option 1 which is a move to a participation-based model at all 4 of the maintained nurseries was deemed not to be appropriate as moving to a participation-based funding arrangements in 1 year saw a reduction of £684,521 at Pen Green. This reduction in a single year would not allow for appropriate planning and safe reduction of service provision for children and families in the Corby area.

Consultation responses were not in favour of this option as the budgetary impact on Pen Green in the immediate was deemed to pose too great a risk in too short a

timescale. Thus, preventing appropriate planning by Pen Green to ensure the considered management of the offer to children and families.

- 3.3.3 Option 3 which is based upon a minimum funding guarantee at Croyland, Highfield and Ronald Tree nurseries was deemed not to be appropriate as a minimum funding guarantee with 0% increase for 3 of the 4 nurseries was likely to result in 2 of the nurseries being non-viable financially and resulting in closure. A third nursery was likely to move into a deficit position and likely also to close. Therefore, to continue with this model of funding 3 from 4 nurseries would likely close between 2022/24.

Consultation responses were not in favour of this option as the likely impact would be the closure of 2, potentially 3 of the existing maintained nurseries.

The equality impact of this option would be the potential withdrawal of maintained nursery provision from the Wellingborough and Kettering areas. This would result in fewer services available to support children and families living in the local area. This would impact on children under the age of 5 years; support to children under 5 years with disability; support to and services for pregnant and new mothers and health and well-being services for young children and their parents and carers.

- 3.3.4 Option 5 which is based upon a minimum funding guarantee with an increase of 20% funding for Croyland, Highfield and Ronald Tree nurseries like Option 3 was deemed not to be financially viable for 3 of the 4 nurseries. The financial uplift of 20% was believed to be insufficient to address the deficit position of 2 of the nurseries and would not be sufficient to address the ongoing financial challenges across 3 of the 4 settings likely resulting in the closure of 3 of 4 nurseries.

In line with option 3 the equality impact of this option would be the potential withdrawal of maintained nursery provision from the Wellingborough and Kettering areas. This would result in fewer services available to support children and families living in the local area. This would impact on children under the age of 5 years; support to children under 5 years with disability; support to and services for pregnant and new mothers and health and well-being services for young children and their parents and carers.

- 3.3.5 Given the supplement awarded to the local authority is based upon the participation of children attending the universal free entitlement in the maintained nursery failure to sustain provision would see a proportionate reduction in funding available to NNC and would immediately impact on children and families in all localities who currently benefit from maintained nursery provision.

- 3.3.6 Consideration was given to the use of reserves for the financial year 2022/23. This option was discounted on the balance of financial sustainability.

4. Report Background

- 4.1 At its extraordinary meeting held on 10th February 2022, the Schools' Forum received a report relating to the future methodology to be used for the distribution of Maintained Nursery (MNS) Supplement grant. The report recommended, and it was agreed, that

a consultation should be undertaken to gather the views of the four Maintained Nursery Schools in North Northamptonshire Council (NNC) all of whom would be directly impacted by any change in methodology.

- 4.2 The consultation has now been completed, (closing date for submissions was 3rd March 2022). The Schools' Forum considered the results of the consultation and received representation from the maintained nurseries at the Schools' Forum on 17th March 2022.
- 4.3 The MNS supplementary grant is provided by the Department for Education (DfE) to support the ongoing provision of the universal offer of 15 hours free nursery education in Maintained Nursey Schools. The guidance in relation to the provision and intended use of the grant can be found [link here](#)
- 4.4 The Indicative 2022/23 Early Years Maintained Nursery School Supplement in the Early Years Block DSG published in December 2021 is derived by taking the 2021/22 supplementary funding rate as the starting point and then uplifting it by 3.47% and rounding to two decimal places. This supplementary funding rate is then multiplied by the 15-hour universal participation hours in the January 2021 census. Adjustments are made later in the financial year when actual participation hours based on January 2022 census are known, with the final allocation determined in July 2023 based on 5 months of the January 2022 census and 7 months of the January 2023 census.
- 4.5 The grant originated in 2017/18 following a change in the funding of early years provision that could have negatively impacted on Maintained Nursery Schools due to the additional costs they have to meet compared to Private, Voluntary, and independent providers, because of differing regulatory frameworks for example
- 4.6 At that time the allocation for Northamptonshire County Council (NCC) was adjusted by DfE to reflect additional resources that were provided to the Council through other routes to support the extended offer that was provided in a number the Nursery Schools in the area, including Pen Green, now in North Northamptonshire
- 4.7 Over time, and because of the move to the distribution methodology set out above, the ability to identify the amount of grant received for protection of the universal offer, and the amount for the extended offer has been lost
- 4.8 The DfE are clear that it is now for each Council to decide how best to use the grant to support the ongoing provision of services in their area
- 4.9 Additionally, over this time the DfE have reduced the overall amount of grant distributed through this route
- 4.10 As a result of uncertainty around grant allocations, and a commitment to provide stability during the Local Government Review (LGR) process, the 2021/22 allocation for NNC nurseries was based on NCC's 2020/21 grant distribution levels, this resulted in a deficit as the overall quantum for funding reduced by £311k from the estimate of £1.204m to £893k. This deficit is estimated to be reduced by around £200k as part of an adjustment to funding levels that is still to be competed following LGR – the final outturn will not be known until July 2022 and any adjustments will be reflected 2023/24.

- 4.11 The initial split of the former NCC grant was undertaken based on participation levels in line with the DfE grant calculation methodology.
- 4.12 As part of the LGR process, it was recognised that this did not reflect actual historic spend patterns so an adjustment would be required. For 2021/22 there was an agreement for such an adjustment to be actioned. The Council is continuing to work to ensure that historic spend patterns are appropriately reflected in the ongoing split of the grant.
- 4.13 Following the closure of Northamptonshire County Council's 2020-21 accounts, it has been identified that there are carried forward balances available which could be used to support the available MNS grant. The availability and use of these one-off resources remain subject to verification by external audit and would have to be the subject of a formal NNC decision making process to offset any future deficit positions
- 4.14 The NCC distribution methodology used previously to allocate resources to each of the individual Nursery Schools has been broadly based on historic allocations and adjusted to reflect changing grant levels. The impact of this on the proportional split of grant, as set against levels of participation, the basis on which the grant is allocated to NNC, is as follows:
- 4.15 Distribution of participation hours – vs – distribution of funding Maintained Nursery:

Maintained Nursery School	Participation Hours	% Hours	Funding Award 21/22	% Funding Award 21/22
Croyland	4117.33	16	£52,079	4
Highfield	5972.00	23	£64,200	6
Pen Green	9652.00	36	£1,027,620	85
Ronald Tree	6514.33	25	£60,112	5
Total	26255.66	100	£1,204,011	100

- 4.16 The grant has been distributed in 2021-22 as presented and agreed at Northamptonshire County Council's March 2021 Schools' Forum as follows:

Nursery School	2017-18 DSG		2020-21 DSG		2020-21 DSG EYMNSS Devolved Locally	Transfer between Nursery Schools	2020-21 DSG	
	EYMNSS	%	EYMNSS received from ESFA	%			EYMNSS	%
Camrose	£487,455	22%	£213,016	10%	£379,226		£379,226	21%
Gloucester	£77,680	4%	£213,016	10%	£49,694		£49,694	3%
Parklands	£66,608	3%	£106,508	5%	£46,930		£46,930	3%
Whitehills	£69,305	3%	£124,260	6%	£48,615		£48,615	3%
Wallace Road	£68,969	3%	£142,011	7%	£46,659		£46,659	3%
WNC Total	£770,017	35%	£798,811	37%	£571,124	£0	£571,124	32%
Pen Green	£1,167,523	54%	£337,276	16%	£1,042,620	(£15,000)	£1,027,620	58%
Croyland	£78,476	4%	£177,514	8%	£52,079		£52,079	3%
Ronald Tree	£76,075	3%	£266,270	12%	£45,112	£15,000	£60,112	3%
Highfield	£82,528	4%	£195,265	9%	£64,200		£64,200	4%
NNC Total	£1,404,602	65%	£976,325	45%	£1,204,011	£0	£1,204,011	68%
Total	£2,174,619	100%	£1,775,136	82%	£1,775,135	£0	£1,775,135	100%

- 4.17 This budget allocation is because of the additional resources historically allocated to the grant for the extended offer.
- 4.18 The actual allocation to each Nursery school does not adequately reflect the purpose of the EYMNSS which is to protect the universal 15-hour provision. As a result of this, three of the Nursery Schools are projecting increasing deficits year on year because of this approach.
- 4.19 The reduced level of participation in 2021/22 due to Covid has led to a reduction in EYMNSS funding received from ESFA contributing to the EYMNSS estimated overspend of around £111k after allowing for the agreed adjustment following LGR.
- 4.20 The overall level of grant now received does not reflect the historic commitments that were made to support the extended offer, and to provide the protection for the 15-hour universal offer which is the purpose of the grant.
- 4.21 Further engagement is ongoing with DfE to clarify the impact this will have on services and make the case for additional resources to be allocated to support services to children, young people, and their families.
- 4.22 A paper was presented to the Schools' Forum at its meeting on 10th February 2022 setting out possible ways forward and proposed a consultation to be undertaken with the Maintained Nursery Schools based on three options that could address these issues.
- 4.23 The intended outcome of this process was to enable the council to take an informed decision on how it can meet its statutory duty to protect the universal 15-hour provision at its Maintained Nursery Schools as well as reflect the funding for the extended offer which has become absorbed in the "enhanced" supplementary funding rate, whilst ensuring a robust and transparent distribution methodology that is fit for purpose is in place.
- 4.24 At that meeting it was stated in the report that to move away from participation as a methodology for distribution of the grant would require an approved disapplication of regulations by the Secretary of State. Since then, the DfE have confirmed that a disapplication request is not required and the decision around the methodology of the distribution of EYMNSS is at the discretion of the Council. The DfE has confirmed that this does not affect the validity of the consultation that has been undertaken.
- 4.25 An equality impact assessment was completed at the time of submitting the disapplication request to the DfE and has been subsequently revised and updated over subsequent weeks and is attached at **Appendix A**.
- 4.26 As a result of the above, the three options that were set out to Forum, and presented as the basis of the consultation, assumed that there may be a need to move towards participation as the sole distribution methodology over a period.
- 4.27 As this was later determined not to be the case it is possible to review the consultation responses and consider a wider range of options to address the issues set out above.
- 4.28 To ensure the consultation was carried out while the funding proposals were at a formative stage the detail for the consultation was presented at the Schools' Forum

on 10th February and sought views on three options for the future distribution methodology for MNS grant. These all related to either maintaining the status quo or moving, immediately or over time, towards a distribution based on participation.

- 4.29 The total available to be distributed of £622k was based on the indicative DfE allocation to NNC for 2022/23, £933k less the projected overspend for 2021/22 of £311k.
- 4.30 The options presented to Schools' Forum can be seen in 7.1.3.
- 4.31 From the text consultation responses received, there is broad agreement with the principle of moving towards a transparent and equitable methodology, but also an understanding that in reallocating limited resources this could have a significant impact on individual providers.
- 4.32 A number of specific questions were raised through the consultation process, and these were further considered by the Schools' Forum on 17th March and have been considered in preparation of this report.
- 4.33 The options presented through the consultation process assumed that the quantum available for distribution was £622,493, being the NNC allocation for 2022/23 £933,309 less the anticipated deficit carried forward from 2021/22 £310,816.
- 4.34 As set out above, a review of the historic NCC distribution of MNS grant showed that the allocation methodology used to allocate budget at LGR did not reflect actual spend. As such, a reallocation is required that increases the resources available to NNC. This, along with NCC reserves that will be disaggregated to the North could be used to support MNS grant expenditure, means that modelling the distribution based on the total available grant for 2022/23 of £933,309, would be more appropriate.
- 4.35 Throughout this process, the options presented have sought to distribute the full amount of grant forecast to be provided by DfE, adjusted for historic deficits. This approach will continue to be implemented as work is completed to quantify the actual funding that will be available for the 2022/23 financial year.
- 4.36 This remains an indicative modelling of the allocations, as work is ongoing to finalise the impact of these actions, and the use of resources in this way would be subject to formal Council decision making processes
- 4.37 Based on this approach, options 1, 2 and 3 can be represented as follows:

Option 1: Based on Participation hours which is the same the basis NNC is funded by ESFA for EYMNSS.

Option 2: Based on half-way house between participation hours and 0% MFG for the other 3 nursery schools.

Option 3: Based on 0% MFG for the other 3 nursery schools Based on the outcome of the consultation, and further to discussions with DfE about their expectations, requirements and the history of the grant, a review of these options presented has been undertaken.

- 4.38 Two further options were developed that do not seek to establish a move towards the grant being distributed based on participation, but looks to ensure that the purpose of the grant is fulfilled, i.e. all nurseries are protected to be able to provide the 15 hour universal provision, and then any available resources are used to support the extended offer delivered by Pen Green.
- 4.39 These further options are based on an estimate of the level of funding required to provide protection for the 15-hour universal offer, being the purpose of the grant, and then allocate further resources to Pen Green to reflect the extended offer.
- 4.40 To ensure fair consideration of these additional options and to ensure consultees can make sense of the consultation exercise the additional options and consultation responses were shared in advance of the Schools' Forum meeting on 17th March 2022. The consultees were allowed to comment on these options through their presentation at the Schools' Forum on 17th March 2022.
- 4.41 Option 4 gives the 3 maintained other nursery schools a 25% uplift in funding based on 2021/22 allocations.
- 4.42 Option 5 provides for a 20% uplift in funding on the same basis.
- 4.43 These estimates for the level of uplift reference the ongoing deficits these nurseries are experiencing and the impact of budget pressures on their operating costs.
- 4.44 All 5 options are modelled as follows:

Option 1 - Based on Participation hours = the basis NNC is funded by ESFA for EYMNSS

Pupil hours Jan 2022	Nursery	2021-22 Budget Allocation	2022-23 Budget Based on pupil hours Jan 2022	% based on pupil hours Jan 2022	Change from 2021-22 Budget	2020-21 Uncommitted School Reserve Balance
£4,117	Croyland Children's Centre and Nursery School	£52,079	£146,359	16%	£94,280	£(4,888)
£5,972	Highfield Nursery School	£64,200	£212,286	23%	£148,086	£(58,004)
£9,652	Pen Green Centre for Children and their Families *	£1,027,620	£343,099	37%	£(684,521)	£314,362
£6,514	Ronald Tree Nursery School & Children's Centre	£60,112	£231,565	25%	£171,453	£0
£26,256	Total	£1,204,011	£933,309	100%	£(270,702)	£251,470

Option 2 - Half way House between Participation hours and 0% MFG for the other 3 nursery schools

Nursery	2021-22 Budget Allocation	2022-23 Budget Based on Half Way House	Half Way House	Change from 2021-22 Budget	2020-21 Uncommitted School Reserve Balance
Croyland Children's Centre and Nursery School	£52,079	£111,997	12%	£59,918	£(4,888)
Highfield Nursery School	£64,200	£153,996	17%	£89,796	£(58,004)
Pen Green Centre for Children and their Families *	£1,027,620	£503,987	54%	£(523,633)	£314,362
Ronald Tree Nursery School & Children's Centre	£60,112	£163,329	18%	£103,217	£0
Total	£1,204,011	£933,309	100%	£(270,702)	£251,470

Option 3 - Based on 0% MFG for the other 3 nursery schools

Nursery	2021-22 Budget Allocation	2022-23 Budget Based on 0% MFG for the other 3 nursery schools	% based on 0% MFG for the other 3 nursery schools	Change from 2021-22 Budget	2020-21 Uncommitted School Reserve Balance
Croyland Children's Centre and Nursery School	£52,079	£52,079	6%	£0	£(4,888)
Highfield Nursery School	£64,200	£64,200	7%	£0	£(58,004)
Pen Green Centre for Children and their Families *	£1,027,620	£756,918	81%	£(270,702)	£314,362
Ronald Tree Nursery School & Children's Centre	£60,112	£60,112	6%	£0	£0
Total	£1,204,011	£933,309	100%	£(270,702)	£251,470

Option 4 (a) - Based on 25% increase for the other 3 nursery schools to realign budgets towards participation

Nursery	2021-22 Budget Allocation	2022-23 Budget Based on 25% increase to the other 3 Nursery Schools to realign budgets towards participation	% based on 25% increase to the other 3 Nursery Schools to realign budgets towards participation	Change from 2021-22 Budget	2020-21 Uncommitted School Reserve Balance
Croyland Children's Centre and Nursery School	£52,079	£65,099	7%	£13,020	£(4,888)
Highfield Nursery School	£64,200	£80,250	9%	£16,050	£(58,004)
Pen Green Centre for Children and their Families *	£1,027,620	£712,820	76%	£(314,800)	£314,362
Ronald Tree Nursery School & Children's Centre	£60,112	£75,140	8%	£15,028	£0
Total	£1,204,011	£933,309	100%	£(270,702)	£251,470

Option 5 (a) - Based on 20% increase for the other 3 nursery schools to realign budgets towards participation assuming Reserves agreed for use

Nursery	2021-22 Budget Allocation	2022-23 Budget Based on 20% increase to the other 3 Nursery Schools to realign budgets towards participation	% based on 20% increase to the other 3 Nursery Schools to realign budgets towards participation	Change from 2021-22 Budget	2020-21 Uncommitted School Reserve Balance
Croyland Children's Centre and Nursery School	£52,079	£62,495	7%	£10,416	£(4,888)
Highfield Nursery School	£64,200	£77,040	8%	£12,840	£(58,004)
Pen Green Centre for Children and their Families *	£1,027,620	£721,640	77%	£(305,980)	£314,362
Ronald Tree Nursery School & Children's Centre	£60,112	£72,134	8%	£12,022	£0
Total	£1,204,011	£933,309	0%	£(270,702)	£251,470

4.45 The Schools' Forum on 17th March 2022 were asked to consider the consultation responses and the NNC proposals, as set out above and in the attached appendices, and express a preference as to how NNC should proceed

4.46 This included identifying any of the options set out above as a preference or by asking that further consideration be given to specific identified issues.

4.47 Representation at the meeting was agreed by the chair allowing non forum members to feedback to forum for and on behalf of all 4 of the maintained nurseries.

4.48 Except for Pen Green, the greatest support was for option 2 the 'half-way' house. Concern was raised over the addition of options 4 and 5 given they were added as options following consultation feedback and had not therefore been consulted on.

5. Issues and Choices

5.1 Issues and choices have been addressed through the recommendations to school forum.

5.2 In summary the five options were as follows:

- Option 1 based on indicative funding distributed in line with participation. This would result in significant financial increases to 3 of the 4 settings (Highfield, Croyland and Ronald Tree) whilst Pen Green would see a significant financial reduction (para 4.44). The scale of the financial loss at Pen Green within the timeframe would not provide an appropriate timescale to plan the necessary changes to service provision. The likely impact would be the delivery of services to children and families accessing the services provided by Pen Green and would impact upon children under 5 years of age, children with disabilities, pregnant and new mothers and the emotional health and wellbeing of children and families using the centre.

- Option 2 based on the distribution of funds at a level that provides a minimum guarantee and begins to close the gap between actual funding and the appropriate level determined by participation. This is identified as an option with the lowest detrimental impact providing for sustainable services across all 4 nurseries.
- Option 3 based on the current distribution of funds with a minimum funding guarantee for those nurseries receiving less funding than their participation rates. This is identified as an option which is likely to have a detrimental impact in three of the nurseries. The likely impact would be the delivery of services to children and families accessing the services provided by Croyland, Highfield and Ronald Tree and would impact upon children under 5 years of age, children with disabilities, pregnant and new mothers and the emotional health and wellbeing of children and families using the centres.
- Option 4 based on an estimate of the level of funding required to provide protection for the 15 hour universal offer, being the purpose of the grant, and then allocate further resources to Pen Green to reflect the extended offer. Option 4 gives the 3 maintained other nursery schools a 25% uplift in funding based on 2021/22 allocations (Croyland, Highfield, Ronald Tree). This is identified as an option with a limited detrimental impact providing for short-term sustainable services across all 4 nurseries. It is recognised that this option would provide for a short-term solution but would not provide sustainability over the longer term.
- Option 5 based on an estimate of the level of funding required to provide protection for the 15 hour universal offer, being the purpose of the grant, and then allocate further resources to Pen Green to reflect the extended offer. Option 4 gives the 3 maintained other nursery schools a 20 % uplift in funding based on 2021/22 allocations (Croyland, Highfield, Ronald Tree). This is identified as an option which is likely to have a detrimental impact in three of the nurseries. The likely impact would be the delivery of services to children and families accessing the services provided by Croyland, Highfield and Ronald Tree and would impact upon children under 5 years of age, children with disabilities, pregnant and new mothers and the emotional health and wellbeing of children and families using the centres.

6. Next Steps

- 6.1 In order to fully understand the context, financial history, decision making, and future distribution of funds NNC scrutiny committee have been asked to review the funding arrangements of the 4 maintained nursery schools. This review should take into consideration the history of funding arrangements up to current day.
- 6.2 Following the outcome of the scrutiny review plans should be put into place by officers in collaboration with the maintained nurseries to address the arrangements for the funding of the maintained nurseries over future years.
- 6.3 It is stated by Pen Green that the services they provide go beyond those of a maintained nursery and it is accepted that Pen Green provide internationally recognised services including a research centre and higher education in the form of a degree programme from their same site in Corby. It should be determined by the scrutiny committee if any funding dedicated to maintained nursery provision has been

utilised to support these extended services that do not directly benefit the children and families of Corby.

- 6.4 It is essential that to sustain the future of maintained nursery provision across NNC that the council determine that DSG funds available for the maintained nursery provision are spent on that provision and are not utilised for other purposes.
- 6.5 A review of the maintained nursery offer should be undertaken across all 4 of the maintained nurseries. This should determine that the diverse needs of the children accessing maintained nursery provision are best met this will include the SEND needs of children present in each of the 4 settings. This review will include consideration of the outcomes of children as well as the value for money provided in each setting.
- 6.6 NNC should continue to work with the DfE to identify the most appropriate funding arrangements for the work carried out in all 4 maintained nursery settings.
- 6.7 Executive will recommend to North Northamptonshire Schools' Forum that they take legitimate and appropriate action to manage the DSG reserve as it relates to the Early Years Block (and all other DSG blocks). This action will include the clawback from settings of any unspent balances. This should be completed in line with DfE guidance.
- 6.8 Officers will propose to North Northamptonshire Schools' Forum how they might wish to allocate Early Years reserve to stabilise the financial position of the 4 maintained nursery schools.
- 6.9 Officers will work with all 4 of the maintained nurseries to support the setting of balanced budgets for the financial year 2022/23.
- 6.10 Executive will recommend a financial audit of all 4 of the maintained nurseries from 2017/18 to date.

7. Implications (including financial implications)

7.1 Resources & Financial

- 7.1.1 The options presented through the consultation process assumed that the quantum available for distribution was £622,493, being the NNC allocation for 2022/23 £933,309 less the anticipated deficit carried forward from 2021/22 £310,816.
- 7.1.2 The total available to be distributed of £622k was based on the indicative DfE allocation to NNC for 2022/23, £933k less the projected overspend for 2021/22 of £311k.
- 7.1.3 The options were presented as follows:

Option 1 - Based on participation hours from the Annual Early Years School Census

Nursery	Based on pupil hours Jan 2022	% based on pupil hours Jan 2022	Pupil hours Jan 2022
Croyland Children's Centre and Nursery School	£97,617	16%	4,117
Highfield Nursery School	£141,590	23%	5,972
Pen Green Centre for Children and their Families *	£228,838	37%	9,652
Ronald Tree Nursery School & Children's Centre	£154,448	25%	6,514
Total	£622,493	100%	26,256

Option 2 - Half way House

Nursery	Half Way House	Half Way House
Croyland Children's Centre and Nursery School	£74,699	12%
Highfield Nursery School	£102,711	17%
Pen Green Centre for Children and their Families *	£336,146	54%
Ronald Tree Nursery School & Children's Centre	£108,936	18%
Total	£622,493	100%

Option 3 - Based on 0% MFG for the other 3 nursery schools

Nursery	0% MFG for the other 3 nursery schools	% based on 0% MFG for the other 3 nursery schools
Croyland Children's Centre and Nursery School	£52,079	8%
Highfield Nursery School	£64,200	10%
Pen Green Centre for Children and their Families *	£446,102	72%
Ronald Tree Nursery School & Children's Centre	£60,112	10%
Total	£622,493	100%

7.1.4 As set out above, a review of the historic NCC distribution of MNS grant showed that the allocation methodology used to allocate budget at LGR did not reflect actual spend. As such, a reallocation is required that increases the resources available to NNC. This, along with NCC reserves that will be disaggregated to the North could be used to support MNS grant expenditure, means that modelling the distribution based on the total available grant for 2022/23 of £933,309, would be more appropriate.

7.1.5 At the Schools' Forum on 17th March 2022 the revised options taking into consideration the total available grant was revised as seen in 4.44 above.

7.1.6 Throughout this process, the options presented have sought to distribute the full amount of grant forecast to be provided by DfE, adjusted for historic deficits. This approach will continue to be implemented as work is completed to quantify the actual funding that will be available for the 2022/23 financial year

7.1.7 Both Croyland and Highfield Nurseries were in deficit positions at the close of 2020/21. Pen Green carries an unallocated surplus. Ronald Tree presented a balance position at the close of 2020/21.

7.1.8 The detail of uncommitted balance is as follows:

Maintained Nursery School	Uncommitted Revenue Balance 04/21
Croyland	-£4,888
Highfield	-£58,004
Pen Green	£314,362
Ronald Tree	£0

7.1.9 Feedback from the nursery heads suggests that Croyland, Highfield and Ronald Tree will not be financially sustainable and will need to close if the discrepancy in grant is not addressed.

7.2 **Legal & Governance**

7.2.1 Under The Schools Forums (England) Regulations 2021, Schools' Forum are the statutory consultees for the distribution of maintained nursery funding.

7.2.2 The budget envelope for maintained nursery funding was approved as part of the 2022/23 budget in February 2022. Distribution of funding is an Executive function as long as the decision is within the Budget and Policy Framework approved by Council.

7.2.3 The decision is a Key Decision as it meets both elements of the definition. Although the decision was not published on the Forward Plan, Scrutiny Chairs were consulted in advance of the publication of the agenda and a notice published in accordance with constitutional requirements. The matter is not precluded from call-in by Scrutiny.

7.2.4 It is a requirement that the Executive make a decision based upon the evidence before it rather than on the basis of personal feeling. Members should look at the available information contained within the report and reach a considered view in light of their powers and duties.

7.2.5 The relevant considerations include but are not limited to;

- The recommendation

- Responses to consultation and written/verbal representations received and the impact of these on the options provided.
- Cost of decision.
- Effects of decision on others (including but not limited to giving due regard to the Public Sector Equality Duty).
- Advice from officers both within the report and verbally.
- Alternative options

7.2.6 Implications of the recommendation and options

7.2.7 The decision must be proportionate otherwise it may be considered “Wednesbury Unreasonable” and members must therefore be satisfied that there are justifiable and compelling public interest reasons for why they are making the decision and have discounted alternative options.

7.2.8 A right to consultation is implied as part of the Council’s duty to act fairly and therefore a lack of proper and meaningful consultation could lead to a risk of legal challenge.

7.2.9 Although the Council are working within a limited timeframe, it must still undertake a consultation process. The report sets out that the consultation was carried out while the proposals were at a formative stage which is a requirement set out in case law. The organisations who were consulted were professional organisations affected by the distribution of funding and therefore they had sufficient information to provide intelligent responses. Adequate time was provided to allow responses and this fed into the statutory consultation process through the Schools’ Forum.

7.2.10 Consultation responses have been provided to the Executive to enable them to consider these as part of their decision making. Where consultation responses differ from the recommended option, members must have considered this as part of their decision making.

7.2.11 Two options were subsequently provided to the Schools’ Forum after the consultation had concluded. The consultees have still been able to provide responses to these options through participation at the Schools’ Forum. All consultees are able to speak at the Executive to ensure that they are able to provide additional responses on available options which provides an additional opportunity for responses to be considered.

7.2.12 Consideration was given to whether service users should be consulted on the options rather than just the four nurseries however the Council does not believe that the options available will have a significant impact on services at this time however it appreciates that a review of future funding where more permanence will be agreed may have an impact and it will be appropriate to consult service users at this point.

7.2.13 The public sector equality duty obliges local authorities, as a public body, in the exercise of their functions to have **due regard** to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that the EqA 2010 prohibits.

- Advance equality of opportunity and foster good relations between those individuals who share a relevant protected characteristic and those who do not.

7.2.14 Although there is no legal obligation to complete a formal equalities impact assessment, the Equalities and Human Rights Commission favours undertaking an analysis of the effects on equality of the decision and therefore an Equality Impact Assessment was undertaken. This has been considered as set out in the report in addition to the Public Sector Equality Duty.

7.2.15 Whilst funding has been provided as set out within the report, the Council does not consider that a legitimate expectation that funding would continue has arisen as it is well established that third party funding may alter depending on the formulas agreed in any year's budget.

7.3 **Relevant Policies & Plans**

7.3.1 The Department for Education guidance on early years entitlements provides guidance in relation to the distribution additional funding for maintained nurseries (Maintained Nursery Supplement) (see link para 8.1)

7.3.2 The purpose of the maintained nursery supplement is to enable local authorities to protect the universal offer of 15 hours entitlement (15 hours) for maintained nurseries.

7.4 **Risk**

7.4.1 The risk under consideration is the continuation of maintained nursery provision in Corby, Kettering and Wellingborough. It is clear from the nature of the deficits accrued over recent years that without a more equitable distribution of the maintained nursery funding 2 if not three of the nurseries (Kettering, Wellingborough) will not be financially viable and will need to close.

7.4.2 Where the risk is less overt for Pen Green consideration will need to be given to a reduction in the service offer to children and families. The unallocated balances available would suggest that the nursery is sustainable at least over the shorter term.

7.4.3 It is clear that across the maintained nursery settings that access to, and availability of provision is significantly at risk and lacks consistency for children and families across the NNC area.

7.4.4 There is an immediate risk to Pen Green in the removal of a significant amount of funding at short notice that is likely to impact on the workforce at the centre and subsequently some access and availability of provision to children and families.

7.4.5 Where the DfE have agreed that NNC can exercise discretion in the distribution of funds to the 4 maintained nurseries the published conditions of grant do not support discretionary allocation and indicate that distribution should be in line with pupil participation in the universal entitlement.

7.4.6 Any decision reached by Executive is likely to be challenged by any of the 4 maintained nursery schools. There is not an option available to NNC that would seek to meet the financial requirements of all 4 nurseries with the funds available.

7.5 Consultation

7.5.1 As a statutory consultee the Schools' Forum are consulted on the distribution of the Dedicated Schools Grant (DSG). The Maintained Nursery Schools Supplementary Fund is one element of the DSG

7.5.2 To ensure the consultation was carried out whilst the funding proposals were at a formative stage the detail for the consultation was presented at the Schools' Forum on 10th February and sought views on three options for the future distribution methodology for MNS grant. These all related to either maintaining the status quo or moving, immediately or over time, towards a distribution based on participation

7.5.3 The total available to be distributed of £622k was based on the indicative DfE allocation to NNC for 2022/23, £933k less the projected overspend for 2021/22 of £311k

7.5.4 The options were presented for consultation as above 7.1.3

7.5.5 Taking into consideration feedback and learning from previous School Forum consultations the consultation was available online and the supporting documentation gave sufficient reasoning for the proposal thus enabling consultees to consider the proposals and provide intelligent response.

7.5.6 The consultation paper consisted of 4 questions specific to the options above: a) Please identify your preferred option for the Maintained Nursery Supplement. b) Please outline the reasons for your preference. c) Please identify any additional factors that you would wish to be taken into consideration in determining the maintained nursery supplement distribution. d) If you wish to suggest an alternative model of funding, please include detail that would assist the LA/Schools' Forum in understanding the proposal and ensuring compliance with the DfE guidance.

7.5.7 The consultation was circulated to the 4 nurseries in receipt of the maintained nursery funding. The timescale for the consultation provided (17th February – 3rd March 2022) an adequate response time for those organisations.

7.5.8 Consideration was given to the continuation of services in all 4 nurseries. The options consulted were deemed by officers to provide sufficient funds for all 4 settings to be financially viable. NNC did not believe that any option would cause the cessation of the universal entitlement or closure of any centre. To that end service users at the centres were not consulted as part of the exercise.

7.5.9 Eight responses were received to the consultation process, these can be seen in the Schools' Forum papers (see para 8.1).

7.5.10 Of the three nurseries that responded, all selected option 2 as their favoured approach of those set out in the paper.

- 7.5.11 Of the other respondents, only one answered this specific question and they selected option 1.
- 7.5.12 From the text responses received, it was clear that there was broad agreement with the principle of moving towards a transparent and equitable methodology, but also an understanding that in reallocating limited resources this could have a significant impact on individual providers.
- 7.5.13 A number of specific questions were raised through the consultation process, and these were considered in developing the papers for the Schools' Forum on 17th March.
- 7.5.14 Two further options were developed that do not seek to establish a move towards the grant being distributed on the basis of participation, but looked to ensure that the purpose of the grant is fulfilled, i.e. all nurseries are protected to be able to provide the 15 hour universal provision, and then any available resources are used to support the extended offer delivered by Pen Green
- 7.5.15 These further options are based on an estimate of the level of funding required to provide protection for the 15-hour universal offer, being the purpose of the grant, and then allocate further resources to Pen Green to reflect the extended offer
- 7.5.16 To ensure fair consideration of these additional options by the Schools' Forum and to ensure consultees can make sense of the consultation exercise the additional options/consultation responses were shared in advance of the Schools' Forum meeting on 17th March 2022. The consultees were allowed to comment on these options through their presentation at the Schools' Forum on 17th March 2022
- 7.5.17 These estimates for the level of uplift reference the ongoing deficits these nurseries are experiencing and the impact of budget pressures on their operating costs

7.6 Consideration by Executive Advisory Panel

- 7.6.1 At the time of writing this report the Executive Advisory Panel have not met to consider but will discuss the item on 23rd March 2022 and relevant feedback will be available.

7.7 Consideration by Scrutiny

- 7.7.1 The Executive value the Council's Scrutiny function and therefore request that Scrutiny consider the issues relating to maintained nursery funding. The brief for the committee is being prepared to address the issues raised.

7.8 Equality Implications

- 7.8.1 The Council is committed to treating people fairly. The EQIA was commenced at the point that the disapplication request was submitted to the DfE. The Equality Screening and Impact Assessment can be found in **Appendices A and B**.

7.9 **Climate Impact**

7.9.1 There is no climate impact as a result of this decision.

7.10 **Community Impact**

7.10.1 Failure to sustain maintained nursery provision at any one of these settings will result in a negative community impact caused by the withdrawal of services. This can be mitigated by working towards a model of funding that sustains all four settings.

7.10.2 The two options under consideration both provide for the continuation of all 4 settings.

7.11 **Crime & Disorder Impact**

7.11.1 There is no crime and disorder impact as a result of this report

8. **Background Papers**

8.1 The Background papers include

Schools' Forum Papers 10 February 2022

[Agenda for Schools Forum on Thursday 10th February, 2022, 1.00 pm - North Northamptonshire Council \(moderngov.co.uk\)](#)

Schools' Forum Papers 17 March 2022

[Agenda for Schools Forum on Thursday 17th March, 2022, 1.00 pm - North Northamptonshire Council \(moderngov.co.uk\)](#)

The DfE guidance on Early Years Entitlements

[Early years entitlements: local authority funding of providers operational guide 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)