

Early Years Report

Schools' Forum Date	12 th January 2023
Type of Decision	Notification and decision required
Background Documents	Annual Childcare Sufficiency Duty report
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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 from 2021/22 • The distribution of the increased nursery funding rates notified as part of the provisional 2023/24 Early Years block
Key Recommendations	<p>Forum members are asked to approve the recommendations that:</p> <ol style="list-style-type: none"> 1. The total uncommitted Early Years carry forward balance from 2021/22 of £1.348 million, is used as follows: <ul style="list-style-type: none"> • Retain £200k (15%) of the underspend to support Early Education & childcare sufficiency (capital and revenue) • Retain £100k (7%) to fund up to 6 months extension of the commissioned EY Specialist Assessment provision for children with special educational needs. • Retain £200k (15%) for contingency • Allocate £848k (63%) to providers proportionately, based on the full academic year hours 2021/22 2. The 8p and 26p per hour increase in funding rates for 2-year-olds and 3 & 4 yr olds respectively for 2023/24, are passed through in the hourly rate distributed to EY providers. <p>The EY Forum is consulted on the options set out in this report for the distribution of the hourly rate increase, and the majority decision is agreed and implemented.</p>
Resource Implications	<p>It was agreed at the 16 June 2022 School Forum that the early year's balances from 2021/22 would be ring-fenced for early years and not used to offset the wider DSG deficit.</p> <p>In December 2022, the DFE announced an increase in the hourly rates by 8p per hour for two-year-olds and 26p per hour for three- and four-year-olds for 2023/24.</p> <p>The provisional settlement for the Early Years block for 2023/24 was announced on 16th December 2022. The provisional total of £37.8 million included funding for the new rates and was based on January 2022 census.</p>

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 2023/24 in Gloucestershire is £4.87 for three- and four-year-olds and £5.73 for two-year-olds.
- 1.2. Funding is not used 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, the proposed distribution of the hourly rate increases for 2023/24 and provides options for how best to use the surplus balances 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 at the start of their 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 2022 EYFS profile data reflects that the % of pupils attaining a good level of development in Gloucestershire is now 2.2% above the national average (Gloucestershire 67.4%, National 65.2%). 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 and African heritage.
- 2.3. The fragility of the Early Years infrastructure has been further impacted by the long-term effects of the covid pandemic and the more recent cost of living crisis, both present challenges in relation to the sufficiency and sustainability 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. This is a national issue affecting all Local Authorities.
- 2.5. Gloucestershire's Childcare Sufficiency and Assessment (2022) which was approved by Cabinet in September 2022 concluded that there was sufficient provision to meet the needs of children requiring childcare in most parts of the county, with the greater majority of provision of good or outstanding quality.

However, it highlighted 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. Hourly rates options

- 3.1. The early years block for 2023/24 was announced by the DfE on 16th December 2022 and totals £37.8 million based on the January 2022 census. The allocated hourly rate for 2023/24 is an increase of 8p per hour for two-year-olds to £5.73 per hour and 26p per hour for three- and four-year-olds to £4.87 per hour.

Please note that £4.87 is the hourly rate received by the LA, of which we retain 20p per hour to fund central services including Children and Family centres.

- 3.2. It is proposed that the entire hourly rate increase is passed through to EY providers with a consultation to be undertaken 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. Options set out below.

- 3.3. The rate includes the additional £0.26 announced by the DFE in December 2022

	Current	Option 1	Option 2	Option 3
	£	£	£	£
Base rate	4.24	4.50	4.48	4.45
Deprivation	0.17	0.17	0.19	0.22
TOTAL	4.41	4.67	4.67	4.67

- 3.4. These options include the full 26p 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 26p per hour increase to ALL providers with the deprivation payment remaining at 17p per hour
 - Options 2 passes an additional 24p to the hourly base rate to all providers and a 2p per hour increase in the deprivation rate
 - Option 3 passes an additional 21p to the hourly base rate to all providers and a 5p per hours increase in the deprivation rate

Recommendation: that the full hourly rate increases are passed to providers and that the EY forum will confirm the preferred option for distribution.

4. In year Balances options

- 4.1. Gloucestershire currently has Early Years DSG carry forward balances from 2021/22 available of £1.348 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 21 to Summer 22, OR
2. Allocate funding to providers based on just the summer term hours – Summer 22, OR
3. Using either of the above options but adjusting for deprivation.
4. Allocate funding to support early years & childcare sufficiency, including sufficient and effective provision for children with SEND
5. Retain the underspend to off-set overspend on Dedicated Schools Grant

Recommendation: Use of the carry forward balances as follows:

- Retain £200k (15%) of the underspend to support Early Education & childcare sufficiency (capital and revenue)
- Retain £100k (7%) to fund up to 6 months extension of the commissioned EY Specialist Assessment provision for children with special educational needs.
- Retain £200k (15%) for contingency
- Allocate £848k (63%) to providers proportionately, based on the full academic year hours 2021/22

5. Rationale

- 5.1. It provides a positive injection of funding (almost £850K) 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. A period of review will be required to analyse and understand the impact of the newly commissioned EY SEN assessment provision, the current contract includes the potential for up to 12 months extension to enable a review to inform decisions with regard to continuation of the service with possible extension across the county
- 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 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.