

Early Years Report

Schools' Forum Date	30 March 2022
Type of Decision	Notification and decision required
Background Documents	
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Purpose of Report	To make recommendations in relation to: <ul style="list-style-type: none"> • The use of the carried forward Early Years balances • The use of the Early Years block for 22/23 as set out in the report <p>To advise Forum members of the EY forum decision regarding the distribution of the increased nursery funding rates</p>
Key Recommendations	Forum members are asked to approve the recommendations that: <ol style="list-style-type: none"> 1. The total uncommitted Early Years carry forward balance of £1.479 million, £1.4 million is used as follows: <ul style="list-style-type: none"> • Retain £250k (17.8%) of the underspend to support Early Education & childcare sufficiency (capital and revenue) • Retain £200k (14.3%) to commission a 12-month pilot EY Specialist Assessment provision for early years' children with special educational needs. • Allocate £950k (67.9%) to providers based on the full academic year hours 2020/21 2. The EY Forum decision on the distribution in the formula of the additional allocated increase of 17p per hour for 3- and 4-year-olds is agreed. 3. The use of the Early Years DSG block as set out in Section 6 below, including a commitment for the DSG funding of £1,048,758 be made available for the period of the Children & Family C contracts to support the development of Family Hubs across Gloucestershire.
Resource Implications	It was agreed at the 17 June 2021 School Forum that the early year's balances from 2020/21 would be ring-fenced for early years and not used to offset the wider DSG deficit. In November 2021 the DFE announced an increase of 21p per hour for two year olds and 17p per hour for three and four year olds for 2022/23. The provisional settlement for 2022/23 was announced on 16 th December 2021. The provisional total of £34.897 million included

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 for 2022/23 in Gloucestershire is £4.61 for three- and four-year-olds and £5.65 for two-year-olds.
- 1.2. Funding is 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. Due to the pandemic, the basis for the collection of the census data was adjusted resulting in a late notification of the final 2020/21 funding allocation. The 2021/22 funding levels are based on the censuses in May 2021, October 2021 and January 2022 and revised allocations will be notified in July 2022 for the financial year 2021/22.
- 1.4. This paper sets out the Early Years context in Gloucestershire, the proposed use of the Early Years DSG block for 2022/23 including the retained amount 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 enabling them to thrive as the start of the primary education.
- 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. Our EYFS data reflects that the % of pupils attaining a good level of development is now in line with the national average. However, more work is needed to improve outcomes for specific cohorts of children, particularly those eligible for free school meals and children of black Caribbean heritage.
- 2.3. The fragility of the Early Years infrastructure has been further impacted by the national pandemic and continues to present challenges in relation to the sufficiency of places 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 childcare businesses, we have started to see an increase in the number of settings closing or reporting that they are at risk of closure. In response to the growing concerns of the financial impact of imposed restrictions we conducted a risk analysis of EY settings in the county in 2021 and subsequently allocated one off investment to 34 settings to ensure that countywide sufficiency was maintained. All 34 settings remain in operation and have been supported to develop and implement robust business plans to remain financial sustainable.
- 2.5. Gloucestershire's Childcare Sufficiency and Assessment (2019) which was approved by Cabinet in June 2021 concluded that there was sufficient provision to meet the needs of children requiring childcare, with the greater majority of provision of good or outstanding quality. However, an interim sufficiency assessment completed in January 2022 highlighted emerging sufficiency concerns in the Stroud and Dursley areas of the county and also highlighted the continued risks to provider sustainability due to a combination of cost and funding pressures.
- 2.6. 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.

3. Current Financial Position

- 3.1. At the end of 2020/21 the carry forward of Early Years DSG in Gloucestershire was £989k caused by payments for three- and four-year-olds being much lower than budget and the slippage on project plans due to the pandemic. This includes the delivery of parent and baby/toddler groups and the delivery of training for EY childcare and community providers postponed due to covid restrictions. The final adjustments for 2020/21 were notified in November and included the lagged effect of the May census on the spring term, giving a final uncommitted early years balance of £1.479 million.
- 3.2. Current estimates of hours and costs for 2021/22 based on the summer and autumn terms are forecast to be £1.9 million underspent for three- and four-year-olds with two-year-old payments estimated to underspend by £170k. These estimates will be adjusted for the January 2022 census.

4. Funding Options In-Year

- 4.1. The early years block for 2022/23 was announced by the DfE in December 2021 and totals £34.897 million. The allocated hourly rate for 2022/23 is an increase of 21p per hour for two-year-olds to £5.65 per hour and 17p per hour for three- and four-year-olds to £4.61 per hour. In January 2022 Schools Forum approved the proposal that the increases are added to the hourly rate passed to providers for both 2-year-olds and 3- and 4-year-olds. It was agreed that there would be a

consultation with Early Years providers on a number of options in respect of the early years' formula including deprivation payments for 3 and 4 year olds.

4.2. The options set out below were presented to Early Years Forum and a decision was made by forum, on behalf of the EY sector, to implement Option 1.

4.3. The rate includes the additional £0.17 announced by the DFE in November 2021

	Current	Option 1	Option 2	Option 3
	£	£	£	£
Base rate	4.07	4.24	4.23	4.22
Deprivation	0.17	0.17	0.18	0.19
TOTAL	4.24	4.41	4.41	4.41

4.4. These options include the full 17p in the rate passed to providers but vary the rate between the base rate and the amount paid out through deprivation payments
Option 1 passes the whole 17p per hour increase to ALL providers.

4.5. Options 2 and 3 pass a marginally lower hourly rate increase to all providers but include an increase in the deprivation rate, therefore will be more beneficial to those settings in areas of deprivation.

Recommendation: Option 1 - The EY Forum selected Option 1 for the distribution of the additional allocated increase of 17p per hour for 3- and 4-year-olds is agreed. This has now been communicated to the EY sector and will be applied from April 2022.

4.6. Gloucestershire currently has Early Years DSG carry forward balances available of £1.479 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 20 to Summer 21, OR
2. Allocate funding to providers based on just the summer term hours – Summer 21, OR
3. Using either of the above options but adjusting for deprivation.
4. Allocate funding to support early years & childcare sufficiency
5. Retain the underspend to off-set overspend on Dedicated Schools Grant

Recommendation: Use of the carry forward balances as follows:

- Retain £250k (17.8%) of the underspend to support Early Education & childcare sufficiency (capital and revenue)
- Retain £200K (14.3%) to commission a 12-month pilot EY Specialist Assessment provision for early year's children with special educational needs.
- Allocate £950k (67.9%) to providers based on the full academic year hours in 2020/21.

5. Rationale

- 5.1. It provides a positive injection of funding (£950k) 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. Investment to support Early Years & Childcare sufficiency will enable the LA to maintain its duty to have a sufficient provision of good quality childcare available across the county.
- 5.3. 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 Early Years funding is low in Gloucestershire creating viability and sufficiency issues for parts of the sector, it was felt that utilising Early Years funding to support overspends would not be appropriate or equitable.

6. Use of the provisional Early Years Block 2022/23

- 6.1. The proposed use of the provisional Early Years block in 2022/23 is set out in the table below and complies with the Early Years regulations limit on the cost of central services of no more than 5% for three- and four-year-olds. It is recommended that the Forum agree to the budget for central costs being allocated at the level (circa £1.64 million) set out in the table. This will continue to fund an element of children and family centres*, Early Years quality team and supporting overheads.

Early Years Block			
	Entitlements	Central Costs	Total
	£	£	£
Pupil premium, SEN Inclusion, Disability Access Fund	510,747		510,747
3 & 4 year old placements	29,877,325		29,877,325
2 year old placements	2,868,806		2,868,806
*Children's Centres		1,048,758	1,048,758
Early Years Quality Team		279,931	279,931
Support Services & Overheads		311,135	311,135
	33,256,878	1,639,824	34,896,702

- 6.2. *The Commissioning of Children and Family Centres is the first step in an incremental/transitional approach to an integrated Family Hub model. The total budget figure for the current children and family centres contracts is £3,931,877 per annum. This is funded through the Dedicated Schools Grant (EY block) £1,048,755 and £2,883,122 Public Health grant.
- 6.3. The proposal is for a long-term commitment of this funding for the duration of the proposed contracts of 9 years, 7 years plus the option to extend for up to 2 years. The total value over whole 9-year contract is £35,386,893.

- 6.4. In order to progress the proposal Schools Forum, need to consider a commitment for the DGS funding of £1,048,758 be made available for the period of the contracts to contribute to the development of Family Hubs across Gloucestershire
- 6.5. This proposal was presented to the Early Years Forum in January 2022. EY forum are in support of the intention to enhance the existing universal offer within community provision; with a focus for on supporting children aged 0-5 yrs. and their families to help children to develop the fundamental skills for learning to support successful transitions to school.
- 6.6. However, forum members expressed concern about the length of the proposed contract and subsequently the commitment of DSG funding for a period of up to 9 years.
- 6.7. They also requested that the EY sector be represented and included in the development of the specification for the Children & Family Centres, with particular regard to the ensuring that services commissioned align to the common needs presented in EY settings, gaps in available support to improve outcomes and to reduce inequalities and to influence and participate in the monitoring of impact and outcomes achieved.

Recommendation: The use of the Early Years DSG block as set out in Section 6 below, including a commitment for the DSG funding of £1,048,758 be made available for the period of the Children & Family Centre contracts to support the development of Family Hubs across Gloucestershire