



Haringey Council

For Decision

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1.1 The Children and Young People's Service

1.2 Report to Haringey Schools Forum – 28 February 2013

Report Title: Early Years Block Budget Strategy 2013-14

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Purpose:

To consider the issues affecting Early Years, and the budget strategy for the Early Years Block of the Dedicated Schools Grant (DSG).

Recommendations:

- (i) The Forum is asked to note the restatement of the 2012-13 Early Year block and revised baseline (Para 3.3)
- (ii) The Forum is asked to note the indicative Early Years block income 2013-14 of £17.274m. (Para 4.1)
- (iii) The Forum is asked to approve the central retention of historic and statutory budgets (£1.949m) within the Early Years Block (Para 5.8)
- (iv) The Forum is asked to approve the retention of a three and four year old EYSFF Contingency Fund (£669m) for 2013-14 (Para 5.7)
- (v) The Forum is asked to approve the terms of reference for a Working Group to work with officers and make recommendations to the Forum at future meetings on key issues (Para 2.24)
- (vi) The Forum is asked to approve budget adjustments for nursery and primary providers to reflect actual participation in 2012-13 (Para

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| <p>2.3)</p> <ul style="list-style-type: none">(vii) The Forum is asked to approve a cap of £40,000 in respect of the 3 and 4YO EYSFF 2012-13 (Para 2.4)(viii) The Forum is asked to approve EYSFF payments of £5.74 per hour per child for all providers for the summer term only, except Children's Centres which will continue to be paid at market cost for the summer term only (Para 2.15); |
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1. Background and Introduction.

- 1.1. This report sets out the budget arrangements for provision of early years for 2013-14.
- 1.2. The Early Years Block is one of three blocks within the Dedicated Schools Grant (DSG), the ring-fenced government grant that must be used in support of the Dedicated Schools Budget (DSB).
- 1.3. The funding provided by the Department for Education (DfE) through the Early Years block (EYB) will either be delegated to nursery schools, primary schools, primary academies, children's centres and private, voluntary and independent Early Years providers through the relevant formula or retained by Haringey for Early Years services.
- 1.4. The new arrangements resulting from the implementation of School Funding Reform for the financial year 2013-14 include some changes to Early Years.
- 1.5. In addition, with effect from 1 September 2013, Haringey will have a statutory responsibility to provide 15 hours of free early education for the most vulnerable 20% of two year olds.

2. Early Years Issues

- 2.1. In considering the deployment of the Early Years Block funding for 2012-13, there are a number of issues which are drawn to members attention.
Clawback
- 2.2. Under the arrangements approved by Schools Forum for the implementation of the current 3 and 4YO Early Years Single Funding Formula (EYSFF), budgets are issued to nursery school, primary school and primary academy providers in advance of the start of the financial year based on projected participation levels. A prior year adjustment is then made in the following financial year to reflect actual participation in each of the three terms. The participation levels for 2012-13 have now been confirmed.
- 2.3. The number of funded full-time places was reviewed and reduced from September 2012. The movement in participation levels during the financial year are:

	Summer '12	Autumn '12	Spring '13	Total
	FTE	FTE	FTE	FTE
Primary				
Full-time	527	260	236	1,023
Part-time	1,163	1,099	1,286	3,548
Nursery				
Full-time	101	65	70	236
Part-time	133	76	116	325
Total	1,924	1,500	1,708	5,132

The reduction in participation levels generates a clawback of £626k from primary schools and academies and £59k from nursery schools.

Although it was clear that participation in full-time places would reduce, the expectation was that a corresponding increase in part-time places would compensate. Although part-time participation levels have increased, there has been significant turbulence during the year. There are 5 schools that, under the current arrangements, would be subject to clawbacks ranging from £62k to £72k. All have had significant reductions in funded full-time places.

- 2.4. In order to minimise turbulence for these schools and enable them to manage this transition, we recommend that Schools Forum approve a cap of £40,000 for the financial year 2012-13 only. This cap would reduce the value of the clawback by £132k to £553k. The clawback (£553k) will be added to the 2013-14 Early Years block funding.

Two Year Old Early Education

- 2.5. From September 2013, there will be a statutory duty on local authorities to provide free early education places for eligible two year olds. Eligibility will be based on free school meal criteria and is intended to apply to the most disadvantaged 20% of two year olds.
- 2.6. Work has been ongoing to develop the Two Year Old Programme in Haringey in line with national expectations for September 2013 and the further expansion to 40% of the most disadvantaged two year olds from September 2014. The aims of this programme are to support better long-term outcomes through:
- Improving attainment for children who would be eligible for free school meals both by the end of the Early Years Foundation Stage (at the end of children's Reception year) and longer term across their time in school; and
 - Supporting parents back into work by providing 15 hours of free childcare.

- 2.7. Haringey has been running a Two Year Old Programme (initially as part of the national pilot) since September 2006. The pilot programme was targeted at the most economically deprived families. Locally we were able to use additional criteria to increase participation which were based on children's vulnerability. The pilot programme consisted of:
- Provision of 15 hours per week of good quality free education (term time only);
 - Involvement of parents; and
 - Support for parents' needs to access further learning or employment.
- 2.8. National data showed improved outcomes for children participating in the programme and our local data showed improved attainment for our children on the programme at the end of the Early Years Foundation Stage.
- 2.9. Funding for the pilot, through the Council's Early Intervention Grant, allowed us to pay for good quality places at the rate charged by each type of setting. Sufficient places were available in our children's centres with some additional places in good quality private nurseries and playgroups. At the present time we have 280 places.
- 2.10. From September 2013, children will be eligible for a place the term after their second birthday if they meet the free school meal criteria.
- 2.11. Based on the Department for Education (DfE) assessment and an 80% participation level, we expect to have to provide in the region of 730 places following the introduction of the statutory entitlement for 882 eligible two year olds in September 2013. This means we need to identify 450 additional good quality places for September this year. When the criteria is widened to cover 40% of the two year old population in September 2014, a further 800 places good quality places will be required.
- 2.12. The DfE announced last December the funding for Haringey for 2013-14 to establish the programme. The funding is intended to enable the creation of new places and other development (such as small building works), the improvement of provision through support, training and advice and delivery of free early education. Haringey's allocation for the expansion programme 2013-14 is:
- Revenue funding:
 - £1,042,000 – trajectory building (to include developing quality, resources & building up places); and
 - £2,656,000 - direct funding of places
 - Capital funding - £736,000 - capital works.
- 2.13. The two year old funding for 2013-14 is fixed and not dependant on participation levels. However, the DfE will monitor participation levels. Although the level of funding for 2014-15 has not yet been announced, it will not be based on participation either. However, the DfE has announced that with effect from April 2015, two year old funding will move to a participation basis.
- 2.14. The Department for Education has also informed Haringey that it is being funded at a rate of £5.28 per hour per child from September 2013. This rate is lower than the rates currently paid (£5.74 per hour) and also much lower than inner London Authorities will receive. We are concerned that the rate is unlikely to be acceptable to many providers,

with the exception of playgroups, and will be a barrier to increasing capacity. This issue was raised with the DfE when the rate was announced without success. Officers intend to develop a business case for submission to the DfE.

- 2.15. All local authorities are required to develop and implement a single funding formula for the two year old provision. Subject to the agreement of Schools Forum, officers intend to work with the Schools Forum Early Years Working Group to undertake the task of developing this single funding formula for implementation in September 2013. In the meantime, we propose that the current rate of £5.74 per hour per child for new places and the market cost for established children's centre places will continue to be paid for participation to the end of August.

Three and Four Year Old Early Education

- 2.16. When the Early Years Single Funding Formula (EYSFF) for three and four year old provision was implemented in April 2011, Schools Forum agreed that the formula would need to be reviewed at some point in the future. We now propose that this review of the three and four year old formula takes place during 2013-14 to ensure that the single funding formulas for all early education are properly aligned from April 2014. We believe it would be appropriate for the Schools Forum Early Years Working Group which developed the formula to undertake this work.

- 2.17. This review would include identifying a rate for childminders.

Capacity, Quality and Sustainability

- 2.18. Whilst it would be possible, although challenging, to create sufficient good quality two year old places for September 2013 the issues of funding and quality mean that the further 800 or more places needed for 2014 present us with some difficulty. In order to meet the further expansion for 2014 we will need to encourage new providers to come into the borough and to think creatively about the possible use of sites in the areas of greatest need.
- 2.19. The provision of 1,600 or more places by September 2014 will be a challenging target, particularly as the overall quality of provision within the areas of greatest deprivation, where we will need most places, is variable. It is a requirement of the programme, which we continue to support, that children should only be placed in good or outstanding quality provision. As a result we have already started a programme of support and training to improve 'satisfactory' provision to 'good'.
- 2.20. We believe that the sustainability of places for all free early education will be dependant on the rates to be agreed for the 2 year old EYSFF and the reviewed rates for the 3 and 4 year old EYSFF.

Other Issues

- 2.21. The pilot programme for two year olds has provided evidence of improved attainment following the provision of early education for the most vulnerable children. We are therefore seeking to maximise the numbers of places within or linked to primary schools to ensure that these children can benefit from continuity of provision and improve their attainment within the schools.
- 2.22. Historically, the provision of childcare in Haringey Children's Centres has been subsidised through the DSG in recognition of the benefit this can bring to children as they progress through their school journey. This

provision is high quality but also high in cost. Since the marketed cost of places was raised in September 2011 there has been a drop in take up of places, which has increased the pressure on the childcare budget. Many parents on low to middle incomes have withdrawn from places altogether or reduced the number of paid hours taken.

- 2.23. There is a clear link between free early education and childcare with the benefits cap that will be implemented in Haringey from 15 April. The Early Years Working Group will consider how provision and funding can best support the early years strategy and support children affected by the benefit cap. One possible approach, adopted by Camden, would be to extend free early education beyond 15 hours for some or all of the most vulnerable two, three and four year olds.

Early Years Working Group (EYWG)

- 2.24. Schools Forum approved the establishment of an EYWG to work with officers to develop an EYSFF for 3 and 4 year olds. We recommend that the terms of reference of the EYWG are extended to incorporate 2YO expansion, childcare strategy, review of use of EY funding and links to EY strategy. The Group have already held 2 meetings and recommend that Schools Forum approve the draft terms of reference attached at Appendix A.

3. Schools Funding Reform and Revised Baseline 2012-13

- 3.1. As previously reported, the new funding arrangements impact on the way that the DSG funding comes into Haringey, which from April 2013 will be through three blocks (Schools Block, High Needs Block and Early Years Block).
- 3.2. In order to implement the new arrangements, the 2012-13 DSB has been rebased over the three new blocks to determine the baseline for each of these new blocks.
- 3.3. The following table is a summary of the 2012-13 EYB income and expenditure, showing major movements and the resulting, revised baseline guaranteed unit of funding.

Early Years Block 2012-13 Baselines			
Income		Expenditure	
	£'000		£'000
Gross DSG	14,036	EYFSS 3&4YO	11,509
Area Cost Adjustment	498	EY Contingency	278
Removal of 3YO Protection	-1,860	Centrally managed budgets	2,249
EYB Baseline	12,674	EYB Expenditure	14,036
Jan 12 Pupil Numbers	2,371	GAP	1,362

EY Unit of Funding	£5,345		
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3.4. The revised 2012-13 has been used by DfE to distribute DSG funding for 2013-14.

4. 2013-14 Early Years Block Funding

4.1. The following table is a summary of the 2013-14 EYB income and expenditure, showing major movements and the resulting gap.

Early Years Block 2013-14 Projection			
Income		Expenditure	
	£'000		£'000
Gross notional DSG	12,674	EYFSS 3&4YO	11,509
Transfer from EIG – 2YO	3,699	EY Contingency	669
Transitional protection – 3YO	900	Centrally managed budgets	1,949
Clawback 2012-13	553	2YO pilot	1,400
		Ring-fence 2YO	2,299
EYB Baseline	17,826	EYB Expenditure	17,826
Jan 12 Pupil Numbers	2,371		
EY Unit of Funding	£5,345		

4.2. The projected income for the Early Years block is all provided through the DSG. The actual DSG funding will be based on the new, baselined guaranteed unit of funding (£5,345) multiplied by actual participation of 3 and 4 year olds in 2013-14. The Early Years DSG (£12.674m) is estimated based on the January 2012 pupil count but will be updated retrospectively using actual pupil numbers (January 2013 count 5 months; January 2014 count 7 months). The guaranteed unit of funding (GUF) represents a continuing standstill at cash levels although clearly the effect of inflation means which schools and the Private, Voluntary and Independent (PVI) providers will experience a real terms decrease in their funding in 2013-14.

4.3. The actual level of three and four year old participation during 2013-14 poses a clear risk to the projected income. As stated in paragraph 2.3, participation fell as the number of full time places in Haringey schools was reduced. The anticipated increase in free early education participation levels continues to be monitored closely and initial

indications from the January 2013 count are encouraging. Officers will continue to monitor actual participation levels closely.

- 4.4. In order to fund the new responsibility for free early education for two year olds, a transfer (£3.699m) has been made from the Council's Early Intervention Grant (EIG) into DSG with effect from 1 April 2013. Haringey currently spends £1.4m on a pilot scheme to deliver free early education to 2 year olds and this commitment has also been transferred into the DSG.
- 4.5. We reported in January that transitional arrangements following the removal of the 90% guarantee on the number of three year olds funded were announced in December. The transitional adjustment has been confirmed at 50% of the former top-up (£900k). Based on January 2012 numbers this still represents a net reduction and gap of £0.461m.
- 4.6. In paragraph 2.4, we identify a one-off clawback of £553k.
- 4.7. Based on January 2012 participation levels and the income streams identified above, the projected EYB income for 2013-14 is £17.826m.

5. 2013-14 Proposed Early Years Block Budget

- 5.1. As stated in paragraph 4.7, the projected income for the Early Years Block for 2013-14 is £17.826m. Given the uncertainty surrounding participation levels and the issues discussed in paragraph 2, we are proposing that the budget strategy for 2013-14 is to maintain stability. We expect that the EYWG will make recommendations for the allocation of the 2014-15 early years budget once it has completed its work.
- 5.2. We propose that the transferred funding (£3.699m) for the vulnerable 2 year old entitlement is ring-fenced for the delivery of that offer and capacity building. Further, detailed proposals for use of the EYB and capital funding to ensure the delivery of the statutory entitlement will be brought back to Schools Forum following review and recommendation at the Early Years Working Group.
- 5.3. The remaining funding (£14.127m (£17.826m- £3.699m)) is available to support delivery of 15 hours of free early education for 3 and 4 year olds and other services for pupils under 5.
- 5.4. The bulk of this funding will be required to fund Early Years Single Funding Formula (EYSFF) payments to nursery schools, primary schools and academies and PVI providers. Following the reduction in free full time early education, and based on current participation levels, it is projected that EYSFF payments will continue to total £11.508m in 2013-14.
- 5.5. The December meeting of Schools Forum approved amendments to the EYSFF in order to ensure compliance under the new funding arrangements. Members will recall that from April 2013 the EYSFF is only allowed to use the same factors as the R-16 formula, plus quality and sustainability. This means that we no longer have a VAT supplement for Private, Voluntary and Independent providers not registered for VAT. In 2012-13 this provided funding of £17k and from 1 April will be incorporated into the hourly rate for PVI providers. In addition, nursery schools currently receive funding for former standards fund and teachers pay grant totalling £172k through the schools funding

formula and from 1 April this sum will continue to be allocated to the nursery schools as a sustainability lump sum.

- 5.6. From 1 April 2013, a minimum funding guarantee (MFG) for the 3 and 4 year old EYSFF is being introduced. Under the MFG, all providers will receive protection so that the base rate (excluding supplements such as deprivation) will be paid at a level at least 98.5% of the 2012-13 basic rate. The Haringey EYSFF will continue, subject to the adjustments in paragraph 5.5, to be paid at 2012-13 rates to providers.
- 5.7. We propose to hold a contingency of £669k in 2013-14 pending the work of the EYWG. This contingency will mitigate against the risks identified throughout this report and is prudent in view of the one-off nature of the clawback and requirement to make additional savings of £900k in 2014-15 when the 90% participation transitional funding ends.
- 5.8. The balance of the early years funding (£1.949m) has, with the approval of Schools Forum, been retained centrally. The proposed centrally retained budgets for 2013-14 are:
 - Childcare subsidy – schools and Children’s Centres £1.557m; and
 - Other £0.392m.
- 5.9. These budget proposals are made on the basis of ensuring as much stability as possible for all providers. However, we are clear that the funding should be supporting delivery of the early years strategy for the benefit of children in Haringey.

6. Next Steps

- 6.1. As demonstrated in this and other reports, the agenda for Early Years is challenging and taking place alongside major changes in other areas of education funding.
- 6.2. The key milestones in respect of Early Years for 2013-14 will be:
 - Schools Forum April 2013 – Set approved EY budget for 2013-14, including 3&4YO EYSFF rates and 2YO pilot rate;
 - Schools Forum July 2013 - Recommend 2YO EYSFF to Cabinet;
 - September 2013 – Implement 2YO EYSFF;
 - Schools Forum late 2013 - Recommend 3&4YO EYSFF to Cabinet;
 - February 2014 – Early Years Block budget proposals 2014-15; and
 - 1.4.14 and Implement revised 3&4YO EYSFF.