

## Early Years Report

<b>Schools' Forum Date</b>	9 <sup>th</sup> January 2020
<b>Type of Decision</b>	For decision
<b>Background Documents</b>	
<b>Authors</b>	Philip Haslett, Head of Education Strategy and Development Sarah Hylton, Early Years Service Manager
<b>Purpose of Report</b>	Forum members are asked to consider and feedback on recommendations in relation to: <ul style="list-style-type: none"> <li>• Use of the carried forward Early Years underspend</li> <li>• Options for the use of additional Early Years funding for 2020/21.</li> </ul>
<b>Key Recommendations</b>	Forum members are asked to approve the recommendation that <ol style="list-style-type: none"> <li>1. The Early Years carry forward balance of £1.47 million is used as follows: <ul style="list-style-type: none"> <li>• Retain £0.22 million (15%) of the underspend to provide contingency should any unforeseen costs arise.</li> <li>• Allocate £1 million to providers based on the full academic year hours (option 1) and adjust for deprivation factors (option 3).</li> <li>• Retain £0.25m to support early year improvement projects to improve the GLD.</li> </ul> </li> <li>2. That the additional allocated 8p per hour be added to the hourly rate passed to Early Years providers for both 2 year olds and 3 and 4 year olds. And that there is a consultation with Early Years providers on a number of options in respect of the early years formula including the deprivation and quality supplement payments for 3 and 4 year olds.</li> </ol>
<b>Resource Implications</b>	It was agreed at the 20 June 2019 School Forum that the early years balances from 2018/19 would be earmarked for early years. In October 2019 the DFE announced an increase of 8p per hour for both the two year old and three and four year olds rate for 2020/21.

## **1. Introduction**

- 1.1. The Dedicated Schools Grant (DSG) Early Years block funding is calculated using the numbers from the claims submitted in the January census multiplied by a nationally set rate hourly rate which currently for 2019/20 in Gloucestershire is £4.30 for three and four year olds and £5.28 for two year olds. The January census 2019 is used to fund the Autumn 2018 and the spring and summer term 2019, this creates a lagged funding effect for the Autumn and Spring terms.
- 1.2. Funding is also not utilised equally across the academic year. The number of hours for three and four year olds are lower in the Autumn term and increase to be at their highest in the summer term. With the Autumn term also being 14 weeks rather than 12 for the other two terms, this can lead to surplus funding being available when the lagged effect is adjusted for in the June/July of the following year.
- 1.3. This paper sets out the Early Years context in Gloucestershire and provides options for how best to use the surplus generated by the funding conditions detailed above.

## **2. Current position and challenges of Early Years provision in Gloucestershire**

- 2.1. It is difficult to overstate the importance to children of having the best possible start in life. Getting off to a good start is hugely important to their subsequent outcomes as they progress through childhood to adolescence and adulthood. Being able to access good quality, local early years provision is critical, particularly for those children from disadvantaged backgrounds. It reduces the gap in development for children and ensure all children start school reaching a good level of development as they enter year one.
- 2.2. Good progress has been made by the Early Years Service over recent years to ensure provision is both accessible and of high quality. However, more work is needed to improve outcomes for children, particularly in achieving a good level of development or 'school readiness' as a vital baseline measure to understand progress as they go through school.
- 2.3. The fragility of the Early Years infrastructure presents a challenge to the sufficiency and quality of early education and childcare both locally and nationally.
- 2.4. Rising costs and the low hourly childcare rate have led to nurseries struggling to recruit and retain qualified staff, and to ensure long term sustainability. As a result of this, and general financial challenges for small child care businesses, we have started to see an increase in the number of settings closing or reporting that they are at risk of closure. We are currently conducting a risk analysis of charity run settings in the county and early indications are that many will need significant support to remain sustainable.

2.5. Whilst the hourly rate is set by Government, local providers do challenge the LA in respect of the low funding levels they receive and the impact that this has on both quality and sustainability of provision.

2.6. Sheffield City Council were recently challenged by its local EY providers when they identified that the Council had an underspend of approximately £800,000 for 2018/19 within the early years DSG budget. As a result of the challenge Sheffield City Council agreed to increase providers' base funding rate by 4p from £4.10 to £4.14 and boost the deprivation supplement by 10p to 40p per child. This will be backdated for all early years providers to April 2019

### **3. Current Financial Position**

3.1. At the end of 2018/19 the carry forward of Early Years DSG in Gloucestershire was £1.505 million caused by a significant increase in the January census numbers which were adjusted for in the year end accounts. Further adjustments relating to 2018/19 and the finalised DFE allocations received in July 19, including the lagged effect, have resulted in early years balances of £1.47 million. Discussions have been taking place since this date to decide on the best approach to take to distribute the balances.

3.2. Current estimates of hours and costs for 2019/20 based on the summer and autumn terms are forecast to be between £0.42 million and £0.62 million underspent for three and four year olds. Two year old payments are close to budget based on the latest estimates.

### **4. Funding Options In-Year**

4.1. Gloucestershire currently has early years DSG carry forward balances available of £1.47 million. There are a number of options set out below which could be applied.

1. Allocate funding to providers based on academic year hours – Autumn 18 to Summer 19, OR
2. Allocate funding to providers based on just the summer term hours – Summer 19, OR
3. Using either of the above options but adjusting for deprivation.
4. Allocate funding towards early years projects to improve standards and support early intervention.
5. Retain the underspend to off-set overspend on Dedicated Schools Grant

4.2. After consideration of the options available, it is recommended that we:

- retain £0.22 million (15%) of the underspend to provide contingency should any unforeseen costs arise.
- allocate £1 million to providers based on the full academic year hours (option 1) and adjust for deprivation factors (option 3).
- Retain £0.25m to support early year improvement projects to improve the GLD.

## **5. Rationale**

- 5.1. It provides a positive injection of funding (£1m) based on providers last years claims, which will be well received and have a significant impact on the challenges that providers face to deliver a quality provision for children in the county.
- 5.2. The adjustment for deprivation will ensure an enhancement for providers supporting the most deprived communities.
- 5.3. Continued investment in Early Years improvement projects will support early identification and intervention, which in turn will have an impact on school readiness and overall achievement of outcomes for young children and their families. This aligns with the objectives outlined in both the High Needs and Joint Additional Needs Strategies.
- 5.4. The possibility of transferring the underspend from the Early Years block to offset overspends in other parts of the dedicated schools grant was considered. However, given that the new funding announcement provided additional funding for both schools and high needs, it was felt that utilising Early Years funding to support overspends would be both reputationally and politically damaging. It would also significantly damage our relationship with Early Years providers in the county.

## **6. Early Years Formula Options**

- 6.1. The Department of Education provides local authorities with five relevant funding streams which together form the Early Years block of the Dedicated Schools Grant (DSG). They are:
- the early years entitlement for disadvantaged two year olds
  - the early years universal entitlement for three and four year olds
  - the early years additional entitlement for three and four year old children of eligible working parents
  - the Early Years Pupil Premium (EYPP)
  - the Disability Access Fund (DAF)
- 6.2. Since its introduction in April 2017, the Early Years National Funding Formula (EYNFF) has set the hourly funding rates that each local authority (LA) is paid to deliver the universal and additional entitlements for three and four year olds.

6.3. The LA has the following duties in respect of this funding (Nursery Funding Operational Guide 2019 – 2020):

- must plan to pass on at least 95% of their three and four year old funding directly to providers to deliver the three and four year old entitlements
- must now use a universal base rate for all types of provider in their local three and four year old formula, including for Maintained Nursery Schools
- must use a deprivation supplement in their local three and four year old formula, and any other supplements used must fall within one of the allowable categories
- must not channel more than 10% of their funding for three and four olds through funding supplements
- must provide a Special Educational Needs Inclusion Fund (SENIF) for three and four year olds
- must pass on Early Years Pupil Premium (EYPP) in full to providers for eligible three and four year olds
- must pass on Disability Access Fund (DAF) funding in full to providers for eligible three and four year olds.

6.4. For 2019/20 the provisional total Early Years DSG block allocated to Gloucestershire is £33.559 million and this will be updated with the revised take-up of hours collected from the January 2020 census.

6.5. Rates were set as follows:

- **2 year olds** – allocated hourly rate = £5.28
- Base rate passed to providers= £4.91
- **3 and 4 year olds** – allocated hourly rate = £4.30
- Base rate passed to providers = £3.91 per hour (after 4.88% retention)
- Deprivation payment = £0.16 per hour
- Quality supplement = £0.02 per hour

6.6. Following the spending review announcement to increase Early Years spending by £66 million, the provisional new rates would provide Gloucestershire with an additional £0.621 million based on current numbers. The provisional early years block for 2020/21 was announced by the DfE in December 2019. The allocated hourly rate for 2020/21 has increased by 8p per hour. It is proposed that this 8p per hour be added to the hourly rate passed to providers for both 2 year olds and 3 and 4 year olds. It is also proposed that there is a consultation with Early Years providers on a number of options in respect of the early years formula including the deprivation and quality supplement payments for 3 and 4 year olds.

6.7. All options assume that the quality supplement will no longer be de-delegated back to the Local Authority to fund Early Years Support services (approx. £135K) but will be included in payment made to EY providers. GCC has identified alternative funding to ensure the continuation of the provision and delivery of Early Years services to support the development and management of the fragile EY provider market across the county.

6.8. The deprivation payment is made to settings in relation to individual children who live in postcode areas of high deprivation. The total amount of deprivation payments made in academic year 2018/19 was £1,090,047; 593 settings in total across the county received a deprivation payment for at least one child.

6.9. The options are set out below:

### 2 year olds

The base rate will increase from £4.91 to £4.99 to include the additional £0.08

### 3 & 4 year olds

The rate includes the additional £0.08 announced by the DFE in October 2019

	Current	Option 1	Option 2	Option 3
	£	£	£	£
Base rate	3.91	3.99	3.99	4.01
Deprivation	0.16	0.16	0.18	0.16
Quality	0.02	0.02	0.00	0.00
<b>TOTAL</b>	<b>4.09</b>	<b>4.17</b>	<b>4.17</b>	<b>4.17</b>

**Option 1** – Includes the additional £0.08 in the base rate, maintains the deprivation rate as 16p and leaves the quality supplement in the formula to be distributed to settings. The basis for distributing the quality supplement is to be agreed but previously this was devolved to settings that have an Ofsted rating of Outstanding in acknowledgement of the support that they will then subsequently provide to other provision in their locality. There will be need to be consideration of and agreement with regard to how this is managed with potential changes in Ofsted rating within the year.

**Option 2** - Includes the additional £0.08 in the base rate and moves the quality supplement into deprivation. This increases the deprivation payment to those settings who have children attending that live in areas of deprivation, in recognition of the potential impact of this.

**Option 3** - Includes the additional £0.08 in the base rate and moves the quality supplement into the base rate. The deprivation payment remains the same for those settings in receipt of this but all settings receive a higher base rate.