



**Agenda Item
10**

Report Status

For information/note x
For consultation & views
For decision

**Paper for Schools Forum Early Years Working Group (EYWG) Meeting –
4th October 2019 (updated)**

Report Title: Update on the DSG Early Block Budget and delivery of the
Early Years Free Entitlement

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Purpose: To provide School Forum with an overview of the current
financial picture for 2019-20 and highlight key aspects of the
expenditure.

Recommendation:

1. That Schools Forum agrees the recommendation of the Early Years working group that the additional 8 pence per hour uplift to the Haringey funded rate from April 2020, is added to the current base rate of £4.99 paid to providers as part of Haringey's EYFF.

1. Introduction

- 1.1 This paper seeks to provide early years working group members with an overview of the early years block funding within DSG for 2019-20 and update the group on the financial position at the midway point within the current financial year.

2. Early Years Block Funding

- 2.1 The Early Years Block is provided for the Council to meet its statutory duties under the Childcare Act 2006 and is expected to fund:
- The Free Early Education Entitlement for all three and four year olds through an Early Years Single Funding Formula (EYSFF)
 - The free entitlement for eligible two year olds
 - The Early Years Pupil Premium
 - Access for disabled children
 - Support for maintained Nursery Schools
- 2.2 In addition to delivering the early years free entitlement, it is mandated that all local authorities have in place an Early Years Inclusion Fund to support 3 & 4-year-old children, with special educational needs, below the threshold for ECHPs, to access their free entitlement. Amongst the few budgets and services provided directly from the high needs block for children without an EHCP, the Early Years Inclusion Fund, is now provided as part of the Council meeting its statutory obligations.

3. Closing position for Early Years DSG 2018-19

- 3.1 The Dedicated Schools Budget (DSG) is broken down into four blocks for budget setting purposes, which are Schools, Central, Early Years and SEND. However, in terms of corporate reporting the Council, in partnership with the Schools Forum, is required to view the financial position of the grant in its totality. Therefore, there is an overarching requirement to balance whole budget in each financial year. This means that any year end surpluses or deficits are aggregated into a single sum to be carried forward into the subsequent financial year.
- 3.2 The Early Years DSG opening reserves balance for 2018/19 was £1.65m. This followed an LA decision to deploy £1.34m at the close of 2017/18 to mitigate pressures in the HNB. A subsequent decision was agreed with Schools Forum that 2018/19 carry forward overspend balances in the HNB would be settled utilising underspends available in

other blocks. To this end, amounts of £1.1m from the EY Block and £0.8m from the Schools Block were transferred to the HNB carry forward overspend. This left the EY Block with an initial reserves balance of £0.55m for 2018/19.

- 3.3 During 2018/19, an underspend of £0.71m accumulated across the block but largely attributed to underspend in the extended 15-hour budget line (funding for the 30-hour offer). This element of underspend was generated due to 2018-2019 take up of the 30-hour increasing steadily but not yet being at full participation. There was also a drop in 2-year-old participation numbers that contributed to this underspend profile. This meant that at the end of 2018/19, the closing reserve balance was £1.26m.
- 3.4 Options for the utility of this closing reserves balance were not proposed to the DSG early years working group based on the presumption that the principle of deploying DSG block underspends to support pressures in the HNB had been established, and that as a consequence, there would be no available funds current financial year. This was considering what was known at the time about the existing and projected deficit balance for the HNB. In keeping with the approach agreed with Schools Forum, the balance of £1.26m has been transferred to the HNB 2019/20 carry forward overspend.
- 3.5 Early Years Working Group members suggested that rather than maintain the principle of deploying DSG block underspends to support pressures in the HNB as on-going, the opportunity to review this each year should be the stance taken and this would enable consideration to be given to other demands on the DSG resources by Schools Forum.
- 3.6 Further to this, during a discussion at the February DSG early years working group meeting, about the dip in 2 year olds numbers at January census , it was highlighted that there was likely to be claw-back from DfE that would need to be accommodated within this financial year. Since that meeting, DfE confirmed that an amount of **£528,281** would be clawed back due to the 2018-19 underspend. This has been applied to the 2019/20 early years DSG allocation for the delivery of two-year-old places.

4. Early Years DSG Budget Profile for 2019-20

- 4.1 At the start of the 2019-20 financial year, the early years DSG budget profile reflected budget allocations notified to Haringey Council by DfE in December 2018. The total allocation at that time was indicative, and subject to adjustment by DfE following their review of the early years and schools census submissions for January 2019.
- 4.2 Any adjustments to Early Years DSG allocations are applied by DfE between August and September of the same year as a particular

January census and represent DfE reaching a final position on the Council's budget allocation for the previous year.

Our indicative allocations for 2019-20 were as follows:

Table 1: Haringey's Indicative DSG Early Years Block Allocation for 2019-20

Funding Stream	2019-20 Indicative Allocation (£m)
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
TOTAL	20.282

4.3 The census that determines Haringey Council's allocation for the early years element of DSG is the one that takes place in January each year. During census week, a count of the number of pupils taking up a free entitlement place across all the ages is captured along with pupil level data, including whether they have special educational needs. All providers of the free early education entitlement are required to submit information based on those pupils attending their setting during the census week.

4.4 An initial review of the information gathered and submitted as part of the census exercise undertaken in January 2019, indicated that there had been increased numbers of children accessing the three and four-year-old entitlement. The census also indicated a reduction in the number of eligible two-year-old children taking up a free early education place.

4.5 Returning to information shared with the EYWG earlier in the year, **Table 2** below shows the change profile from January 2018 to 2019:

	January 2019	January 2018	% variance

Total number of funded 2-year olds	490	564	-13.1
Total number of funded 3-year olds (Universal)	1302	1211	+ 7.5
Total number of funded 3-year olds (Extended hrs)	442	381	+ 16.0
Total number of funded 4-year olds (Universal)	446	422	+ 5.7
Total number of funded 4-year olds (Extended hrs)	165	132	+ 25.0

*Data taken from the Early Years Census (excludes School data)

- 4.6 In August 2019, Haringey's 2019-20 early years allocations within DSG were revised by DfE to reflect our January 2019 census and a final 2018-19 budget. As a consequence, the overall budget has reduced from £20.25m to £20.09m. The final allocations for 2019-20 are now as follows:

Table 3: Haringey's Final DSG Early Years Block Allocation for 2019-20

Funding Stream	2019-20 Final Allocation (£m)
3 & 4 YO Universal Free Entitlement (15hr)	12.586
3 & 4 YO Extended Free Entitlement (Additional 15hrs)	3.872
2YO Offer	2.217
Early Years Pupil Premium	0.107
Disability Access Fund	0.060
Maintained Nursery Schools	1.248
TOTAL	20.089

- 4.7 In summary, there has been an increase in our allocation for the universal 15-hour free entitlement, due to an increase in pupil numbers. We believe that this increase in participation has been influenced by the extended, 30-hour offer being taken up by more children.

- 4.8 There has also been an increase in our allocation for the delivery of the extended free entitlement for three- and four-year olds (the 30-hour offer), due to an increase in pupil numbers.
- 4.9 Our allocation of funding for the two-year-old free entitlement has been reduced by 18%. This reflects the lower numbers of children participating in the programme and is perhaps reflective of the downward trajectory we are continuing to see in the number of eligible children. This pattern of declining numbers of eligible children has remained unchanged since the introduction of this particular entitlement. The table below reflects the changing profile over the years.

Table 4: 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	1442
2019-20	1341

- 4.10 The Department for Education's (DfE) estimations for the number of eligible children for this borough have continued to change since the offer was introduced. Data about potentially eligible children is provided to local authorities by the Department for Work and Pensions (DWP) on a termly basis, as a minimum. There has been a decrease nationally for participation in the two-year-old offer from 72% to 68% and published data shows our statistical neighbours have all experienced a fall in take up rates.
- 4.11 Finally, our allocation for the Early Years Pupil Premium (EYPP) has been reduced by 32% from £0.158m to £0.107m. Numbers of children for which this is claimed continue to be relatively low. Concern remains as to whether this is a reflection of provider difficulties in engaging parents in providing the required information or whether this is a reflection in the wider reduction in free school meal eligibility. A recent survey of providers generated a low return and therefore we will need to continue work to understand how the volume of eligible children amongst early years providers in Haringey. The declining numbers, and subsequent funding, suggest that we need to identify new approaches to ensure we are able to maximise the benefit to children.

5. Changes to Early Years Block Funding for 2020-21

- 5.1 In November 2019, Haringey Council received confirmation that its funding rate for the 2, 3 and 4-year-old free entitlement, will be changing from April 2020. This follows announcements from Government about increased national funding for education, of which the early years education sector would receive an additional £66m.
- 5.2 As a consequence, from April 2020, the rate Haringey Council is set to receive for the delivery of the 2-year-old free entitlement will increase from £5.66 per hour to £5.74. The funding rate received by the Council for the 3 and 4-year-old free entitlement – both universal and extended offer – will increase from £5.66 to £5.74. Whilst this is a welcome change, queries have been raised by members of the working group, and some of the national early years sector representative bodies, as to how the DfE have calculated the new funding rates and determined the differing allocations across local authorities.
- 5.3 The change to the funding rate for the delivery of the 3 and 4-year-old free entitlement should lead to a change in the current early years funding formula (EYFF) in Haringey from April 2020. **Table 5** below sets out the current breakdown and deployment of the LA funding rate.

Table 5. 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/>
	<u>5.37</u>
Less: Supplements	(0.38)
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Universal base rate	<u>4.99</u>

- 5.4 Given the timescales until the implementation of the new funding rate, and the recognised financial pressures on the early years sector, across the diverse range of provision, the Early Years working group is

recommending to Schools Forum that the additional 8 pence per hour is added to the current base rate of £4.99 paid to providers as part of Haringey's EYFF. This will increase the base rate Haringey pay providers of the 3 and 4-year-old free entitlement to £5.07. **Table 6** below illustrates the revised distribution of the LA funded rate proposed for 2020-21.

Table 6. Universal Base Rate for Haringey 2020-21

	<u>£/hr</u>
LA hourly funding rate 2020-21 (£/h)	5.74
Less: LA centrally retained funding (5%)	(0.29)
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	<u>5.45</u>
Less: Supplements	(0.38)
	<hr style="width: 100%; border: 0.5px solid black;"/>
Universal base rate	<u>5.07</u>

5.5 It should be noted that in the run up to the forthcoming general election in December, all the main political parties have proposed increases to the resourcing of early education and education in general. To this end, detailed policy decisions from central government and any implications for the DSG funding beyond April 2020 are unknown. It is the view of early years working group members that there is likely to be a need to undertake a proper review of Haringey's EYFF in time for the start of the financial year commencing April 2021.

6. Free Entitlement Participation

- 6.1 At this point in the year, increasing participation in the free early education offer remains a key priority. Whilst we have seen a steady increase in the take up of the 3 and 4-year-old offer, the decline in participation by eligible 2-year olds continues.
- 6.2 Current participation levels are outlined in **Appendix 1**.
- 6.3. During the Autumn term, a campaign will be triggered to raise the profile of the free entitlement and keep momentum in our efforts to ensure that more children are able to benefit from the offers. We will be seeking to increase participation numbers by the beginning of the spring term. From a budget perspective, maximising take-up will have the biggest effect on the levels of DSG funding allocated to Haringey Council. It should be noted that increasing the number of children in place at the time of the census in January 2020, will likely contribute to a positive adjustment to the Early Years Budget allocation for the 2019-2020 financial year – if this can be achieved, increased levels of funding will be realised by the autumn of the subsequent financial year.
- 6.4 A range of actions are being, or will be, undertaken to support this. These include:

6.4.1 Two-year-old Free Entitlement

- Work in partnership with DfE on a Behavioural Insights Project – focus on the development of 2-year-old programme material and messaging that contribute to behaviour changes.
- Use of the DWP list to contact all potentially eligible families.
- Parent Champions programme.
- Piloting of a ‘Golden Ticket’ promotion - using data from Haringey’s Welfare Benefits Team to target and encourage eligible to take-up direct from their chosen childcare application process.
- All children centres ensuring they outreach to Health Visitor clinics.
- Children Centres delivering targeted outreach as part of the Connected Communities - targeting families and children from migrant communities and supporting participation in the offer.
- Rolling programme of briefing and training sessions for outreach and admin staff at customer services, children’s centres, health visitors, job centre and employment support staff, social workers to ensure consistent, clear messages and processes around offer.
- Information surgeries and support for on the spot applications at Tottenham and Wood Green Job Centre Plus centres with Parent Champion Volunteers.
- Haringey’s Volunteer Community Peer Networkers project (GLA funded). This is a pilot project working with Fathers. Working on a peer to peer basis within targeted communities (Somali – Turkish – Kurdish) to raise awareness of and take up in FF2s

- Development of free early learning promotional video in community languages.

6.4.2 Census

- **Census data:**
An area that appears to need some attention is the SEN information. Further analysis to check the robustness of this information and test these figures against other data held about children with SEN in early education.
- **Communications Plan:**
Target information about the census and the importance of it. Development of a communications plan aimed at Governors, Business Managers, SEN Coordinators, Head Teachers, PVI's and childminders.
- **Guidance:**
Continue guidance to settings to support them with completion of the census. Work will be undertaken to improve current guidance further to improve the quality of the census information provided and response rates.
- **Census Cycle;**
Exploration of a model in which a termly census is being completed by all providers of free early education. Currently, only schools submit census information on a termly cycle. Look at how we can transition to a universal termly census utilising existing systems and processes as a framework to improve the rigour of the January early years census exercise and ensure we are able to estimate expenditure and DSG grant income more accurately.

7. Tracking Activity and Expenditure

- 7.1 Given the variable nature of patterns of take up of the two-year-old offer, officers will continue to review take-up on a termly basis, analyse census information and reconcile expenditure accordingly.
- 7.2 A forecasting tool has been developed by Finance Colleagues to enable more robust approach to anticipating and monitoring expenditure. This will underpin projections about spend going forward and will highlight more explicitly any emerging overspend and underspends.
- 7.3 Moving forward, budget position reports will be considered regularly at early years working group meetings. Key points within the year will be April (Summer term) , October (Autumn term) , and March (Spring term).

