**Report to Hartlepool Schools’ Forum 14 July 2020**

**From Danielle Swainston (Assistant Director - Joint Commissioning)**

**Item 7: Early Years Sustainability Grant**

1. **Introduction**

1.1 This report seeks approval to use Early Years Block of the Dedicated Schools Grant (DSG) (both 2020/21 funding and reserves) to create a sustainability fund to support early year’s providers adversely affected by the current COVID-19 pandemic.

* 1. The report also requests that for the period April to August inclusive, where providers have accepted children from closed providers, they should be paid for these additional children, along with the original closed provider (i.e. double funded).

1. **Background**
   1. The 2019/20 Early Years Block (EYB) of the DSG is calculated by using 5/12 of the number of 2, 3 & 4year olds on the January 2019 census and 7/12 of the January 2020 census. Schools’ Forum is aware that this formula creates ‘winners and losers’ and historically for Hartlepool we have not been paid enough two year old funding based on census compared to actual participation. Schools’ Forum is aware that a Task and Finish Group has been looking into how to address this financial pressure. Schools’ Forum agreed to use DSG reserves to meet the funding shortfall for a 2 year period whilst a solution was being sought.
   2. The Government has indicated that Local Authorities have flexibility to use DSG funding to support providers during the current pandemic. The DfE issued guidance on 28 April stating that local authorities can use uncommitted central spend in the early years budget (i.e. funds not passed onto providers in the '95% pass-through rule') to support early years providers.
   3. Hartlepool has a range of different structure of early years providers -

* Schools
* Childminders (registered as self-employed)
* Day nurseries and playgroups (including not for profit/ charitable status, limited companies)
  1. The status of the early years provider depends on what (if any) support they have been able to secure from the government to allow them to maintain their early years business.

1. **Sustainability Grant**

3.1 Schools will be able to apply for additional funding to support additional costs incurred as a result of the pandemic if they do not have an in-year surplus at the end of the financial year. The details on how to apply for this funding has now been published.

3.2 Childminders, playgroups and day nurseries are struggling with a loss of fee-paying income from parents as the vast majority of settings have been closed. Although they are now able to open, parental confidence is low and therefore fee paying parents have not yet returned in any great numbers. Providers are struggling to meet fixed costs. DfE anticipates that this low level parental confidence could last until the end of the calendar year.

3.3 The Local Authority has a statutory duty to ensure there is a childcare place for all eligible early years’ children together with childcare for all children whose parents work.

3.4 It is proposed that a sustainability grant fund is established using uncommitted funds from the 5% central spend – c £15,000 and a further £30,000 from the current early year’s reserve. This would create a total fund of £45,000.

3.5 Criteria would need to be established but would include checks to see if providers have accessed all the government support they are entitled to, confirmation of their financial position versus their fixed costs. Application forms and Terms and Conditions for the Sustainability Grant would be approved by Legal Services.

3.6 DfE guidance issued 27 May 2020 stipulated that “no organisation should profit from the exceptional financial support available” and this would need to be clearly evidenced in any application received.

1. **Double Funded Children**

4.1 Some children of key workers and vulnerable children have been displaced from their current provider as they have closed. These children have been cared for by other providers.

4.2 During this period there has been no movement of funding between providers for children during the lockdown period. As per Government guidance, the original provider has received their early years DSG.

4.3 Day nurseries and some childminder providers were able and willing to accept these children. To date the cost for displaced early year’s children is c £8,000. It is proposed that these children are ‘double funded’ with the original provider keeping the funding and the new temporary provider also being paid. This approach would be in line with other regional local authorities.

1. **Proposals**

5.1 These proposals will be time limited but may need to be reviewed following any further guidance or developments from the DfE on the requirement for early year’s places post June 2020.

5.2 For the Sustainability grant, we propose to offer early years providers the opportunity to apply for a sustainability grant to reimburse them for additional costs or lost income that they have incurred due to the pandemic. The purpose of this is to ensure the ongoing sufficiency of childcare. Detail is to be confirmed, however it is anticipated that maximum one-off grants available would be up to £1,000 for childminders and up to £5,000 for day nurseries and playgroups.

5.3 For double funded children, in order to recognise the additional costs of settling in new children from a closed setting without any transition, it is proposed that providers are paid their current hourly rate for their setting for the actual attendance of the additional child(ren) for April and May. From the 1 June this will change to parental preference and funding will again follow the child.

1. **Financial Implications**

6.1 The proposed cost of the sustainability fund is £45,000. £30,000 of this funding would come from the early years reserve and it must be noted that this is already being used to cover the funding shortfall in the two year old budget which is unlikely to be resolved in this financial year as originally planned.

6.2 The costs of double funding children is estimated to be £8,000 and this would also place pressure on the early year’s reserve.

6.3 The following table summarises the cost of these proposals, along with the estimated funding available. A one year delay to proposals from the Task and Finish Group for change to the 2 year old funding has been assumed. This means that a further year of funding from reserves is required in 2021/22.

|  |  |  |
| --- | --- | --- |
| **Early Year’s Reserves Forecast** | **£’000** | **£’000** |
| Opening reserves 1 Apr 2019 |  | 284 |
| 2019/20 Contribution to reserves (3-4 year old underspend) | 120 |  |
| 2019/20 Use of reserves (2 year old overspend) | (150) |  |
| Closing reserves 31 Mar 2020 |  | 254 |
| 2020/21 Est contribution to reserves (3-4 year old underspend) | 77 |  |
| 2020/21 Est use of reserves (2 year old overspend) | (182) |  |
| 2020/21 Sustainability Grant | (30) |  |
| 2020/21 Double-funding | (8) |  |
| Est closing reserves 31 Mar 2021 |  | 111 |
| 2021/22 Est contribution to reserves (3-4 year old underspend) | 77 |  |
| 2021/22 Est use of reserves (2 year old overspend) | (182) |  |
| **Estimated closing reserves 31 Mar 2022** |  | **6** |

**7.** **Recommendations**

7.1 Forum is recommended to:

1. Approve the use of Early Years DSG underspend of £15,000 in line with Government advice and £30,000 reserves to establish a £45,000 early years sustainability fund;
2. Approve the use of Early Years DSG reserves to support providers taking children from closed providers during April and May 2020.