

Birmingham City Council

Report to Cabinet

23rd April 2024



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| Subject: | GRANTS TO MAINTAINED NURSERY SCHOOLS AND PRIVATE, VOLUNTARY AND INDEPENDENT CHILDCARE PROVIDERS – EARLY YEARS FINANCIAL INCENTIVES PILOT |
| Report of: | Sue Harrison, Director of Children and Families |
| Relevant Cabinet Member: | Cllr Karen McCarthy - Children, Young People & Families |
| Relevant O &S Chair(s): | Cllr Kerry Jenkins - Education, Children & Young People |
| Report author: | Fiona Hicks Quality and Safeguarding Strategy Manager Early Years and Childcare Service Tel. 07766924073 Email Address: Fiona.Hicks@Birmingham.gov.uk |

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| Are specific wards affected? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No – All wards affected |
| If yes, name(s) of ward(s): | | |
| Is this a key decision? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| If relevant, add Forward Plan Reference: 012714/2024 | | |
| Is the decision eligible for call-in? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: | | |

1 Executive Summary

- 1.1 To seek approval to develop programmes to support the delivery of the Department for Education grant payments to Birmingham early years providers in line with the Early Years Financial Incentive Pilot. This is new money funded as part of a specific project by the Department for Education. This initiative will not be part of Birmingham City Council's mainstream offer. The pilot will encourage new recruits to the early

years and childcare workforce by paying a “Golden Hello” payment of £1000 after tax and national insurance contributions. By building early years workforce capacity in Birmingham this pilot will enable the local authority to meet its statutory Childcare Sufficiency duty from April 2024. The total revenue funding available is £1,044,420. Funding awarded will not exceed this amount.

2 Recommendations

That Cabinet approve:

- 2.1 The development of the Early Years Financial Incentive Pilot programme.
- 2.2 The rollout of “Golden Hello” payments to Maintained Nursery Schools and Private Voluntary and Independent (PVI) early education providers, and to childminders that employ childminder assistants in Birmingham.
- 2.3 Delegated authority to the Director of Children and Families in consultation with the Interim Director of Finance (Section 151 Officer), the City Solicitor and the Head of Early Years and Childcare (or their delegates) to award funding to Early Education providers within existing Council financial and legal governance frameworks including the execution and completion of all necessary documents.

3 Background

- 3.1 At the Spring Budget in March 2023 the Government set out large-scale childcare reforms to increase availability, reduce costs and increase the number of parents using it. This is in recognition that early education childcare plays a vital role in enabling parents to work and support children’s early development, which in turn improves economic growth. The Budget announced a range of measures to support education and help parents with childcare so they can return to work more easily.
- 3.2 The purpose of this grant is to provide local authorities with funding to financially incentivise additional recruitment into the Early Years workforce, and the aim of this pilot is to increase the Birmingham workforce by 654 staff. The additional workforce capacity will support the successful delivery of the early years childcare expansion reforms.

The government will invest £1,044,420 from March 2024 until December 2024 to fund the Financial Incentive Pilot in Birmingham. Birmingham will be one of twenty local authorities in a treatment group offering the financial incentive. Data from the treatment group will be compared against an additional 20 local authorities in a control group not offering the financial incentive. For eligibility criteria see **Appendix A**.

- 3.3 Eligible local authorities (LAs) were chosen from those who fall within the top 25 LAs of the two groups listed below: -
 - Group 1 - the IDACI index for LAs with high levels of deprivation.
 - Group 2 - those LAs with the lowest sufficiency levels. The sufficiency need has been calculated by dividing the number of children aged 2 and under, taking up

15 hours a week over 38 weeks within the LA divided by Ofsted provider level places data.

- 3.4 This pilot aims to establish if a “£1000 after tax and national insurance Golden Hello” payment following 12 weeks of employment will increase: -
- the number of experienced staff returning to the early years’ workforce following a break of six months or more.
 - the number of new entrants to the early years’ workforce.
- 3.5 The Early Years sector faces challenges in recruitment and retention, especially for staff with skills and experience in supporting children with SEND. The Early Years Workforce Commission (2021) reported that the sector had not recovered to pre-Covid levels of staffing.
- 3.6 The Financial Incentive Pilot requires us to have a full understanding of the early years recruitment needs within the city. This national and local knowledge informs the pilot delivery plan which targets the funding where it is most needed.
- 3.7 The publication [The early years workforce: recruitment, retention, and business planning](#) (DfE 2022) provides evidence that nationally group-based (PVI) providers face challenges in both the recruitment and retention of staff. The research highlighted one main concern reported by setting managers was the limited number of ‘quality’ (qualified and/or experienced) candidates in the sector. Recruits entering employment were not yet “job ready”. These above challenges are coinciding with a tight labour market. As of December 2021, the employment rate in early years was above pre-pandemic levels (February 2019) and the number of vacancies listed between September and November 2021 rose to a new record (Office for National Statistics, 2021).
- 3.8 In the same report, the DfE conducted qualitative interviews and found that managers of settings talked about how COVID-19 affected child development and the implications for early years provision in their settings. Participants noted an increase in the number of children who required support for special educational needs and disabilities (SEND), especially in the areas of speech language and physical skills development. However, it should be noted that this does not imply that more children will be identified as having SEND. Rather, it could be that children need extra support because they missed some learning and development opportunities due to the pandemic. Therefore, what managers refer to as SEND support could also encompass educational recovery.
- 3.9 Birmingham Private Voluntary and Independent (PVI) settings Census data (as at January 2024) indicates that there are currently 4391 staff employed in Birmingham's early years provision. The Early Years Financial Incentives Pilot will expect to add 654 recruits to the early year's workforce. 600 recruits will join PVI providers and Maintained Nursery Schools from April until December 2024, which represents a 15% increase in the workforce. An additional 54 recruits will be childminder assistants which represents an increase of 14.5%. (372 Childminders are registered in Birmingham as at January 2024.) We know that there are limited

places available for children under 2 in group provision, so additional childminder capacity is required to support sufficiency.

3.10 Based on our local knowledge, two priorities for Birmingham have been identified. However, it must be noted that at the time of writing this report, the DfE Delivery Plan feedback has not yet been received. The Early Years and Childcare Service may need to amend the development plan to meet DfE feedback requirements. See **Appendix B** for delivery plan details.

- Priority 1 - Wards that have been identified as having insufficient childcare places to meet the increased demand for the extended entitlements in phase 1 (Garretts Green, Handsworth Wood, Highters Heath, Holyhead, Kingstanding, Perry Common, Quinton, Stockland Green, Yardley East) and phase 2 (Allens Cross, Castle Vale, Harborne, Kings Norton South, Ladywood, Longbridge and West Heath, Weoley and Selly Oak, Acocks Green, Bartley Green, Billesley, Birchfield, Glebe Farm and Tile Cross, Newtown, North Edgbaston, Oscott, Perry Barr, Tyseley and Hay Mills). See **Appendix F** for the Baseline Sufficiency Assessment.
- Priority 2 – Increasing the number of skilled staff available across all wards who can confidently work in partnership with families to include children with SEND in early years provision.

3.11 We do not currently hold accurate data relating to the number of unfilled early years vacancies. The Early Years Financial Incentives Pilot will include a baseline survey of vacancy data in each early year's district. Ongoing engagement with the sector and the monitoring requirements for the pilot will include the ongoing collation of vacancy data and recruitment data which will form a clear picture of the recruitment needs in Birmingham. For delivery plan detail see **Appendix B**.

3.12 Staff eligible for the incentive will be recruited between April 2024 and December 2024. "Golden Hello" payments will be made up to March 2025 as payments will be made 12 weeks after an eligible recruit starts a permanent position in the early years workforce in line with DfE requirements. The first financial incentive payments will be issued to providers from June 2024. See **Appendix C**.

3.13 We are required to comply with DfE monitoring requirements as part of this grant funding which will take place between February 2024 and December 2024. See **Appendix D** for detail.

4 Options Considered and Recommended Proposal

4.1 Do nothing. This is a pilot programme and we are not required to participate. We could reject the funding from the DfE.

4.2 Allocate funding through a grants award process linked to the priority areas identified in 3.11 above. This would better enable nursery schools and PVI early years providers and childminders to recruit additional staff to support the early years childcare expansion and to support the inclusion of more children with SEND in early years. The grant process would use the Council's formal grant award process and

be subject to completion of Conditions of Grant Aid for each grant awarded. This is the recommended proposal.

5 Consultation

- 5.1 All Business Partners from Finance, Legal, HR and Procurement have been consulted.
- 5.2 The Cabinet Member for Children, Young People and Families and the Chair of the Overview and Scrutiny Committee for Education, Children Young People and Families have been consulted.

6 Risk Management

- 6.1 The Early Years and Childcare Service have extensive experience in the management and rollout of Revenue-funded programmes to the early years sector; previous systems and processes will be replicated and utilised to ensure the successful delivery of the programmes.
- 6.2 Data from the Early Years and Childcare Service and the Early Years Inclusion support service has been used to inform the delivery plans for this pilot. As the project develops a working group will monitor the ongoing success of the pilot on a half-termly basis. Other professionals such as Legal colleagues will be brought in to support and advise as and when required. This group will develop and monitor a Risk Register as part of their work with high-level risks escalated as appropriate.

7 Compliance Issues

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 Decisions will support the priorities outlined in the Council Corporate Plan Priorities for 2022-2026, 'A city of opportunity and grand challenges'.

- Opportunities for Children and Young People: This will give children opportunities to access early education and childcare which will enable them to thrive as well as taking children and families out of poverty.
- Employment Skills and Local Economy: By supporting parents to access affordable childcare to enable them to start work or increase working hours.
- Employment Skills and Local Economy: By supporting the creation of 654 jobs for new or returning staff in Birmingham.
- Community Resilience, cohesion and living standards: There will be an increase in the number of safe, good-quality early education and childcare places available for children and families.
- Health and Wellbeing: Parents will be able to access good quality, inclusive early education and childcare which will be positive for their own Health and Wellbeing and the ongoing development of their children.

7.1.2 The Improving Services for Children, Young People and Families Plan also requires that we work with key partners to widen access to Early Education Entitlement. This programme will enable access to the new statutory entitlements and meet the requirements in the Plan by supporting the creation of more accessible early education places.

7.2 Legal Implications

7.2.1 Section 6 of the Childcare Act 2006 requires local authorities to secure, so far as reasonably practicable, that there is sufficient childcare for children up to 14 years old (or older if the child has SEND) available in their area to enable parents to work or train for work.

7.2.2 Local authorities are required to secure free provision for children eligible for the early year's entitlements. The Statutory guidance '*Early Education and Childcare (applies from April 2024)*' applies to the duty on local authorities to secure early years provision free of charge; the duty to secure sufficient childcare for working parents, including wraparound childcare; the duty to secure childcare free of charge for eligible working parents of 3- and 4-year-olds; the provision of information, advice and assistance to parents and the provision of information, advice and training to childcare providers and supports the introduction of the following working parent entitlements:

- From April 2024, the 15-hour entitlement for children of eligible working parents from the age of 2.
- From September 2024, the 15-hour entitlement for children of eligible working parents from the age of 9 months.
- From September 2025, the 30-hour entitlement for children of eligible working parents from the age of 9 months.

7.3 Financial Implications

7.3.1 Funding for the programme will be un-ringfenced and will form part of the Section 31 Grant to LA's. However, there is a clear MOU (Memorandum of Understanding) from the DfE outlining what the funding needs to be spent on and it is clearly linked to the delivery of the Council Statutory Duties within the Childcare Act 2006/2016 and The Childcare ((Free of Charge for Working Parents) (England) Regulations 2022 set out within section 7.2 above.

7.3.2 The total Financial Incentive Pilot Revenue Funding is £1,044,420 profiled as follows:

- March 2024 - £522,210;
- July 2024 - £522,210;

7.3.3 The funding period is one financial year with the expectation funding will be used to increase workforce capacity from April 2024 to December 2024.

7.3.4 The local authority can retain a maximum level of 5% of the grant funding to support programme development and rollout costs. We will retain £49,475

of the grant funding to support administration costs of delivering the programme.

- 7.3.5 Programme funding will be used to provide a £1000 tax free “Golden Hello” payment to new or returning recruits. Providers will receive payments of £1519.14 per eligible recruit. The payment includes the £1000 employee Golden Hello employee and employer tax, national insurance and apprentice levy costs to ensure that the Golden Hello payment is £1000 to the recruit.
- 7.3.6 There will be a robust, transparent funding process in place with early years providers to ensure grant funding is used appropriately and in line with DfE required outcomes.
- 7.3.7 Funding agreements will include requirements to gather the management information necessary for grant assurance and programme reporting.
- 7.3.8 Funding decisions will be driven by the providers meeting the DfE recruitment eligibility and grant funding criteria.

7.4 Procurement Implications

- 7.4.1 We do not anticipate any direct procurement implications for the Council as the purpose of the programme is to grant fund Maintained Nursery Schools and Private Voluntary and Independent childcare providers and childminders.
- 7.4.2 All grant funded providers will be required to comply with all relevant recognised procurement processes and frameworks when spending against their grant funding allocation.

7.5 Human Resources Implications

- 7.5.1 Around 16% of local authorities in the UK use ‘golden hellos’ to help attract new talent to their organisation, making the employer more appealing and usually speeding up the process of filling critical vacancies. In this case the payment is new money coming from a DfE pilot scheme and will be paid to PVI providers and our Schools to provide the “Golden Hello” as part of a pilot to accompany the DfE National recruitment Campaign. If the pilot is successful, it will be rolled out across the country. This does not form part of the Councils mainstream offer.
- 7.5.2 Due to the significant additional work associated with the Financial Incentive Pilot, the Early Years and Childcare Service will need to request a one-year fixed term grade 3 business support officer to provide administration support for the program.
- 7.5.3 A business case was presented and approved by CSLT (Childrens Services Senior Leadership Team) on 18 January 2024 for initial sign-off. This will be presented to the Children and Families Spend Control Board and for 151 approvals if necessary.
- 7.5.4 The fixed-term Business Support Officer post will be funded from the 5% retainable grant funding. The remaining retainable grant will contribute

towards the Early Years and Childcare costs of promoting and supporting the pilot.

7.5.5 The manager of the post will ensure the relevant due diligence is undertaken when funding for the post ceases, and when notice needs to be served at least 4 months before cessation of the budget from where salaries are paid.

7.5.6 The City Council process for establishment of the new posts will be followed and the City Council's Recruitment and Selection and Equal Opportunities in Employment Policy will be adhered to.

7.6 Public Sector Equality Duty

7.6.1 An Equality Impact Assessment (EIA000369) has been undertaken (See **Appendix E**) The outcomes from the assessment demonstrate that the proposed funding programme supports positive outcomes for children, young people, their families, and carers.

7.6.2 The Equality Impact Assessment also highlights additional mitigation strategies are required to ensure that the Recruitment Incentive Pilot is accessible to adults with certain protected characteristics. Mitigation strategies will be data-driven. Data will be used to target support to the employing providers to remove barriers to applicants with protected characteristics.

7.7 Environmental and Sustainability Implications

7.7.1 It is not anticipated that an Environment and Sustainability Assessment will need to be completed as the funding is part of a strict programme relating to individuals.

8 Appendices

8.1 **Appendix A** – Eligible Expenditure/Criteria

8.2 **Appendix B** – Delivery Plan Feb. 2024

8.3 **Appendix C** – Finance Summary

8.4 **Appendix D** – Milestones for Delivery

8.5 **Appendix E** – Equality Impact Assessment (EIA000369)

8.6 **Appendix F** – Baseline Ward Sufficiency Assessment

9 Background Documents

9.1 None