

**Manchester City Council  
Report for Information**

**Report to:** Schools Forum

**Subject:** Budget 2023/24 Update

**Report of:** Directorate Finance Lead – Education and Schools

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### **Summary**

School forum report Budget 2023/24 Update (see appendix one below), was circulated to all school forum members on Monday 13 March 2023, the report asked for members to provide a view and comment on:

- The outcome of the early years' consultation on the new quality supplement to the 3-and 4-year-old funding formula for 2023/24
- A review on the early years' quality supplement, including what/if criteria should be used to determine quality from April 2024.
- Schools block funding allocation relating to impact of inflation on the two PFI schools.

The following comments was received:

- a. I am happy to support the increase for the PFI schools
- b. Thank you for the report and the summary in the main body of the email. All looks fine.
- c. I wish to highlight comments made on the consultation that the contribution made by early years settings is still being overlooked and unless some decent funding is provided, they will not be able to remain sustainable. This will have a negative impact on school such as less children ready for school in nursery & reception, children/families not accessing early intervention (SEND children, children on the WellComm and Children in Needs) and children coming to school without relevant assessment such as EHCP or EHA.

### **Outcome**

The report included the results of the Early Year consultation (appendix one, para.2), given that 71% the respondents agreed for a review on the early years' quality supplement, including what/if criteria should be used to determine quality from April 2024, that a working group is set up to carry out this review.

## **APPENDIX ONE: Report to School Forum 12 March 2023:**

### **Manchester City Council Report for Resolution**

**Report to:** Schools Forum  
**Subject:** Budget 2023/24 Update  
**Report of:** Directorate Finance Lead – Education and Schools

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#### **Summary**

January 2023 School Forum's agenda provided Dedicated Schools Grant - 2023/24 budget, agenda item 5. This report provides updates on:

- outcome of the early years' consultation
- impact of inflation on the two Private Finance Initiatives (PFI) schools.

#### **Early Years**

In January 2023 the Council opened a consultation for all Manchester early years providers on the change of adding a new quality supplement to eligible setting as from April 2023.

#### **Schools Block**

At the time of presenting the Schools Budget to January's Schools Forum the impact of inflation on the two Private Finance Initiative (PFI) schools was not fully understood. This report provides an update on the inflationary impact on the PFI schools.

#### **Recommendations**

Schools Forum Members are asked to provide a view and comment on:

- The outcome of the early years' consultation on the new quality supplement to the 3-and 4-year-old funding formula for 2023/24
  - A review on the early years' quality supplement, including what criteria should be used to determine quality from April 2024.
  - Schools block funding allocation relating to impact of inflation on the two PFI schools.
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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

**Previous Reports:**

16 January 2023	Agenda Item 5: Dedicated Schools Grant 2023/24
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## 1. Introduction

- 1.1 The budget 2023/24 presented to School Forum January 2023 included the details of the proposed change to the early years' formula, by including a new quality supplement and that a consultation would be carried out with early years providers.
- 1.2 Manchester has two PFI schools, where buildings for the schools have been procured and facilities managed under the scheme. Payments for PFI arrangements are uplifted year on year in line with inflation, due to the significant increase in the rate of inflation the costs associated with PFI charges have increased more than expected, this was not fully understood at January 2023 Schools Forum, this report provides update on the additional PFI costs.

## 2. Early years quality supplement consultation responses

- 2.1 The Council opened a consultation with early year settings on 23<sup>rd</sup> January 2023. The consultation gathered views on the need for a quality supplement, metric to be used to measure it and provided consideration, if a further review is needed for budget setting beyond next year.
- 2.2 New quality supplement and the metric for 2023/24: The reason for the new quality supplement being introduced is driven from the DfE rolling in the teachers' pay grant (TPG), and teachers' pensions employer contribution grant (TPECG) into the early years funding. The TPG and TPECG funding was originally introduced for school settings to support the teachers' pay awards and pension contributions. Therefore, the one-year metric proposed for 2023/24 would ensure this funding reaches providers with higher staffing costs due to teachers pay and conditions regardless of setting type.
- 2.3 To ensure that funding is distributed fairly and in line with need, the Council proposed to undertake a full review to consider a quality supplement, what it should look like and determine the criteria going forward.
- 2.4 A total of 58 responses were gained from the consultation, of the respondents 35 were school-based nurseries (27%) and 23 PVI (19%). Below outlines the consultation questions and the answers provided.

### **Q1. Do you agree with a Quality Supplement?**

From the overall responses 57% of respondents agreed with the introduction of a quality supplement, 33% indicated uncertainty and only 10% opposed the quality supplement. No further comments were made directly to this question. Responses shown on table one below.

**Table One: Do you agree with a Quality Supplement**

	School-based Nursery		Private Nursery		Total	
		%		%		%
<b>Total Responses:</b>	<b>35</b>	<b>100%</b>	<b>23</b>	<b>100%</b>	<b>58</b>	<b>100%</b>
<b>In favour:</b>	20	57%	13	57%	33	57%
<b>Opposed:</b>	3	9%	3	13%	6	10%
<b>Unsure:</b>	12	34%	7	30%	19	33%

**Q2. Do you agree with the proposed metric for 2023 to 2024 funding?**

From the overall responses 48% of respondents agreed with the proposed metric for 2023/2024. 40% indicated uncertainty and only 12% opposed the quality supplement.

**Table Two: Do you agree with the proposed metric for 2023/24**

	School-based Nursery		Private Nursery		Total	
		%		%		%
<b>Total Responses:</b>	<b>35</b>	<b>100%</b>	<b>23</b>	<b>100%</b>	<b>58</b>	<b>100%</b>
<b>In favour:</b>	19	54%	9	39%	28	48%
<b>Opposed:</b>	5	14%	2	9%	7	12%
<b>Unsure:</b>	11	31%	12	52%	23	40%

Further comments:

- Two school-based nurseries raised concerns that the proposed metric would not provide the same level of funding received in previous years. However other school-based nurseries found the funding would equate roughly to that received in previous years.
- Some respondents requested more detail and clarification on the qualifying criteria and application process.
- Concerns were raised that the proposed metric would only benefit school-based nurseries and group nurseries, who can afford teacher led provision and not reach those settings that may need help to raise quality.
- PVI settings shared their frustrations that their skills and contribution to the education system seem to be continuously overlooked, and the difficulties settings face to provide decent pay to early years practitioners.
- Issue was raised with using the label “quality” for the new supplement, as all settings within the sector are expected to provide the same level of care and education. PVI settings do not have additional resources and support school-based nurseries have, such as additional staffing supporting on SEND, safeguarding and family support. This was supported by a headteacher who acknowledged PVI settings struggle to recruit quality staff.

**Q3. Do you agree with a review of what a Quality Supplement should look like, including what criteria should be used to determine quality?**

71% of respondents agreed with a full review, 24% indicated uncertainty and only 5% opposed the review.

**Table Three: Do you agree with a review of what a Quality Supplement**

	School-based Nursery		Private Nursery		Total	
		%		%		%
<b>Total Responses:</b>	35	100%	23	100%	58	100%
<b>In favour:</b>	27	77%	14	61%	41	71%
<b>Opposed:</b>	1	3%	2	9%	3	5%
<b>Unsure:</b>	7	20%	7	30%	14	24%

98% of the 28 responses in favour of the one-year proposed funding metric (table two above) was in favour of a full review of the quality supplement for future years.

Further comments were made by respondents regarding how to distribute the rolled in funding:

- All settings with Ofsted ratings of good or above would attract a quality supplement.
- To include settings with other qualified staff such as a graduate leading the provision.
- Rolling into the base rate for all providers

2.5 Informed by consultation responses the Council:

- Has support for the introduction of a quality supplement for early years settings.
- Agreement for the quality metric 2023/24 to be based on early year's provision being led by a qualified teacher (hence incurring additional costs due to teachers pay and conditions).
- Confirms a review of the early year's formula will be undertaken next year in preparation for 2024/25 budget setting.

### 3. Schools Block: Inflation Impact on Private Finance Initiative (PFI)

3.1 Manchester's school block funding 2023/24 is £504.27m, of which over 99% is passed onto schools. Individual schools funding is based on pupil numbers and their characteristics, such as whether pupils are eligible for free school meals plus premises related characteristics. Pupil related and other funding within most of the local formula allocation has been increased by 3.25%, the only significant change is the funding allocated to schools that are subject to Private Finance Initiative (PFI).

3.2 Manchester has two PFI schools, where buildings for the schools have been procured and facilities managed under the scheme. Under the scheme, responsibility for building and managing infrastructures and services has transferred to a private consortium, including banks, financiers, and a

construction company. Payments for the building and facilities are uplifted year on year in line with inflation, due to the significant increase in the rate of inflation the costs associated with PFI charges have increased more than expected, the overall impact of this is £331k on the schools funding block. This does not impact on schools' allocation based on the local funding formula as agreed at School Forum January 2023.

- 3.3 By including the increase in 2023/24 additional grant will be received 2024/25 onwards. The Council could not foresee the impact of inflation in time for 2023/24 budget setting at Local Authority level and has funded the increased additional costs from the Growth Fund.

#### **4. Conclusion and Recommendations**

Schools Forum Members are asked to provide a view and comment on:

- The outcome of the early years' consultation on the new quality supplement to the 3-and 4-year-old funding formula for 2023/24
- A review on the early years' quality supplement, including what/if criteria should be used to determine quality from April 2024.
- Schools block funding allocation relating to impact of inflation on the two PFI schools.