

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: Early Years Quality Supplement 2024/25

Report of: Directorate Finance Lead – Children’s and Schools

Summary

In 2023/24 Manchester introduced an early year’s quality supplement for 3-and 4-year-olds, as a result of the Department for Education (DfE) rolling the teachers’ pay grant (TPG), and teachers’ pensions employer contribution grant (TPECG) into Council’s overall funding allocation for 3- and 4-year-old entitlement. Previously the TPG and TPECG were paid as a separate grant direct to school-based nurseries, to support settings with teachers’ pay awards and pension costs.

January 2023, the Council opened a funding consultation with early years settings to gather views on the need for a quality supplement, metric to be used to measure it, and consideration if a further review is needed for budget setting beyond 2023/24. The consultation outcome, reported to Schools Forum March 2023, gave a strong opinion agreeing with the supplement for 2023/24 but for a review of the quality supplement going forward from 2024/25. A working group was set up to carry out the review, this report provides an update on the review and proposal regarding early years quality supplement.

Recommendations

All Schools Forum members are asked to comment and vote on:

- Inclusion of early years quality supplement in 3-and 4-year-old local funding formula (rate based on the rolling in of the TPG and TPECG into the 3-and 4-year-old core funding).
 - The eligibility criteria for the quality supplement, is where the early year's provision must be led by a qualified teacher working directly with children and the setting incurs additional costs due to teachers pay and conditions.
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Contact Officers:

Name: Anne Summerfield
Position: Directorate Finance Lead Education and Schools
Telephone: 0161 234 1463
E-mail: anne.summerfield@manchester.gov.uk

Name: Nehal Ayub
Position: Principal Finance Manager - Schools
Telephone: 0161 234 1467
E-mail: nehal.ayub@manchester.gov.uk

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.

Supporting Reports:

16 th January 2023	School Forum Agenda Item 5: Dedicated Schools grant (DSG) 2023/24
20 th March 2023	School Forum Agenda Item 4: Budget 2023/24 Update

1. Introduction

- 1.1 Prior to 2023/24, Department for Education (DfE) provided school-based nurseries a teachers' pay grant (TPG), and teachers' pensions employer contribution grant (TPECG) as a separate grant. This was to support settings with teachers' pay award and pension costs.
- 1.2 In 2023/24 DfE rolled the early years TPG and TPECG into the Council's overall funding allocation for 3- and 4-year-old entitlement. Manchester 2023/24 introduced a quality supplement, £0.17p per hour to eligible settings. This one-year metric was approved to ensure this funding reached providers with higher staffing costs due to teachers' pay and conditions regardless of setting type.
- 1.3 January 2023, the Council opened a consultation for all Manchester early years providers, gathering views on the need for a quality supplement, metric to be used, and provided consideration if a further review is needed for budget setting beyond 2023/24. 98% of the 28 responses while agreeing with the one-year proposed funding metric for 2023/24, were in favour of a full review of the quality supplement for future years.
- 1.4 A working group, made up of representatives from early years settings, was set up to review the need for a quality supplement, if so, what metric should be used and the allocation process. This report gives details of the review and the proposed outcome going forward.

2. Working Group Review: Early Years Quality Supplement

- 2.1 The working group first reviewed the DfE guidance on funding supplements: amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. When using supplements, local authorities should:
 - Ensure transparency, fairness and be open to all providers which meet the eligibility criteria.
 - Use supplements to channel additional funding to providers.
 - Not distinguish between the universal 15 hours and the additional 15 hours for working parents; any supplement should apply equally to both entitlements.
- 2.2 Only certain allowable supplements can be part of the funding formula, such as deprivation (mandatory), rurality or sparsity (discretionary) and quality (discretionary). DfE encourage local authorities to use the quality supplement to distribute the additional funding they will receive because of the mainstreaming of the TPG/TPECG. The use of "quality" to describe the supplement is following DfE guidance and does not reflect any superiority on the level provision.
- 2.3 The three main areas covered by the working group included:
 - Should there be a quality supplement (rate based on the TPG/TPECG level)?
 - If no, what is the appropriate method for allocating this funding, within the funding envelope?
 - If yes, how should this funding be allocated on a fair basis?
- 2.4 The working group all agreed that it is fair to continue to have a quality supplement

(rate based on the TPG/TPECG level) as part of the early years local funding formula.

- 2.5 Various metrics and processes were discussed for allocating this funding via a quality supplement. The proposed metric agreed for settings to be eligible is: where an early year's provision is led by a qualified teacher working directly with children and the setting incurs additional costs due to teachers' pay and conditions.
- 2.6 The quality supplement would not be awarded automatically, early years settings (schools and PVIs) will need to submit a short on-line form to apply for the supplement. This will be verified and approved by the Council.

3. Conclusion and Recommendations

- 3.1 School Forum members are asked to comment and vote on:
 - Inclusion of early years quality supplement in 3-and 4-year-old local funding formula (rate based on the rolling in of the TPG and TPECG into the 3-and 4-year-old core funding).
 - The eligibility criteria for the quality supplement, is where early year's provision must be led by a qualified teacher working directly with children and the setting incurs additional costs due to teachers' pay and conditions.