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Report to Haringey Schools Forum – 27th February 2020

Report Title: Early Years Block Funding 2020-21

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Purpose: To provide Schools Forum members with an overview of the Early Years Block of Dedicated Schools Grant (DSG) for 2020-21.

Recommendations:

1. That Schools Forum notes the indicative funding for the Early Years Block in 2020-21, set out at 2.8.
2. That Schools Forum agrees the proposed allocation of the Early Years Block for 2020-21 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 2020-21 as set out in 3.3.
4. That Schools Forum notes the outturn position for 2019-20 financial year at 5.1.

1. Introduction

- 1.1 The purpose of this paper is to provide 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 2020-21. The paper will also summarise the projected expenditure for 2019-20.
- 1.2 The paper also contains details of the proposed use of centrally retained funds for the 2020-21 financial year. 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.
- 1.3 Much of the detail contained within this paper relates to the composition of the early years block and proposed use of amounts allocated to Haringey Council. It should be noted that most of the funding within this block is for the provision of early education places for 2, 3 and 4-year-old children within the borough and therefore the use of this part of the Council's DSG allocation is structured around prescribed areas of spend that are in line with statutory guidance.
- 1.4 At the time of writing, the distribution of early education place funding is through Haringey's early years funding formula (EYFF) that has been in place since 2017. The requirement for Haringey to have an EYFF in place is set out in the statutory guidance for this area, and as such, will remain in place until such time as there is a change in government policy.

2. Early Years Block Funding: 2020-21

- 2.1 The Department for Education (DfE) has notified Haringey Council of its early years block funding allocations for 2020-21, confirming 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.
- 2.2 Consequently, from April 2020, the rate Haringey Council receives 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 Haringey's Schools Forum EY 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.

2.3. **Fig. 1** below sets out the current breakdown and deployment of the LA funding rate.

Fig.1 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)
Universal base rate	<hr/> 4.99 <hr/>

2.4 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, Schools Forum agreed that the additional 8 pence per hour should be added to the current base rate of £4.99 paid to providers as part of Haringey’s EYFF. This increases the base rate the Council pay providers of the 3 and 4-year-old free entitlement to £5.07.

2.5 **Fig. 2** below illustrates the revised distribution of the LA funded rate proposed for 2020-21.

Fig. 2. 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)
	<hr/> 5.45 <hr/>
Less: Supplements	(0.38)
Universal base rate	<hr/> 5.07 <hr/>

2.6 Further policy decisions from central government about Early Years Block DSG funding, beyond April 2020 are, as yet, unknown. However, it was the view of Haringey’s 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.

2.7 The total amount of funding within this block is determined by the elements set out below.

- The Full Time Equivalent (FTE) number of *three- and four-year olds* recorded in the January censuses multiplied by an hourly funded rate of **£5.74**.
- The Full Time Equivalent (FTE) number of *two years olds* recorded in the January censuses funded by DfE at **£5.74** 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.

2.8 Based on January census numbers, Haringey’s total early years block funding allocation for 2020-21 is £20.3m, broken down by specific funding streams in Table 1 below.

Table 1: Haringey’s Indicative DSG Early Years Block Allocation for 2020-21

Funding Stream	Initial 2020-21 Early Years Block Allocation (£m)
3 & 4 YO Universal Free Entitlement (15hr)	12.763
3 & 4 YO Extended Free Entitlement (Additional 15hrs)	3.926
2YO Offer	2.248
Early Years Pupil Premium	0.106
Disability Access Fund	0.069
Maintained Nursery Schools	1.248

TOTAL	20.363
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2.9 It should be noted that these are indicative allocations. Final allocations for each financial year are confirmed by DfE in the August of the subsequent financial year.

2.10 Within the amount of money available for supplements, the majority is used to create a deprivation supplement funding pot. A smaller amount has provided a quality supplement pot (**£76k**) deployed via a System Leadership model. There is no proposed change to these amounts for 2020-21.

2.11 The Two-Year-Old Offer

2.11.1 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. 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.

Table 2: 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
2019-20	1341
2020-21	1097

3. Centrally Retained Early Years Block Funding: 2020-21.

3.1 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. The amount of DSG the Council propose to retain is £0.823m for 2020/2021.

3.2 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 2020-21. A modest contingency is maintained to enable some capacity within the overall budget envelop to manage fluctuations in funding

3.3 The profile of centrally retained funds for 2020-21 is as follows:

Table 3: Profile of centrally retained DSG funding 2020-21

Statutory and other functions	Centrally Held 2020-21
	(£)
EY Quality Statutory Moderation and Advisory Service	441,300
Early Education Sufficiency and Administration	228,600
¹ Corporate Overheads	18,800
² TU Representation	18,000
Quality Supplement	76,000
Contingency for Pupil Place Funding Pressure	110,318
	893,018

4. SEN in the Early Years

4.1 Expenditure on Early Years inclusion continues to increase, as more children with additional needs access early years provision and work continues to support inclusive practice in settings. The Early Years Inclusion Fund is projecting an overspend on the allocated budget. This reflects the positive engagement of children with SEN and their families in accessing early years provision across the borough. It is likely that this trend will continue and there will be a need to consider how the growth in demand can be met in the new financial year.

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

² Amount unchanged from 2019-20 levels.

Table 4: SEN in the Early Years

Budget Area	2019-20 Budget Allocation (£m)	Year End Projection (£m)	Under/Over
Early Years Inclusion Fund (3 & 4yr olds)	0.232	0.342	+ 0.110
Pathways for Early Intervention (2yr olds)	0.042	0.023	- 0.019
Early Support Places	0.361	0.441	+ 0.080
TOTAL	0.635	0.806	+ 0.171 (net fig.)

4.2 The utility of the pathways for early intervention is lower than budgeted for. This inclusion support targets children aged two years and perhaps reflects the lower numbers of children with SEN being supported to access early years settings. Whilst the numbers of children experience language and communication difficulties appears to have increased, higher prevalence of this type of need may not necessarily result in increased expenditure on this budget line. Work is being undertaken with colleagues in the SEND service to build a better picture of the access to provision by two-year-old children, including special school provision.

4.3 The Early Support Places are those places that can be most aligned to special school places but are provided for nursery-aged children aged two, three and four years of age. These are places pre-commissioned via Haringey's children's centres and offered to those children with more complex or higher levels of need. The places are agreed with the children's centres by the start of each financial year and each setting is funded whether places are filled or not throughout the year. Placements are agreed at SEN panel. This year, there has consistently been vacancies amongst the two-year old places.

5. Current projected out-turn position for Early Years DSG 2019-20

5.1 Early years DSG expenditure for 2019-20 is profiled according to the budget areas below.

Table 5: Early Education Funding

*indicative

Budget Area	2019-20 Budget Allocation (£m)	*Year End Projection (£m)	Under (-) /Over (+)
3 & 4 YO Universal Free Entitlement (15hr)	*11.956	11.932	- 0.024
3 & 4 YO Extended Free Entitlement (Additional 15hrs)	**3.678	4.025	+ 0.347
2YO Offer	2.217	2.270	+ 0.053
Early Years Pupil Premium	0.107	0.104	- 0.003
Disability Access Fund	0.060	0.025	- 0.035
Maintained Nursery Schools	1.248	1.248	0
Centrally retained	0.823	0.783	- 0.025
TOTAL	20.089		

- 5.2 The budget allocation is the amount set at the beginning of the financial year for planned expenditure against each funding stream within Early Years DSG.
- 5.3 it should be noted that the Year End projections shown in Table 5. are as at Period 11 and are only indicative of final expenditure based on pupil numbers submitted by all early years providers. The final and actual outturn expenditure positions for each of the budget lines will be known at the end of the final period of this financial year (March 2020).
- 5.4 It is anticipated that any significant underspends will be subject to clawback by the DfE, if supported by lower than anticipated pupil numbers in the January 2020 census and will take effect in the funding adjustment period (August -October) of the new financial year. Similarly, where significant overspend has occurred, matched by higher than anticipated pupil numbers captured in the January census, we can anticipate an uplift in funding for that specific budget line, in the funding adjustment period.

6. Early Years Budget Challenges 2020-21

6.1 Funding a free school meal for eligible nursery class children.

- 6.1.1 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 benefits. The early years block contains no specific provision for the Council to meet this obligation and therefore there was a need to

undertake some further work with schools in the borough to determine the scale of the demand and likely cost.

6.1.2 As eligibility for free school meal (FSM) children uses the same criteria as eligibility for Early Years Pupil Premium (EYPP), we sought to assess the scale of the demand for a free school meal through an exploration of the draw down and utility of EYPP. A survey was distributed to schools in June 2019 requesting information on how many children within the nursery are eligible for EYPP and whether the funding is utilised to provide school meals. Survey results were presented to the Early Years Working Group in November 2019 and due to the very low response rate (8 schools) it was decided that the survey should be republished (January 2020). Working group representatives agreed to engage with schools to support the completion of the survey. Information received from the January 2020 survey was based on **26/51** schools responding (51% response rate)

Planned action:

- The results will be considered at the next Early Years Working group and discussed as part of developing proposals for recommendation to Schools Forum.

6.2 Developing a new approach to sustaining two-year-old provision in the borough.

6.2.1 The provision of free early education places for 2-year olds remains an important part of our wider prevention and early intervention approach, offering key opportunities to engage with children and parents and carers at the earliest point in a child's learning and development journey. Therefore, the ability of providers in Haringey to continue offer enough places to match demand for 2-year olds is crucial. From our recent CSA survey there was evidence from providers that offering free entitlement places for two-year olds was less financially lucrative due to the higher costs generated by the need for higher staffing ratios. A recent analysis of sufficiency suggests that we have a total of 1,508 places available for children across 121 providers, indicating a surplus of places for eligible families when compared to the recent DWP list of potentially eligible families (1,097 potentially eligible). We have seen from recent analysis comparing Autumn 2018 to Autumn 2019 take up, that providers in Highgate, Muswell Hill, Crouch End and Stroud Green wards have seen a reduction in take up of the 2-year-old offer.

6.2.2 There is a need to revisit Haringey's place sufficiency against demand to ensure there is much better alignment between the two and develop a new place planning approach that introduces a new rigour to providers business planning ability.

Planned action:

- From April 2020, initiate a series of collaborative network meetings, involving all providers within an NLC in the planning and delivery of the entitlements. These termly meetings will be aimed at developing a locality approach to childcare and early education planning and delivery and will cover the sufficiency of the childcare market within each area.
- The continuation of place sufficiency monitoring and the provision of business support to providers to assess sustainability and viability of places.
- Further analysis of the potentially eligible families on the DWP list in the West of the borough to look for any correlation between the declining numbers of on the DWP list of potentially eligible children and a reduction in take up of 2Y0 places.

6.3 A new approach to distributing the deprivation supplement.

6.3.1 In 2019, we explored 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.

6.3.2 A survey was issued in June 2019 to gather feedback from Early Years providers on the proposed new methodology for calculating the deprivation supplement. Survey results were presented to the Early Years Working Group in November 2019 and due to the very low response rate (**14/147** PVIs and other, **8/51** schools) it was decided that the survey should be reissued (January 2020). Working group representatives agreed to engage with providers to support the completion of the survey. Information received from the January survey was based on **30/147** providers responding (20% response rate) and **26/51** schools responding (51% response rate).

Planned action:

- The results will be considered at the next Early Years Working group and discussed as part of developing proposals for recommendation to Schools Forum.

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Appendix 1

Early Years DSG – the statutory elements.

1.1 Following several 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, 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.

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