

REPORT TO SCHOOLS FORUM

9 November 2023

Item 4

TITLE OF REPORT: Early Years Supplementary Funding September 2023 to March 2024.

Purpose of the Report

To bring to Schools Forum the outcome of the Early Years consultation on the allocation of the Early Years Supplementary Grant (EYSG).

Background

This report builds on earlier reports brought to Schools Forum in May and September 2023.

The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old and 3 and 4-year-old children for the 2023 to 2024 and 2024 to 2025 financial years.

For the 2023 to 2024 financial year, the Department for Education (DfE) will provide additional supplementary funding to local authorities through a new EYSG. This grant will be used to increase the hourly amounts paid to local authorities for early years funding, so that they can increase the amount of funding their early years childcare providers receive for delivering the entitlements for the period **September 2023 to March 2024**.

The supplementary funding will provide funding for all existing early years funding streams:

- 15 hours entitlement for disadvantaged 2-year-olds.
- 15 hours universal entitlement for 3 and 4-year-olds
- 15 hours additional entitlement for 3 and 4-year-old children of working parents.
- maintained nursery schools supplementary funding.
- early years pupil premium
- disability access fund

The consultation proposed the following funding allocations:-

- 2-year-old EYSG be paid as a flat rate top up per hour of £1.63 to all settings in receipt of 2-year-old funding
- 3-&-4 year old base rate top up of £0.1672
- ACORN/deprivation funding (weighted hour) £0.0003
- Quality 1 (weighted hour) £0.024
- Quality 2 £0.0106
- Maintained Nursery Grant (MNG) increase of £0.27 per hour

The consultation was sent out to all settings 18 August 2022 with a response date of 22 September 2023. In total 24 responses were received with the vast majority of responses being supportive of the proposals. The detail of the responses are in appendix 1 and any comments received by settings are in appendix 2.

The funding allocation for the ETSG of £578,164 has been received from the DfE.

Proposal

It is proposed that Schools Forum notes the contents of the report, and that the proposals for the allocation of the EYSG was approved by Children's Social Care and Life Long Learning, Group Management Team on 12 October 2023 for payment to settings.

Recommendations

Schools Forum notes the report.

For the following reasons:-

- To inform Schools Forum of the increased funding for early years education and the increase in funding that will be allocated from September 2023 to March 2024.

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Appendix 1

Summary of Provider responses

	Q1. Do you accept the proposal to allocate 2-year-old EYSG funding on a flat rate of £1.63 hour from September 2023 to March 2024?			Q2. Do you accept the proposal to allocate the 3 & 4-year-old EYSG funding on the same formula basis (but just using the EYSG allocation) as the current 3 & 4-year-old formula?			Q3. Do you accept the payment of 3 & 4-year-old EYSG funding as a separate top up rate to the current 3 & 4-year-old funding allocations?			Q4. Do you accept the payment of the MNG as a lump sum to Gateshead's nursery school once the allocation is known?			Q5. Do you accept the increased payment of £0.04 per hour for EYPP?			Q6. Do you accept the payment of an additional amount of DAF funding of £30.92 for the period September 2023 to March 2024?		
	Yes	Don't Know	No	Yes	Don't Know	No	Yes	Don't Know	No	Yes	Don't Know	No	Yes	Don't Know	No	Yes	Don't Know	No
Setting 1	X			X			X			X			X			X		
Setting 2	X			X			X			X			X			X		
Setting 3		X			X		X				X		X			X		
Setting 4	X				X			X			X			X			X	
Setting 5	X			X			X			X						X		
Setting 6	X			X			X			X			X			X		
Setting 7	X			X			X			X			X			X		
Setting 8	X			X						X			X			X		
Setting 9	X			X			X			X			X			X		
Setting 10	X			X			X				X		X			X		
Setting 11	X			X			X			X			X			X		
Setting 12	X			X			X			X			X			X		
Setting 13	X			X			X			X			X			X		
Setting 14	X			X			X			X			X			X		
Setting 15	X			X			X			X			X			X		
Setting 16	X			X			X			X			X			X		
Setting 17		X				X	X				X		X			X		
Setting 18	X			X				X		X			X			X		
Setting 19	X			X			X			X			X			X		
Setting 20	X				X											X		
Setting 21	X			X			X			X			X			X		
Setting 22			X			X			X		X				X		X	
Setting 23	X			X			X			X			X			X		
Setting 24	X			X			X						X			X		
Totals	21	2	0	19	3	2	19	2	1	17	5	0	20	1	1	22	2	0
Percentage	87.50%	8.33%	0.00%	79.17%	12.50%	8.33%	79.17%	8.33%	4.17%	70.83%	20.83%	0.00%	83.33%	4.17%	4.17%	91.67%	8.33%	0.00%

Appendix 2

Summary of Provider Comments

Setting	Question	Comment
Setting 1	Any other comments feedback	Given the short notice and timescales, I believe that the council is attempting to implement a sensible approach to support children across the settings.
Setting 3	Q1	Don't really understand the question We support an increase in the funding amount allocated for 2 year olds
	Q2	Not sure of the question We support the increase in funding amount suggested
	Q4	I do not think the MNG applies to our setting
Setting 4	Any other comments feedback	We only have a small setting with two year olds. We don't have 3yrs+ children nor do we claim any other funding so I can only comment on 2 year olds.
Setting 6	Any other comments feedback	All the boxes are ticked yes
Setting 7	Any other comments feedback	Thanks for all the information
Setting 20	Q1	I feel the flat rate for all is fair. It seems that this rate is paid across different LA's. All PVI's providing full day care provide a level of care that is deemed by Ofsted to be at least good in order to get funding and are constrained by the same ratios etc
	Q2	I feel the funding formula overlooks experience. In effect by employing a teacher at a higher rate of pay even with no experience I would receive a higher funding rate. I would also need less staff in the room so in effect the children may receive in the formula's opinion a higher qualification of team member leading the room they would physically receive less attention due to a higher ratio being adopted. This also takes no account of experience, in my experience a newly qualified staff member for all maybe holding a degree does not have the wealth of knowledge that working with children provides over the years.
	Q3	As above I feel that the gap between the lowest level of funding and highest is disgusting. We all provide nursery education and I feel that the level of education we provide

		is as good if not exceeds some setting with more qualified staff.
	Q6	DAF funding benefits the access to provision for all children with needs.
	Any other comments feedback	<p>I feel the quality portion of the formula needs urgent review! I feel that the 12% for all the LA according to guidance can take this and I almost agree with 5% is terrible and I feel that this extra 7% that is not being passed through to some setting needs to be quantified as to where this extra spend is going as it's not to settings. The administration side of the grant from our end takes so much time and if this is to be rolled out for the majority of children needs addressing with a matter of urgency. I feel that we have had NO information from Gateshead re the proposals and parents are requesting clarification which we cannot give. I think consideration re the grant needs to be given as to how payments will be made as for some nurseries the impact this will have on cash flow is substantial. I would also advocate using the word 'funded' rather than 'free' as this is confusing for parents especially as the hours are term time only. I think if funding is to be delivered at the current rates we currently make a loss of just under £10 per child per day due to our funding being around £43 and our charge out rate being £53. This is massive. If the same type of loss is applied to all of our children this is not sustainable and will ultimately mean in some nurseries closing and the demand for childcare outstripping supply. We are dictated by Ofsted to how many staff we need for the amount of children we have, we are then dictated to by the government in relation to how much we have to pay the team we are not going to be further restricted by the government by how much the LA will pass over of the funding as you keep between 5% and 12% depending on your quality supplement and the postcode of the children attending the setting. Are all children not entitled to quality education and all nurseries who are Ofsted good entitled to a fair funding rate? The formula used and the factors applied is the LA's decision and if you still want plenty nurseries to oversee this needs to be considered wisely as some may not survive which will have a detrimental effect on the children of Gateshead.</p>

Setting 22	Q1	An increase of 1.63 represents a 29% rise, which falls slightly below the current average increase of 33% seen in other local authorities. This discrepancy makes the task of supporting some of the most deprived children within the UK more challenging, primarily due to the lower funding rate. Consequently, it would necessitate parents contributing towards consumables in order to provide a satisfactory service for families. However, attempting to implement such cost-sharing measures in an economically disadvantaged area would render the business unsustainable.
	Q2	At 5.20 per hour, the funding rate is the lowest across England. As mentioned previously, this would necessitate passing on additional costs to parents in order to maintain high-quality childcare services in the area. However, as noted before, implementing such cost increases in an economically disadvantaged area renders the business financially unsustainable. Consequently, providers are compelled to explore other regions with more favourable funding rates.
	Q3	Gateshead's delayed response, in contrast to other local authorities, regarding the funding rate has posed significant challenges in terms of business planning. Consequently, financial planning for the sites has been a complex task, requiring them to reserve spaces while awaiting the new funding rate to ensure the continued viability of the business.
	Q4	We are not affected by MNG.
	Q5	A mere addition of 4p per hour to aid deprived children falls significantly short of what is needed. This increase represents only a 6.45% rise, which is lower than the inflation rate of 7.3% as of June 2023. Consequently, it remains challenging to support families in deprived areas without imposing additional costs on them, ultimately rendering the nurseries unaffordable and, as a result, financially unsustainable.
	Q6	DAF impacts a relatively small number of children, so the increase has a limited effect on nurseries. A 30.92 increase translates to just an additional 2.57 per month for the fiscal year 23/22. However, given the 7.3% rise in inflation, this modest 3.73% increase does not adequately compensate for the growing shortfall.

	Any other comments feedback	<p>Assessing the viability of nursery sites in Gateshead has proven challenging due to the lack of information regarding funding. Consequently, determining the future of these sites in the Gateshead area has been problematic. When compared to other local authorities, proposed rates would render the businesses unsustainable without passing on additional costs to parents, which, given the area's deprivation status, becomes a burdensome challenge, rendering the businesses unfeasible. Ensuring quality education for all children in the region while supporting local families has become an challenging task with the current funding levels. Gateshead lags behind the national average, with a mere 29% increase in rates for 2-year-olds, falling short by 4% when compared to the national average increase of 33%. Furthermore, considering that other areas of funding are also failing to keep up with the inflation rate, the future of our Gateshead service is now at risk.</p>
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