

South Gloucestershire Council

SCHOOLS FORUM

10th January 2022

EARLY YEARS FUNDING ARRANGEMENTS FOR 2022/23– CONSULTATION OUTCOMES

Purpose of Report

1. To share the outcomes of the recent consultation with the EY sector on the proposals regarding the Early Years Funding Formula for 2022/23.

Policy

2. Local authorities are allocated funding according to a three-part funding formula, under this formula, for 2022/23 South Gloucestershire will receive £5.80 per hour for 2 year olds and £4.65 per hour for 3 and 4 year olds. 5% of this will be retained to ensure the continued delivery of the local authority statutory services for early years.

Background

3. The Early Years Sector has experienced significant financial pressures since the first National lockdown in March 2020 and have continued to offer provision to our youngest children throughout this time.
4. The Hourly rate has been increased this year by £0.21 for 2 year olds and £0.17 for 3 and 4 year olds. This has been the highest increase in the hourly rate since the single funding formula began in 2017.
5. Whilst this increase has been welcomed by the sector, the early years working group have asked for this to be set in the context of increases to the minimum wage and the impact this has on wages for all staff, and the resulting increase in National Insurance and pension contributions. Other associated costs of running provision such as increases to rents, utility bills and food have also significantly increased, placing further financial difficulties on the sector. Therefore, concerns about the long-term sustainability of the sector remain, especially for our smaller community run pre-schools.

Consultation Proposals

6. 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.
7. **Two year old** funding was not part of the consultation as it is not subject to any supplements and has been set at £5.51.

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

8. 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.
9. In order to provide the sector with the highest possible base rate, it was proposed the number of supplements would be limited and the total amount allocated set at 2.9%, well below the 10% permitted.
10. Within this consultation, the base rate was set at £4.28, providing the sector with a £0.16 increase.
11. The sector was consulted on two different options, both options provided the sector with the same funding for 2 year olds and a base rate of £4.28 for 3-4 year olds.

Supplements.

The Deprivation Fund

12. 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. This decision was made to ensure the payments reach the most disadvantaged children and will remain in place for 2022-23.
13. 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.
14. **Option 1** aimed to increase the amount in the deprivation fund to 1% to acknowledge some of the difficulties faced by children from our most disadvantaged backgrounds following the pandemic.
15. **Option 2** would see the funding remain the same.
16. 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 £0.60 per hour, an increase of £0.07.

Flexibility Supplement

17. Since the introduction of the revised funding formula in 2017, childminders have received a flexibility supplement to ensure that they do not take a reduction in their hourly rate. The Local Authority are concerned that any reduction in the childminders hourly rate would see a loss to the childminding community as they may no longer be able to afford to take funded children. The flexibility supplement was also implemented to acknowledge the different ratios childminders work compared to group provision.

18. The significant increase to the hourly rate provided an opportunity to revisit 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. This is shown in Option 1.
19. **Option 1** would see the childminder flexibility supplement being reduced to £0.07 from £0.14. Within this option, childminders will see their hourly rate increase to £4.33 from £4.26 This still ensures childminders are provided with additional funding to support their lower ratios. At the same time, this option acknowledges the increase in the number of disadvantaged families as a result of the pandemic and seeks to help settings to support them in order to narrow the education gap between children from disadvantaged backgrounds and their more affluent peers.
20. **Option 2** would see the flexibility supplement remain at £0.14, providing an hourly rate of £4.42, within this option, the deprivation fund would remain at 0.9%.

Summary of options

	Option 1	Option 2
2 year Old Rate	£5.51	£5.51
3-4 year Old Rate	£4.28	£4.28
Flexibility supplement for childminders	£0.07 £4.33	£0.14 £4.42
Inclusion Fund	2%	2%
Deprivation Fund	1%	0.9%

Inclusion Fund (Mandatory)

21. The Inclusion Fund was set up in 2017 to enable settings to apply for additional funding to meet the needs of children who have SEND but who are **not** undergoing a needs assessment or are in receipt of an EHCP. Since the inception of the Inclusion Fund the numbers of children with SEND and the pressures facing settings as they endeavour to meet the needs of children have continued to increase.
22. Within this consultation, the Inclusion Fund will remain at 2% of the hourly rate, however, it is proposed to make changes to the administration and organisation of the fund to maximise the number of children with SEND who can be supported within the early years sector.
23. As part of the local authority system wide reforms to SEND funding for all children 0-25 years, it is proposed to merge 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. Schools Forum have agreed to the outline proposals in principle and are now seeking the approval of the sector to create a new combined fund.

24. The consultation explained to the sector the new combined fund would seek to:
- Provide inclusion funding for 2 year olds in settings who have SEND and for whom the setting is already following the graduated response.
 - Extend the time funding is allocated to cover the academic year to enable settings to plan how they can meet the needs of the child over time. This will replace the current requirement for settings to reapply after 6 months. Funding will then be allocated pro rata, for a maximum of 38 weeks or until the end of the academic year, ie July. Settings will be able to stretch this funding if children are stretching their hours across the year.
 - Provide short term funding for children who are starting in a setting who have already accessed other professionals such as health or Portage. This will enable the setting to use the information provided by other professionals to plan an induction for the child. The setting would be expected to follow the graduated response during this time and then, if appropriate apply to the new inclusion fund.
 - A Transition Fund will be created to support both settings and schools to plan and deliver successful transition for children starting school who do not have an EHCP but are in receipt of the higher levels of funding from the inclusion fund. The aim of this is to provide more time for the child to access support and to grow and develop during their first year in school. This will enable schools to decide if an EHCP is required or if the child can be supported at SEN Support. LA officers are aware that many practitioners feel under pressure to apply for an EHCP prior to children starting school. The creation of this fund aims to remove this pressure and instead to focus on high quality transition and support for the child during their Reception year. Other LAs who have developed this approach have reported that 45-50% of children who are able to access this support, no longer require an EHCP when they reach the end of their Reception year as the children have benefitted from funded interventions over a longer period of time.

The sector were therefore consulted on the following 2 questions:

25. What is your preferred funding option for implementation in April 2022, Option 1 or 2?
26. Do you agree with the proposal to incorporate the current Inclusion Fund into a new larger Inclusion Fund which will enable more children with SEND to be supported from the age of 2 years into their first year in school and the end of the EYFS?

Summary of Consultation Outcome

27. The consultation period with the sector lasted for 2 weeks over the Christmas Holiday period. Following an extremely low response rate, it was extended for a further 4 days, in January. Responses were through a SNAP survey only. Information concerning the consultation was emailed to the sector and posted on the VLE.
28. 114 responses were received from childminders, pre-schools, day nurseries and nursery classes, representing 37.25% of the sector. This is slightly lower than last year, but broadly in line with previous years.
29. Of the eligible providers, responses were received from 35% of Childminders, 30% of Day Nurseries, 33% of Pre-schools and 60% of school Nursery Classes

30. The following summarises the outcome of the Consultation undertaken with Providers and the proposed recommendations that will be put forward to the Children Adults and Health Committee for approval:

Funding

31. 63% of responses were in favour of Option 2, with 38% in favour of Option 1.
32. It should be noted in the responses table below that most Pre-schools, Day Nurseries and Nursery classes were in favour of Option 1 which would provide an increase in the deprivation fund and a reduction in the childminder supplement. This reflects the concerns facing group providers as detailed at the start of the report and need to be considered moving forward. Whilst outside the remit of this consultation, it has been suggested by a member of the early years working group that some financial modelling is undertaken over the coming year to ascertain if the childminder flexibility supplement is still required in future years or if the constraints facing the whole sector, although different, are now more equal impactful than they were in 2017.
33. With this suggestion in mind, it is recommended that Option 2, receiving 63% of the vote is adopted.

Table 2 Summary of funding outcomes

Sector	Option 1	Option 2	Chose not to respond to the question
Childminders (57)	4	53	0
Day Nurseries (21)	14	7	0
Preschools (33)	21	10	2
Nursery Classes (3)	3	0	0
Total	42	70	2

Inclusion Fund

34. The inclusion fund is to remain at 2% however, the sector has overwhelmingly agreed to the proposal to combine the fund with funding from the High Needs Block under the work of the High Needs Working Group Themes 2 and 3

Summary of outcomes for the Inclusion Fund

Do you agree with the proposal to incorporate the current Inclusion Fund into a new larger Inclusion Fund which will enable more children with SEND to be supported from the age of 2 years into their first year in school and the end of the EYFS?

Sector	Yes	No	Chose not to respond to the question
Childminders (57)	47	7	3
Day Nurseries (21)	21	0	0
Preschools (33)	31	1	1
Nursery Classes (3)	3	0	0
Total	102	8	4

35. It is therefore proposed that the inclusion fund is combined with the Nigh Needs funding to create one single fund for supporting children with SEND in early years provision.

Summary of recommendations

- 1) The Schools Forum is asked to note and approve the proposals as set out in Option 2 and summarised below
 - Two year old funding rate is set at £5.51
 - 3-4 year old base rate is set at £4.28
 - Childminder flexibility supplement remains at £0.14 giving an hourly rate of £4.42
 - Deprivation fund is set at 0.9%
 - Inclusion fund is set at 2%
- 2) The Schools Forum is asked to note and approve the proposal to create a new Inclusion Fund for children with SEND in their early years as part of the high needs working group work.

Author

Rachel Webb
Senior Education Adviser (Early Years Manager)
Rachel.Webb@southglos.gov.uk

01454 863355