

# South Gloucestershire Council

## SCHOOLS FORUM

19<sup>th</sup> January 2023

### OUTCOME OF THE CONSULTATION ON EARLY YEARS FUNDING ARRANGEMENTS FOR 2023/2024

#### Purpose of Report

1. To share the outcomes of the recent consultation with the Early Years (EY) sector on the proposals for the Early Years Funding Formula for 2023/2024.

#### Policy

2. Local Authorities (LA) are allocated funding to support the provision of childcare in early years according to a three-part funding formula. Under this formula, for 2023/2024 South Gloucestershire will receive £6.11 per hour for 2 year olds and £4.89 per hour for 3 and 4 year olds. 5% of this will be retained to ensure the continued delivery of the LA statutory services for early years.

#### Background

3. The hourly rate received by the LA has been increased this year by £0.31 for 2-year-olds and £0.23 for 3 and 4 year olds. This has been the highest increase since the single funding formula began in 2017.
4. The Early Years Sector has continued to experience significant financial pressures over the last year; increases to minimum wage and employment costs such as national insurance and pension contributions, rents, utility bills and food continue to have significant impact on the sustainability of EY settings. Recruitment and retention of qualified staff is now a huge challenge as low wages deter people from pursuing Early Years as a career option. Sector representatives report that the increased costs of agency / supply staff to fulfil ratios to enable sufficiency of places for the youngest children in South Gloucestershire is compounding the crisis in Early Years. Further that the sector is struggling to meet the needs of the most vulnerable children with SEND due to the staffing situation.

#### Consultation Proposals

5. The consultation process aimed to provide the sector with the maximum amount of funding possible in their hourly rate whilst keeping the supplements to a minimum and at similar levels to previously.
6. **Two year old** funding was not part of the consultation as it is not subject to any supplements and has been set at £5.80 (£0.29 increase on last year).

**Nursery Education Grant Funding for 3 and 4 year olds, this includes 15 hours universal and the Plus 15 hours.**

### **Proposal Regarding the base rate paid to settings.**

7. Funding allocated to settings has been split into two different parts, the Base Rate and Supplements. The Base Rate should be set at no less than 90% of the total amount paid to settings, with the remaining 10% being given as supplements.
8. In order to provide the sector with the highest possible base rate, as in previous years, it was proposed the number of supplements would be limited, and the total amount allocated set at 2.9%, well below the 10% permitted.
9. Within this consultation, the base rate was set at £4.50/£4.51, providing the sector with a £0.22 / £0.23 increase.
10. The sector was consulted on three different options, both options provided the sector with the same funding for 2 year olds and a base rate of £4.50 / £4.51 for 3-4 year olds.

### **Supplements.**

#### **The Deprivation Fund**

11. This is a mandatory supplement which is aimed at supporting settings who work with the most disadvantaged children. The allocation of the deprivation fund is based on the number of universal hours taken up by Early Years Pupil Premium children in a setting.
12. The deprivation supplement is paid in a lump sum to providers alongside their regular payments. The purpose of the fund is to enable settings to provide targeted support to reduce the significant impact economic disadvantage has on children's development and attainment, which can affect their life chances.
13. **Option 1** aimed to increase the amount in the deprivation fund to 1.05% to acknowledge some of the difficulties faced by children from our most disadvantaged backgrounds following the pandemic.
14. **Option 2** would see the funding remain the same. **Option 3** would see a decrease in the fund to enable and increase in base rate for 3 and 4 year olds.
15. It should be noted that the Early Years Pupil Premium payment which is not subject to this consultation has been set by the government at 60p per hour.

#### **Flexibility Supplement**

16. Since the introduction of the revised funding formula in 2017, childminders have received a flexibility supplement to acknowledge the different ratios childminders work with compared to group provision. This was initially introduced for one year to ensure childminders did not receive a decrease to their hourly rate of income but has remained in place.
17. The significant increase to the hourly rate in the last two years provided an opportunity to reconsider the flexibility supplement to consider if this could be reduced and if so, the impact this would have on both childminders and the wider sector. The impact is reflected in the three options.

### **Inclusion Fund (Mandatory)**

18. The Inclusion Fund was set up in 2017 to enable settings to apply for additional funding to meet the needs of children who have Special Educational Needs and/or Disabilities (SEND) but who are **not** undergoing a needs assessment or in receipt of an Education, Health or Care Plan (EHCP). The outcome of consultation in 2022/2023 was agreement to combine the inclusion fund with funding from the High Needs Funding Block to create a much larger fund which will support more children for longer without needing to apply for an EHCP. It is proposed that this will continue, enabling settings to gain financial support from the age of two for children with SEND. The Inclusion Fund will remain at 2%
19. The options included in the consultation with the sector are Options 1, 2 and 3 set out in the table below.

### **Summary of options**

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
2 year Old Rate	£5.80	£5.80	£5.80
3-4 year Old Rate	£4.50	£4.50	£4.51
Flexibility supplement for childminders	£0.00	£0.06 £4.56	£0.00
Inclusion Fund	2%	2%	2%
Deprivation Fund	1.05%	1.0%	0.9%

20. The sector was consulted on the following question: What is your preferred funding option for implementation in April 2023, Option 1,2 or 3?

### **Summary of Consultation Outcome**

21. The consultation period with the sector lasted for 3 weeks in December and January. Responses were through a SNAP survey only. Information concerning the consultation was emailed to the sector and posted on the Virtual Learning Environment (VLE), the standard platform in place locally for sharing information with the sector.
22. 111 responses were received from childminders, pre-schools, day nurseries and nursery classes, representing 48% of the sector registered to accept funded children.
23. Of the eligible providers, responses were received from 36% of Childminders, 55% of Day Nurseries, 61% of Pre-schools and 20% of school Nursery Classes.
24. The following summarises the outcome of the Consultation undertaken with Providers and the proposed recommendations:

## Funding

25. 12% of responses were in favour of Option 1, with 43% in favour of Option 2 and 45% in favour of Option 3.
26. With this suggestion in mind, it is recommended that Option 3, receiving 45% of the vote is adopted.

**Table 2 Summary of funding outcomes**

Sector	Option 1	Option 2	Option 3	Chose not to respond
Childminders	0	37	0	65
Day Nurseries	4	4	28	31
Preschools	9	6	22	24
Nursery Classes	0	1	0	4
Total	13	48	50	124

## Recommendations

27. It is recommended that the Schools Forum note the outcome of the consultation and approve implementation of proposals put forward under Option 3, summarised below:
- Two year old funding rate is set at £5.80.
  - 3-4 year old base rate is set at £4.51.
  - Deprivation fund is set at 0.9%
  - Inclusion fund is set at 2%

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