

Children and Young People Overview and Scrutiny Committee

12 June 2024

Member's Item: Early Years/Pre School-Funding Rates April 2024-25

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Summary

This report sets out a response to the Member's item, submitted by Councillor Howcroft-Scott in March 2024, concerning the Early Years/ Preschool Funding Rates 2024-25.

1. Recommendation

1.1. The Committee is asked to note the Director's comments in response to the Member's item.

2. Budget and policy framework

2.1. Under Medway Constitution Overview and Scrutiny rules (Chapter 4, Part 5, Paragraph 9.1) Councillor Howcroft-Scott has requested that an item on this issue is included on the agenda for this meeting.

3. The issue

3.1. Councillor Howcroft-Scott has requested that an item be placed on the agenda and the reasons are set out as follows:

- Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2024/25?
- Why is there such a disproportional disparity of funding?
- Surely children matter and are not worth more in some regions of the country than others?
- Why can there not be fair funding?
- Parity for all our children should be crucial.

- Costs in Medway are as great as they are in other authorities, and we struggle to recruit due to London Authorities and having to pay London weighting. This does not seem fair either.
- How can the disparities in these funding levels be deemed as fair?
- Can Medway appeal against these funding disparities?

4. Director's Comments

- 4.1. The costs of early years/pre-school provision are met from the Dedicated Schools Grant, with no cost falling to the Council's general fund and therefore the Revenue Support Grant (RSG) does not fund these services. The RSG, along with all other non-ringfenced government grant is allocated to individual local authorities based on a government methodology that aimed to distribute funding based on relative needs (i.e. deprivation, rurality) and available resources (size of local taxbases). The government had previously committed to carry out a review of relative needs and resources, including updating the datasets used to determine the distribution of resources however the Local Government Finance Settlement 2024 to 2025 confirmed that this will not be implemented until the next Parliament.
- 4.2. Medway's early years and preschool funding allocation is issued from the Department for Education (DfE) and is allocated through the Dedicated Schools Grant (DSG).
- 4.3. Changes to government funded childcare entitlements were announced in Spring 23 which included the expansion of childcare entitlement.
- 4.4. Starting from April 2024, existing childcare support is to be expanded in phases. By September 2025, most working families with children under the age of 5 will be entitled to 30 hours of childcare support. The changes are being introduced gradually to make sure that providers can meet the needs of more families. This means that:
- From **April 2024**, eligible working parents of 2-year-olds will be able to access 15 hours childcare support.
 - From **September 2024**, 15 hours childcare support will be extended to eligible working parents of children from the age of 9 months to 23 months.
 - From **September 2025**, eligible working parents with a child from 9 months up to school age will be entitled to 30 hours of childcare a week.
- 4.5. The DfE allocate an Early Years Funding rate to each local authority, with rates varying from authority to authority. Rates are allocated based on the demographics and the Income Deprivation Affecting Children Index (IDACI). Local authorities are required to pass through 95% of these rates to early years providers.
- 4.6. In Medway, out of the 95%, 1% is retained for Special Educational Needs Inclusion Funding (SENIF) for all entitlements and is distributed to providers

on application. The remainder is allocated to providers using the Medway Early Years Funding Formula (EYFF) which consists of a *base rate* and *supplements* calculated from individual provider data. All provider rates are subject to the same funding formula for each entitlement, with the exception of the Teachers Pay and Pension Grants (TPPG); this is only applicable to the 3- and 4-year-old funding rate only and is dependent on a setting employing a member of staff in a nursery on Teachers terms and conditions.

- 4.7. The 95% 'pass-through' in line with DfE guidelines, includes a *base rate*, which in Medway is as follows:

	Base rate
Under 2-year-olds	£9.20
2-year-olds	£7.30
3- & 4-year-olds	£4.72

- 4.8. In addition to the *base rate*, *supplements* are allocated to all providers meeting the criteria (in accordance with DfE guidelines) set out below:

- **Disadvantaged/additional needs** - based on the IDACI score of the children attending a setting during the autumn term.
- **Leadership** - if a setting employs a member of staff with either Qualified Teacher Status, Early Years Professional Status or Early Years Teacher Status.
- **Quality** - if a setting has been judged by Ofsted as Good or Outstanding.

- 4.9. The average Medway 3- and 4-year-old rate (including *base* and *supplements*) is £5.05. The lowest rate being £4.72 and the highest £5.56.

- 4.10. The average 2-year-old rate is £7.41, with the lowest being £7.30 and the highest is £7.62. The average Under 2-year-old rate is £9.91. The lowest being £9.20 and the highest £11.21.

- 4.11. The lowest rates reflect providers who do not receive any *supplements*, for example they are new to funding, have not been judged by Ofsted as Good or Outstanding and /or do not employ a member of staff with a leadership qualification.

The highest rates are likely to be providers in receipt of all *supplements* and with a high number of children living in an area of deprivation.

- 4.12. Each year Early Years providers are consulted with on the Early Years Funding Formula (EYFF). In January 24, information was shared with all providers regarding changes to Medway's Early Years funding rates. 21 settings out of 245 responded. Following this, a presentation was delivered to the schools Forum to request approval of the allocation through the Dedicated

Schools Grant (DSG) of the EYFF. The rates were agreed and consequently shared with settings in February 2024.

- 4.13. It should be noted that because of changes to Medway's Early Years funding rates, all providers either received the same base rate as previous years or more. Following the introduction of the EYFF, additional supplementary rates have been introduced to 2 year olds, whereas previously these were only applicable to funding for 3 and 4 year olds.
- 4.14. One provider identified that there is an inequity between their setting rate when compared to other areas. However, within information presented from this provider, it has not been recognised that funding received could be higher if they meet the criteria within the supplements. Employing staff with leadership qualifications for children under 2 years old would equate to an additional 10p per hour per child. It should also be noted that because of changes to rates, the setting is now receiving an additional 20p per hour more for 3 and 4 year-olds and 8p per hour more for 2-year-olds when compared to the previous year.
- 4.15. In response to national changes, Medway's EYFF has been adjusted and the majority of providers have seen an increase in funding. The benefit of changes to enable settings to access supplements for 2-year-olds, are being seen through increased funding rates to those eligible.
- 4.16. As a result of the introduction of the national extended entitlements for 2-year-old children of working families, Medway's current takes up rate (81%) is above the national rate, this equates to 571 eligible 2-year-old children out a possible 702 who are accessing childcare.
- 4.17. There is sufficiency of childcare places for 2-year-olds in Medway. This is based on both groups of 2-year-old children (those receiving additional government support and additionally, the new eligibility criteria for children of working families).
- 4.18. The extended entitlement of 15 hours of free childcare for children aged 9 to 23 months will start from September 2024. The expected figure (from the DfE) takes up rate is sited as 60% within this age bracket. Currently, 880 children aged 9 to 23 months are already in a private fee-paying childcare placement and are therefore deducted from the expected 60% take up. If all entitled children took up places, Medway could have a possible shortfall of places.
- 4.19. Each provider would possibly need to create a further 3 FTE places to meet expected take up. All providers have been made aware of the government Capital Grant which can enable providers to make adaptations to existing buildings to facilitate additional childcare capacity. We are currently receiving expressions of interest.

- 4.20. Promotion of the new and forthcoming extended entitlements for free childcare remains a priority. To date, advertising campaigns as evidenced through billboards, on board buses, local radio and newspapers can be seen. Additionally, using national materials provided by the DfE, promotion through posters and leaflets displayed in a variety of local businesses continues.
- 4.21. Medway's Family Information Service (FIS) also supports providers to ensure parents are accessing the DfE online portal to register their application if they require further support.

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Shortfall of Places	Nationally we are seeing a projection of a shortfall of places due to insufficient staffing numbers	Medway is not currently forecasting a shortfall of places. However, partnership working continues with providers	CIII

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

6. Legal and financial implications

- 6.1. The early years national funding formulae are used to determine the hourly funding rate to fund individual local authorities for their early years entitlements. The council receives its funding for early years provision through the early years block in the DSG.
- 6.2. Local authority duties for early education and childcare are outlined under section 2 of the Childcare Act 2016 and sections 6, 7, 7A, 9A, 12 and 13 of the Childcare Act 2006.

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Appendices

None

Background papers

None