



**Agenda Item  
8**

**Report Status**

For information/note           x   
For consultation & views          
For decision                    

**Commissioning  
Report to Haringey Schools Forum – 28<sup>th</sup> February 2019**

**Report Title:** Early Years Block Funding 2019-20

**Author:** Ngozi Anuforo, Head of Strategic Commissioning, Early Help & Culture

Contact: 0208 489 4681 Email: [Ngozi.anuforo@haringey.gov.uk](mailto:Ngozi.anuforo@haringey.gov.uk)

**Report**

**reviewed by:** Muhammad Ali – Principal Accountants Schools - DSG

**Purpose:** To provide Schools Forum members with an overview of the 2019-20 budget proposals for the Early Years Block

**Recommendations:**

1. That Schools Forum notes the indicative funding for the Early Years Block in 2019-20, set out at 2.2.
2. That Schools Forum agrees the proposed allocation of the Early Years Block for 2019-20 as set out in section 3.0 of this report.
3. That Schools Forum notes and agrees the proposed budget allocation for centrally retained funds for 2019-20 as set out in 3.4.2 and Appendices 3 and 4 of this report.
4. That Schools Forum notes the challenges and priority actions for 2019-20.

## 1. **Introduction**

- 1.1 This paper provides Schools Forum with an overview of proposals for the use of the Early Years Block (EYB), contained within Haringey's Dedicated Schools Grant (DSG) allocation for 2019-20.
- 1.2 This paper comes at a time where there is much to celebrate about early years in Haringey. The attainment of children at the end of the early years foundation stage is improving, early indications from the Universal Healthy Child Programme are that, through the mandated developmental checks being carried out universally at 2-2.5 years, we are beginning to identify and respond to children's needs earlier. In addition to this, we are seeing a positive impact on those children accessing the free early education places for two-year olds. Improving outcomes for children in the early years is integral to Haringey Council's Borough Plan and therefore we need to make sure that we are getting core elements, such as the early education offer for children in the borough right. This is the focus of this paper.
- 1.3 It is a requirement of the School and Early Years Finance Regulations that the Schools Forum agrees proposals for the use of Early Years DSG centrally retained budgets.
- 1.4 There is little change anticipated to the national picture for early education funding for 2019-20. **Appendix 1** sets out the main elements of the early years DSG block. The embedding of the early years national funding formula continues, alongside an expectation that local authorities work to ensure the provision of a diverse offer across the funded early education landscape.

## 2. **Early Years Block Funding: 2019-20**

- 2.1 The Department for Education (DfE) has notified Haringey Council of its early years block funding allocations for 2019-20. It should be noted that these were indicative allocations and final allocations for financial years will be confirmed by DfE in the August of the subsequent financial years.
- 2.2 The total amount of funding within this block is determined by two elements, set out below.

The elements in **2019-20** are:

- The Full Time Equivalent (FTE) number of *three- and four-year olds* recorded in the January censuses multiplied by £5,345.46. Haringey's hourly funded rate is **£5.66**.
- The Full Time Equivalent (FTE) number of *two years olds* recorded in the January censuses funded by DfE at **£5.66** per hour.
- Both the January census preceding the start of the financial year and the January census during the financial year are used to determine the DSG, with any resulting adjustments being made to the allocation.

**Table 2:** Haringey's Indicative DSG Early Years Block Allocation for 2019-20

Funding Stream	Initial 2019-20 Early Years Block Allocation (£m)	Change from 2018-19 (+/-)
3 & 4 YO Universal Free Entitlement (15hr)	12.558	—
3 & 4 YO Extended Free Entitlement (Additional 15hrs)	3.551	—
2YO Offer	2.745	—
Early Years Pupil Premium	0.131	—
Disability Access Fund	0.060	—
Maintained Nursery Schools	1.236	-1.2%
<b>TOTAL</b>	<b>20.282</b>	

**Appendix 2** sets out the budget breakdown for the initial allocations 2019-20.

## 2.3 The Two-Year-Old Offer

2.3.1 The allocation of funding within the Early Years Block of DSG for the 2-year-old offer is determined by the January headcount figures collected via the census and to that end, do not accurately reflect the

actual numbers of 2-year-old children accessing a 2-year-old place across each academic year.

2.3.2 Estimates provided by the DfE/DWP are a broad indication of the numbers of potentially eligible children in the borough and do not have a bearing on the allocation of funding provided to the Council to provide the offer. The table below shows the changing profile for potentially eligible numbers of children since the introduction of this statutory entitlement.

**Table1:** Haringey's changing eligibility profile since 2013.

Academic year	DfE/DWP Estimate for potentially eligible children
2013-14	891
2014-15	1790
2015-16	1710
2016-17	1620
2017-18	1500
2018-19	1432

2.3.3 The average number of children taking up a two-year-old place across each term of the 2018-19 academic year is **850**.

## 2.4 Maintained Nursery Schools

This funding is provided to redress the gap in funding created by the fact that MNS settings are funded solely through the EYSFF and do not receive a school budget share, covering many of their core costs, on the same basis as maintained primary or secondary schools. We are awaiting clarity on the Government's policy position on the future funding of Maintained Nursery Schools (MNS). The current provision of sustainability funding for MNS has been confirmed until 2019-20. It is not yet known whether further funding will be provided within the early years DSG block beyond next financial year.

## 2.5 Early Years DSG Reserves 2018-19

The January 2019 funding report to Schools Forum detailed brought forward DSG reserves balances, at the beginning of the 2018-19 financial year, for the early years and schools blocks. The paper also set out that the forecast DSG position at the end of the 2018-19 financial year was a significant deficit balance, which would need to be reduced using any remaining DSG reserves. For the purpose of this report, it is acknowledged that for 2019-20 onwards, DSG reserves

will no longer be available to supplement the early years block allocation. As we move into a new financial year, this will introduce some limitations to how flexibly challenges to the delivery of the early education offer can be tackled in the short term.

### 3. The Proposed Application of Early Years Block Funding: 2019-20.

3.1 For 2019-20, the funding allocations within DSG the early years block remain at the same level as 2018-19. It is therefore proposed that the current early years funding formula remains unchanged. Based on this, the elements of the formula to be maintained in 2019-20 are as follows:

#### 3.2 Universal hourly base funding rate for the 3- and 4-year Free Entitlement

The table below shows how the current minimum universal base rate for Haringey has been derived from the DfE's allocation to the Council:

**Table 3. Minimum Universal Base Rate for Haringey 2019-20**

	<u>£/hr</u>
LA hourly funding rate 2019-20 (£/h)	5.66
Less: LA centrally retained funding (5%)	(0.29)
	<hr/> 5.37 <hr/>
Less: Supplements	(0.38)
Minimum universal base rate	<hr/> <b>4.99</b> <hr/>

3.3 The amount available for supplements is used to create a deprivation supplement funding pot and to create a Quality supplement pot (**£76k**) based on a System Leadership approach.

#### 3.4 Centrally Retained Early Years Block Funding: 2019-20

3.4.1 Local Authorities are required to pass through 95% of all funding for three – and four-year olds received in the Early Years Block of our Dedicated Schools Grant (DSG) directly to settings. This means that the amount of DSG the Council can retain centrally funding will be £0.823m in 2019/2020.

### 3.4.2 **Table 4:** Profile of centrally retained DSG funding 2019-20

<b>Statutory and other functions</b>	<b>Centrally Held 2019-20</b>
	<b>(£)</b>
EY Quality Statutory Moderation and Advisory Service	441,300
Early Education Sufficiency and Administration	228,364
<sup>1</sup> Corporate Overheads	16,800
<sup>2</sup> TU Representation	18,000
Contingency for Pupil Place Funding Pressure	118,384
	<b>822,848</b>

3.4.3 It is proposed that the contribution of centrally retained DSG funds towards the cost of the Haringey's Early Years Quality (EYQ) and Early Help Commissioning teams remain unchanged for 2019-20. Current levels of funding ensure that there are adequate resources in place to fulfil our statutory responsibilities around the administration and deployment of early education funding. In addition, they support our continued drive to improve the quality of settings offering the free entitlement. A modest contingency is maintained to enable some capacity within the overall budget envelop to manage fluctuations in funding.

This profiled centrally retained budget is in the context of the EYQ team trading with the *Haringey Education Partnership (HEP)* and potentially others to generate additional income to meet their costs. The team has ambitious income target to achieve and therefore it is anticipated that there will continue to be challenges in 2019-20 for how the income targets required to sustain the team are met.

Descriptions and details of the centrally retained elements relating to staff and resources are set out in detail at **Appendix 3 and 4**.

## 4. **Early Years Budget Challenges 2019-20**

### 4.1 **Funding a free school meal for eligible nursery class children.**

The statutory guidance for the delivery of funded early education sets out a requirement on local authorities to provide some 3 and 4-year-old children with a free school meal if they attend a school nursery class across the lunchtime and have parents who are in receipt of certain

<sup>1</sup> This is a contribution to corporate overheads costs for central functions such as Finance, IT, HR, Communications, Property Management and Procurement.

<sup>2</sup> Amount unchanged from 2018-19 levels.

benefits. The early years block contains no specific provision for the Council to meet this obligation and therefore there is a need to undertake some further work with schools in the borough to determine the scale of the demand and likely cost. We will then be in a better position to identify how this requirement might be met within the resources currently available to fund early education.

**Planned action:**

We will carry out a survey of schools in early 2019 to establish the picture of potential demand, understand how need is being met now and agree the scale of the issue. As part of this work, we will explore links to the draw down and utility of Early Years Pupil Premium.

**4.2 Developing an approach to sustaining two-year-old places at the £5.66 funded rate.**

The rate of funding received by the Council from DfE for 2-year-old places is £5.66 per hour. This has been supplemented in recent years to £6 per hour from DSG reserves, which are no longer available. In February 2017, therefore, a decision was made by the Council to restore the £5.66 per hour funding rate from April 2019, matching the rate of funding received by the Council from DfE. This will ensure that the continued delivery of the 2-year-old offer in the borough can be sustained within the funding envelope allocated by the DfE. Implementing this change presents a significant risk to the sufficiency of places across the borough due to the new funding rate being potentially lower than the levels that providers feel is necessary for them to continue delivering the offer.

**Planned action:** Reduce the current £6.00 per hour provider funding rate for 2019-20 to the LA funded rate of £5.66 and initiate project to work with the sector to re-design the service offer for some providers – March to October 2019. The emerging findings from the current Childcare Sufficiency Assessment exercise suggests that some providers will be unaffected by the change (25%). This allows us to focus our efforts at those most affected and support those who may require targeted business support in order to manage a transition to the new rate from April 2019. Two major priorities for the continued delivery of the statutory 2-year-old free entitlement will be to ensure that we are able to manage the transition from Haringey's current funding rate levels to the rate at which the Council is funded and to safeguard the sufficiency of 2-year-old places from April 2019.

**4.3 Re-provisioning the deprivation supplement.**

In 2019, we will explore the implementation of a new approach to allocating the deprivation supplement as part of the provider funding arrangements. The calculation of the appropriate levels of deprivation supplement could be automated and made via the upgraded provider portal. Funding would be automatically attributed to a child's postcode and processed via the data system. This would enable a more targeted deployment of resources and ensure funding is linked more directly to each child. In addition to this, the data information collated through this mechanism would allow the more detailed identification of where need is located across the borough.

**Planned action:**

We will carry out an exercise to model impact of the changes on provider allocations and consult with providers in February/March 2019.

**5. Other key activities for 2019-20**

**5.1 Understanding Impact and Sufficiency of the Early Education offer**

A review of the impact of the offer in Haringey has been carried out as part of the Childcare Sufficiency Assessment (CSA) update. As part of this exercise we have sought to:

- Understand the impact of the new offer on the early years landscape in Haringey.
- Understand how the new early years funding formula is working and its effect on providers in the borough.
- Gain an initial view of parents and carers as to the benefits and disadvantages of the offer, as well as learn more about any emerging barriers to access.

We are expecting the CSA findings to provide us with some rich feedback on the provision of free early education and childcare in Haringey and hope to draw on this information to develop a robust action plan for the period 2019 to 2022.

**5.2 Maximising EY DSG Grant Income**

A priority for 2019-20 will continue to be ensuring that the Council, early years providers and partner agencies are working together to ensure that children are able to access their entitlement wherever they live in Haringey and whatever their needs may be. Alongside this, we are under a clear obligation to maximise the financial resources coming into the borough for the benefit of children and families. Actions to ensure this happens include:

- Improving census process and rigour – data submission/targeted campaign and updated provider contracts
- Raising awareness and understanding across the sector about the importance of the census and its relationship to the Council's funding allocation for early years education.
- Maximising take up – targeted brokerage and outreach, sufficiency, business support

## 6. The Strategic Context for the Early Years in Haringey

6.1 Whilst outcomes for our youngest children are improving, we are very aware that there are still children who are not progressing as well as they could or having the opportunities to flourish in their earliest years.

6.2 To this end, work is being undertaken to develop an integrated strategic approach for early years in Haringey, which will embed our early education offer alongside other key service offers such as health visiting, midwifery and parenting support. It is hoped that the strategy will provide a strong, partnership framework through which all those involved with children and families in the early years, can work much more collaboratively to achieve some key priorities for change. Our emerging integrated early years strategy takes a holistic view of the child and family, considering how strengthened partnerships and joint working across the early years system can contribute to delivering better outcomes for our most vulnerable and disadvantaged children.

6.3 Within the strategy, our proposed approach to delivering early education in Haringey will seek to address the following key strategic priorities from 2019-2023:

- Sustain the 2-year-old offer from 2019 onwards and developing options for strengthened pathways and support for disadvantaged 2-year-old children
- Improve the skills and knowledge of practitioners to identify and support children with SEND and behavioural support needs
- Improve access to a good speech and language offer
- Champion the importance of play in young children's development
- Improve <sup>3</sup>'school readiness' for all children and families

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<sup>3</sup> Work is being undertaken to define what "School Readiness" means in Haringey. Initial considerations have provided the following. *'Communities, families and schools will work together to ensure children have the best start in life. Children will thrive in nurturing and safe environments where they will become confident and effective communicators. They will be physically healthy, emotionally secure, socially competent and empowered to learn. Schools will adapt to the diverse needs of all children and families and will be child friendly, safe and caring. Families will be supported to provide a positive attitude to education, learning and the transition from home to school.'*

- Re-shape the brokerage offer to improve access to early education by targeted communities, vulnerable children and children with SEND
- Expand SEN early support places where needed, North Tottenham & Wood Green.
- Strengthen the availability, quality and sustainability of free early education – childcare sufficiency action plan and strong market management.
- Embed a setting-to-setting support model for quality improvement
- Facilitate increased partnership working and joined -up place planning across early years providers.

- 6.4 The deployment of the early years block within Haringey's overall DSG determines how effectively the Council is able to meet its statutory obligations for the provision of funded early education for 2, 3- and 4-year olds. It also serves as one of the central pillars within our broader strategic approach to improving the outcomes for all young children in the borough.
- 6.5 Whilst driving improvements in the outcomes for all children, particularly the most disadvantaged in our community, remains a key ambition for Haringey Council and its partners, it also remains the case that pressures on financial resources across the entire public sector landscape, including the education funding sphere, continue unabated. The proposals in this paper are very much about how we make the best of the resources available and reflect, to some degree, limitations in what we are able to achieve. The grant allocations that make up the early years block will remain largely unchanged from 2018-19 levels for the new financial year. Whilst this enables us to make some predictions about what we are likely to spend, it is very clear, when we try to match allocations to some of our wider ambitions, that the current funding arrangements do not allow us to deploy resources as flexibly as we might wish in some areas.
- 6.6 Despite this context, we remain ambitious and place emphasis on the provision of high-quality education and childcare in the early years as a key mechanism for change. During 2019-20, we will continue to focus our efforts on driving improvements in the quality of the early education provision, as well as children's attainment at the end of the foundation stage. We will be working with the sector, as a whole, to develop an environment where good quality, flexible and accessible early education provision can be sustained and thrive.

## Appendix 1

### Early Years DSG – the statutory elements.

1.1 Following a number of revisions, the latest statutory guidance makes clear the key obligations on the local authority regarding the use of DSG funding for the provision of free early education. These include:

- The implementation of an early years funding formula
- Universal base rate for all – set by the LA
- Deprivation supplement (3 and 4-year-old free entitlement)
- The establishment of a SEND Inclusion fund to support 3- and 4-year olds accessing the free entitlement
- The maintenance of a 95% pass through rate for LAs
- The provision of a free school meals for children registered as pupils in maintained school nurseries, who are there before, and after lunch, and whose parents are in receipt of specific benefits.

1.2 The Early Years Block is provided by the Education Funding Agency, in order for the Council to meet its statutory obligations under the Childcare Act 2006 ,and subsequent legislation, in the provision of the following:

- A 15 hour per week free early education entitlement for all three and four-year-old children
- A 30 hour per week free early education entitlement for eligible three and four-year olds
- A 15 hour per week free early education entitlement for eligible two-year olds
- The Early Years Pupil Premium
- An Early Years Inclusion Fund for three and four-year-old children
- A Disability Access Fund
- Financial support for Maintained Nursery Schools

### 1.3 **The 30-hour offer for three- and four-year olds**

The impact of the 30-hour free early education offer is of interest to central government and has recently been considered by the Education Select Committee as part of a review of how disadvantage could be tackled in the early years.

<https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/1006/1006.pdf>

It remains to be seen if any changes to the current arrangements will be made but eligibility for the current 30 hour offer remains as follows:

Eligible families can access **up to** a maximum of 15 hours per week/570 hours per year, in addition to the existing universal 15 hours of free early education.

Eligibility will include households where:

- Both parents are working
- One parent is working in lone parent family
- Parental earning is equivalent to 16 hours a week on National Minimum Wage (currently £107 per week, including those receiving tax credits or Universal Credit) up to a maximum earning limit of £100K for per parent
- One/both parent/s is away from work on leave (parental, maternal etc.)
- One/both parent/s receiving Statutory Sick Pay
- Working – employed or self employed
- Zero-hour contracts – calculated on average earnings

#### 1.4 **The Two-Year-Old Offer**

Local authorities have a statutory duty to provide 15 hours per week of free early education for all eligible two-year olds. Eligibility is limited to those children who meet the following criteria:

- Children whose parents would be eligible to claim for Free School Meals (FSM)
- Looked After Children (LAC)
- Families receiving Working Tax Credits and have annual gross earnings of no more than £16,190 a year
- Children receiving a current statement of Special Educational Needs or an education, health and care plan
- Children attracting Disability Living Allowance
- Children leaving care through special guardianship or through an adoption or residence order

#### 1.5 **SEND in the Early Years**

All local authorities are required to maintain an *Early Years Inclusion Fund* to support 3 and 4-year old children, with special educational needs below the threshold for Education, Health and Care Plans (EHCPs), to access their free entitlement. In Haringey, the Early Years Inclusion Fund is provided via an allocation from the High Needs block. The statutory guidance allows this fund to be provided from either the high needs block or the early years block.

## Appendix 2

### 2019-20 Early Years DSG Budget Breakdown

<b>BUDGET AREA</b>	<b>£</b>
EYSFF (3 and 4 YO)	11,470,349
Children's Centres 3-4 yr olds places	540,000
EYSFF (3 and 4 YO Extended Offer)	3,551,370
Disabled Access Fund	60,000
MNS sustainability fund	1,249,000
EYSFF (2 YO)	2,430,000
EY Pupil Premium	158,000
Quality & Improvement	441,300
EYSFF Administration	228,364
Other Schools Block	16,800
TU Representation	18,000
Contingency	118,384
<b>Total Allocation for the year 19-20</b>	<b>20,281,567</b>

**EY Quality Improvement Element of Centrally Held Funding****Cost Element**

Advisory Teachers x 4.8 &amp; Moderation

**Total****£**

73,730

267,643

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441,373

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This allocation of funding supports the delivery of the 3 and 4 free entitlements and enables support and intervention for targeted schools and settings to ensure the sufficiency of good and outstanding provision and enabling greater provider participation. The funding will enable support and intervention for targeted schools, private, voluntary, independent (PVI) and childminder settings. The team also moderate the Early Years Foundation Stage Profile (EYSFP) to secure standards across the early years sector. We currently have 239 childminders, 80 PVI providers, 3 nursery schools and over 60 schools offering early education. Through targeted support, challenge and a comprehensive training programme the Early Years Team work with all childcare providers to support raising standards, narrowing gaps and ensuring the highest quality practice for our children and families. The rapid improvement of Ofsted results and the Good Level of Development show the proven record of success of the team.

## Appendix 4

## Centrally Retained Funding 2019-20

## Breakdown of Key Budget Elements

### EH Commissioning Element of Centrally Held Funding

<u>Cost Element</u>	<u>£</u>
Funding Manager	47,815
Brokerage Officer	21,628
Free Entitlement Administrator	32,869
Sufficiency Officer	36,052
Business Development (Commissioned support)	25,000
Database (Systems support, licenses, upgrades, maintenance)	50,000
Marketing & Outreach	15,000
<b>Total</b>	<u>228,364</u>

The functions required for the delivery of the universal and extended 3 & 4-year-old free entitlement offers include regular data collection, collation and financial reconciliation through the management of the census process, monitoring and reporting on take-up, the routine processing and allocation of funding; including the setup of new providers in the borough. Additional functions include statutory requirements such regular audits, acting to remove funding where providers become inadequate and supporting children and families to access alternative provision in light of a withdrawal of funding. Work has been undertaken to streamline and automate our processes, moving much of the information submission, application and eligibility checking to on-line systems.

The processing of separately funded streams such as the 2-year-old programme, Early Years Pupil Premium, Disability Access Fund and SEN Inclusion funding means that there is a significant amount of administration undertaken by the Council. This allocation of DSG funding ensures the staffing resources required are in place to ensure our statutory processing and payment obligations can be met. In addition to this, there is a contribution towards the costs of the capacity we need in order for the council is able to continue meet its duties, under the Childcare Act 2006; with the provision of business development support across all types of provision offering or wishing to offer the free entitlement and the brokerage function in order to maximise access and take-up of all types of free entitlement because of the positive benefit for children, particularly our most vulnerable and disadvantaged and also because of the impact this will have on levels of resources coming into the borough.