

22 September 2022**TITLE OF REPORT: Early Years Funding Consultation**

Purpose of the Report

1. To bring to Schools Forums attention the Department for Education's (DfE) early years consultation that ran from 4 July 2022 to 16 September 2022.

Background

2. The DfE launched a consultation on 4 July 2022 on proposed changes to the early years formula funding to local authorities. The proposals do not include changes to early years formulas between local authorities and providers.
3. Many of the proposals in the consultation deal with updating the data sets behind the early years national funding formulas for 2-, 3- and 4-year-olds to local authorities. Some of the proposals did not provide enough information to make an informed decision as no comparative data was provided, and some of the proposals seemed counter intuitive to the Government's levelling up agenda and the providing more funding for deprived 2-year-olds in more affluent areas.
4. A copy of the consultation for Gateshead Council is included in appendix 1 for information.

Proposal

5. It is proposed that Schools Forum notes the information in the report and the outcome of the consultation is anticipated before the December 2022 settlement.

Recommendation

6. It is recommended that Schools Forum note the information in the report.

For the following reasons:

- To ensure Schools Forum is aware of the current school funding information.

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Appendix 1

EYNFF additional needs factor

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

Yes

Comments

For 3- & 4-year-olds in Gateshead the percentage of FSM has increased from 17.9% to 26%, EAL 6.75% to 9.9% but children in receipt of DLA has decreased from 6.4% to 4.37%. Overall, the updated data set should provide additional funding for Gateshead children.

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

Unsure

Comments

It is not clear from the consultation documentation what impact this change would have on the data and therefore the formula.

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

Yes

Comments

Although Gateshead has a lower % of children in receipt of DLA in 2021 than in 2015/16 this is more reflective of the Gateshead population and therefore is the correct approach.

EYNFF area cost adjustment

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

No

Comments

This update favours more affluent areas. It also does not take into account settings that hire their facilities or settings that are charities and therefore pay reduced rates. The rateable values of all non-domestic properties are due to be updated from April 2023, and therefore the impact of this on area cost adjustment cannot be known. Another issue with the ACA is that all settings are facing wage inflation and the increased costs of utilities and food. This is something that is ubiquitous and not related to the ACA. It would be totally

wrong for the more deprived areas that are struggling with sufficiency to receive the lowest over all % increases which will not keep pace with rising costs.

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

No

Comments

This was not a factor in the original formula due to the diversity of providers, from childminders to big private providers, schools, nursery schools and providers hiring facilities and not paying rates. Therefore, this was left out of the original formula for this reason. If the rateable value is included in the proxy measures it will benefit areas of the country that have higher property values. However, this is not automatically reflected in actual cost the provider incurs. There is no detail to be able to evaluate what effect this will have on the hourly rates around the country other than the underlying outcome that area's that have more expensive buildings will have more funding. The rateable values of all non-domestic properties is due to be refreshed from April 2023 and it is not known how this will impact of the formula going forward.

Teachers' pay and pensions grants

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

No

Comments

Allocating the funding as part the LA base rate which is applicable to all providers (including nursery schools) is not a solution to mainstreaming the TPPG. There are also several issues with the suggestion that this funding can be allocated via the quality supplement. This supplement is for all providers and therefore could dilute the funding to nursery classes. The cap of 10% of funding to providers via the supplements would also need to be breached if the full amount of TPPG was allocated via this supplement without diluting funding to other providers. If this cap is not removed it will result in all settings seeing an increase in their hourly rates, but school nursery classes will receive less funding then under the current arrangements. It might be worth having a separate supplement for TPPG for nursery classes only. Another issue with this suggestion is that there is no direct correlation between the number of hours and the number of qualified teaching staff for schools as teacher numbers are usually constant throughout the year and do not vary with the number of children that nursery classes have throughout the year.

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

No

Comments

This suggestion does not work if the quality supplement is already fully utilised, which it is in Gateshead.

There are also several issues with the suggestion that this funding can be allocated via the quality supplement. This supplement is for all providers and therefore will dilute the funding to nursery classes. The cap of 10% of funding to providers via the supplements could also be breached. Currently Gateshead has 2 supplements. The first for deprivation based on a subset of IDACI being the Acorn score of a setting, and a quality supplement. Both supplements currently allocate 5% funding to settings therefore the 10% limit is already in place. If this cap is not removed it will result in all settings seeing an increase in their hourly rates, but school nursery classes will receive less funding than they would if the TPPG was separate. It might be worth having a separate supplement for TPPG.

Another issue with this suggestion is that maintained nursery schools will be double funded via the supplement and via the maintained nursery school grant.

2-year-old funding formula

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

No

Comments

This approach seems to benefit the more affluent areas which goes against the Government's levelling up agenda.

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

No

Comments

Two-year-old funding is for deprived children and there is more demand for places in deprived areas. Adding proxy premises related costs into the formula seems to provide additional funding for more affluent areas with lower proportions of funded 2-year-olds as compared to universal funded 3- & 4-year-olds.

Areas with ACA of between 1.57 to 1.40 had an average of 12.7% deprived 2-year-olds ranging from 7.69% to 16.57% with funding rates of £6.87 apart from one that had a funding rate of £6.29.

Areas with an ACA of 1.00 to 1.01 average 22.13% funded 2-year-olds compared to universal funded 3- & 4-year-olds ranging from 13.62% to 25.82% had funding rates of £5.57 which is £1.30 less than areas with the highest ACA.

Areas with the highest % of funded 2-year-olds compared to funded 3- & 4-year-olds (25.38% to 31.9%) had an average funding rate of £5.64 which is £1.23 less than the areas with the highest ACA.

Protections

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

No

Comments

A minimum funding floor is needed to ensure that all LA's receive a minimum level of funding. However, the rationale for applying the ACA to the EAL and FSM elements of the formula seem counter intuitive as it dilutes the funding to LA's in with higher levels of deprivation as these usually have an ACA closer to 1. A guaranteed increase of 1% to LA's will not enable provider rates to increase sufficiently to cope with the increase in staff and utilities costs which are ubiquitous across the country.

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

No

Comments

A minimum funding floor is needed to ensure that all LA's receive a minimum level of funding. However, the areas receiving the highest levels of funding protections of over £0.50 which are all in Inner London, Outer London and the Southeast which all have high ACA values and an average of 11% of funded 2-year-olds compared to universal 3- & 4-year-olds. This compared to the areas with the highest levels of funded 2-year-olds (and therefore the highest levels of deprivation) receiving protections of between £0.00 and £0.25. Again, this shows that the proposals are favouring the more affluent areas of the country.

Reform of maintained nursery school supplementary funding

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

Yes

Comments

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

No

Comments

Teachers pay and pension costs do not fluctuate with hours, as staffing rates in maintained nursery schools are not able to be totally re-active to pupil hours. This proposal could also lead to double funding for MNS if the TPPG for nursery classes is distributed via supplements in the EYSFF. A better solution would be for there to be an additional supplement for teachers pay and pension grant or to lift the 10% cap on supplements so that if the funding is mainstreamed it can be allocated more fairly.

Equalities Impact Assessment

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

Comments

Any Other Comments

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