



Haringey Council

The Children and Young People's Service

Report to Haringey Schools Forum – 2nd December 2013

Agenda Item

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Report Status

For information/note
For consultation & views
For decision

Report Title: The Early Years Funding Block.

Authors:

Ngozi Anuforo, Early Years Commissioning Manager

Contact 020 8489 Email: ngozi.anuforo@haringey.gov.uk

Steve Worth, Finance Manager (Schools Budget)

Contact: 020 8489 3708 Email: Stephen.worth@haringey.gov.uk

Purpose: To inform Schools Forum members of the funding of the Early Years Block in 2013-14, 2014-15 and projections for future years.

Recommendations:

1. That Schools Forum notes the indicative funding for the Early Years Block in 2014-15;
2. That Schools Forum endorses the proposed allocation of the Early Years Block for 2014/15;
3. That Schools Forum agrees that the additional resources required for sustaining a £6.00 per hour funding rate from April 2016 will be identified within the Early Years Block by March 2015;
4. That Schools Forum recommends to Cabinet, a change in the funding formula for the two year old programme that will introduce an increase in the funding rate for providers of the two year old programme from £5.18 to £6.00 per hour from April 2014;
5. That Schools Forum notes the conclusion of the early years work for 2013-14.

1. Introduction

- 1.1 The purpose of this paper is to provide an overview for Schools Forum of current funding and projections for the Early Years Block contained within Haringey's Dedicated Schools Grant Allocation, outlining in detail how the proposals for use of the Early Years Block to support improvements in outcomes for children at the end of the early years foundation stage.

2. Background

- 2.1 The Dedicated Schools Grant (DSG) is now split into three notional blocks: the Schools Block for years Reception to 11; the High Needs Block for Special Educational Needs (SEN), outside of delegated budgets, and Alternative Provision (AP); and the Early Years Block (EYB), which is the subject of this paper.
- 2.2 The use of these blocks is underpinned by Haringey's overarching strategic aims. DSG funding supports the achievement of outcomes set out within the Corporate Plan 2013-2015 and ensure the following priorities will be met;
- Work with schools, early years and post 16 providers to deliver high quality education for all children and young people
 - Enable every child and young person to thrive and achieve their potential
- 2.3 It is a requirement of the School and Early Years Finance Regulations that the Schools Forum agrees proposals for the use of DSG funding, including centrally retained budgets.

3. The Vision for Early Years in Haringey

- 3.1 An Early Years Strategic Framework and Delivery Plan are being developed by the Council for Haringey; adopting the vision and principles of the Children and Young People's Plan 2013 -2016:
- Haringey is a place where children and young people thrive and achieve*
- 3.2 The Early Years Framework will outline the vision and approach to improving early years education in Haringey and set out how the Council intend to work in partnership, from conception to aged five, with colleagues in Health, Children's Social Care and other key services and agencies to improve outcomes for our young children.
- 3.3 An Early Years Partnership Board has been established to ensure that the partnership priorities for early years set out in the Children and Young Peoples' Plan 2013-2016 and the Health and Well Being Strategy

2012-2015 can be achieved. The Early Years Partnership Board will provide a steer for the development of early years strategy in Haringey over the next three years and be accountable for the implementation of the Early Years Framework and Delivery Plan.

- 3.4 Ensuring that all of our young children are able to access the opportunities and support they need to develop well and become confident learners by the time they reach statutory school ages is a fundamental part of the emerging early years strategy in Haringey. A key priority for Haringey, in line with the Childcare Act 2006, is to narrow the gap between our most disadvantaged children and all other children. From an early education perspective, we recognise that achieving this requires strong partnership working between the local authority, schools, children’s centres, private, voluntary and independent sector early education and childcare providers and childminders.

4. Use of the Early Years Block Funding to meet statutory requirements

- 4.1 In Haringey, the Early Years Block supports the Council to meet its statutory duties under the Childcare Act 2006 which includes funding the free early education entitlement for all three and four year olds from the term after their third birthday and from September 2013, the free entitlement for eligible two year olds. Free entitlement places offer each eligible child 15 hours per week of early education, up to a maximum of 570 hours per year.
- 4.2 Free entitlement places are funded in maintained schools, academies, children’s centres, Private, Voluntary and Independent (PVI) providers and Childminders.
- 4.3 The estimated populations of 2, 3 and 4 year olds in Haringey are shown in the table below.

Table 1: Haringey’s population numbers for 2, 3 and 4 year olds*

	Total Population of Children aged 0-4	2 year olds	3 year olds	4 year olds
Haringey	18,229	3,603	3,573	3,383

*Source: 2011 Census

- 4.4 The expectation from the government’s Department for Education (DfE) is that levels of take up of the free entitlement will be as follows;

Table 2: Expected take up rates for all free entitlements

Age Group	Estimated eligible population	Estimated eligible population 2014-15	Minimum take up rate (DfE)	Minimum number of children expected to participate(B

	2013-14			ased on expected take up rate)
*2 year olds	882	1,700	80%	1,360
3 year olds	3,573	3,573	94%	3,359
4 year olds	3,383	3,383	No target	No target
3 & 4 year olds	6,956	6,956	96%	6,678

*not all two year old children are eligible for the free entitlement

5. Delivery of the three and four year old free entitlement

- 5.1 The current profile of take up for Haringey's three and four year olds can be broken down as follows;

Table 3: Comparative summary of take up rates for 3 & 4 year olds

Benefitting from funded early education places	2009	2010	2011	2012	2013
Haringey 3 year olds	78%	76%	80%	82%	84%
Haringey 4 year olds	91%	92%	89%	95%	95%
Haringey 3 & 4 year olds	84%	83%	84%	88%	90%
England for 3 & 4 years olds	95%	94%	94%	95%	96%
London for 3 & 4 years olds	89%	88%	88%	90%	91%

- 5.2 The profile of the indicative Early Years Single Funding Formula allocation for 2013-14 and the projected actual allocation is shown at **Appendix 1**. It should be noted that the actual numbers projected in this appendix have been used as the starting point for **Appendix 5** and in Tables 6 and 7.

In Haringey, there is a need for participation rates for 3 year olds to be improved in order to meet DfE's expectations of 94% take up. This represents a 10 % increase on current levels of participation in the borough and will mean ensuring that a further 358 children are taking up a place.

The impact of achieving a 94% take up rate amongst Haringey's 3 year olds will mean an additional £1.148m in DSG funding. The implications for DSG funding of a projected increase in participation in the 3 and 4 year old free entitlement is shown at **Appendix 5**.

6. Development and delivery of the Two Year Old Free Entitlement programme in Haringey

- 6.1 From September 2013, all 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 whose parents would be eligible to claim for Free School Meals (FSM) and to 'Looked After Children'.
- 6.2 The DfE estimated that in Haringey, 882 two year olds will become eligible for a place within the academic year September 2013 to July 2014. In the following academic year, (September 2014 to July 2015) the entitlement will be extended to a further 800 children (taking the total to 42% of Haringey's two year olds) from September 2014.
- 6.3 In September 2013, the government announced additional eligibility criteria to be applied from September 2014. These are:
- Families receiving WTC and have annual gross earnings of no more than £16,190 a year
 - Children receiving a current statement of SEN 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

Once the education settlement 2014-15 is announced on 18 December 2013, the funding available for the extension of the two year old free entitlement will be clearer.

- 6.4 From April 2015, DfE will be funding the two year old programme through the Dedicated Schools Grant (DSG) on a participation-led basis, in line with the current funding arrangements for the universal three and four year old 15 hours per week free entitlement. Take up levels by January 2015 will need to be high in order to mitigate against potential reductions in future levels of DSG Early Years Block funding.
- 6.5 The DSG Early Years Block funding for the Two Year Old Free Entitlement in 2013-14 comprises:
- £2.656 million revenue funding for statutory place provision; and
 - £1.043 million one-off trajectory funding to support the expansion of the programme.

Appendix 2 provides a full breakdown of the place and trajectory funding for 2013-14 and projections for 2014-15 and 2015-16 based on the approved hourly rate, £5.18.

- 6.6 Haringey's place funding for 2013-14 has been allocated for a full financial year, although the statutory programme began mid-year. Since September 2013, take up of the entitlement has been steadily increasing but are not yet reached DfE estimated levels. By January 2014, the number of 2 year old programme places available will be 666 against an estimated number, by September 2013, of 882. This position has contributed to a projected under spend within the 2013-14 financial year of £1.127m, details of which are set out in **Appendix 4**.
- 6.7 Current delivery of the two year old programme has highlighted some key challenges for Haringey in meeting DfE's expectations including;
- Ensuring there are sufficient good quality places to meet our statutory responsibilities;
 - Ensuring high levels of participation in the programme over the next two years. Early indications are that we need to strengthen our brokerage role and professional pathways into the programme to ensure that children, particularly those facing the most disadvantage, are enabled to take up the place they are eligible for and parents are supported to place their children in an appropriate setting.
 - Maintaining a funding formula that is able to encourage provider participation, secure and increasing number of places and be sustainable within the agreed financial settlement in order to maximise the number of children able to take up their free entitlement.
- 6.8 Cabinet supported the Schools Forum's decision to ring-fence the two year old funding within Haringey's DSG allocation.

7. Discretionary use of DSG Early Years Block Funding

- 7.1 In addition to meeting the funding requirements of the free entitlements, Early Years Block funding in Haringey is allocated to the following in 2013-14;

7.1.1 Indicative Early Years Single Funding Formula (EYSFF)

Supplements

Total allocated: £1,501,013

In introducing a single funding formula, Cabinet previously approved the Schools Form recommendation to have a number of supplements (deprivation, flexibility and quality) to be added to the basic part-time hourly funding rate. The only statutory requirement is a supplement for deprivation that accounts for £1.061m of this figure.

7.1.2 Indicative full time places provision for three and four year olds

Total allocated: £749,368

In February 2012, Cabinet agreed the reduction in the number of full time places provided across Haringey's Schools and their re-distribution to ensure sufficient places are available in areas of greatest need. This was part of an overall strategy which would see an increase in the number of part time places available by 2014/15.

The projected rate of reduction was as follows;

Academic Year	Full time places
September 2012	476
September 2013	296
September 2014	118

In the original proposals some protection through the Minimum Funding Guarantee for schools losing places was assumed. Subsequent changes to national regulations mean that this is no longer the case and a school will need to manage the change in numbers through an increase in part-time places, charging for non-statutory provision or reducing its offer.

7.1.3 Support to Nursery Schools

Total allocated: £712,050

This allocation provides additional sustainability support to Haringey's three nursery schools to deliver the free entitlement for three and four year olds and sits alongside their individual Early Years Single Funding Formula (EYSFF) funding allocations.

7.2 The EYB also funds any early years specific centrally retained budgets held by the Local Authority (LA). **Appendix 3** provides a profile of the centrally retained budget for 2013-14 and projections for 2014-15 and 2015-16. Two significant elements of the centrally retained budget are as follows:

7.2.1 Central Early Years Team

Total allocated: £260,000

This allocation of funding supports the delivery of the 3 and 4 free entitlements and enables support and intervention for targeted schools and settings and the moderation of the Early Years Foundation Stage Profile (EYSFP).

The contribution is towards roles that support the achievement of the following outcomes for children:

- The continued improvement in the attainment levels for children at the end of the Early Years Foundation Stage.
- Increasing the numbers of children in early education and childcare provision that is good or outstanding
- Increasing the participation of 2, 3 and 4 year olds; particularly the most disadvantaged children in their free entitlement offer.

2013- 2014	£ (*inc on costs)
Advisory Teacher	74,876
Advisory Teacher	74,076
Advisory Teacher (0.8)	49,090
Business Support Officer	37,101.04
Information and Data Mgmt (20%)	9,510.37
Head of Early Years (10%)	8,363.70
Total	260,109.25

2014- 2015	£ (*inc on costs)
Advisory Teacher	74,876
Advisory Teacher	74,076
Advisory Teacher (0.8)	49,090
Business Support Officer (0.33)	14,608
Brokerage Officer (0.5)	19,307
Free Entitlement Funding Administrator (0.5)	21,913
Moderation (EYFS) (0.5)	6,250
Total	253,870

2015- 2016	£ (*inc on costs)
Advisory Teacher	74,876
Advisory Teacher	74,076
Advisory Teacher (0.8)	49,090
Business Support Officer (0.33)	14,608
Brokerage Officer (0.5)	19,307
Free Entitlement Funding Administrator (0.5)	21,913
Moderation (EYFS) (0.5)	6,250
Total	253,870

7.2.2 Childcare Subsidy

Total allocated: £1,557,000

This allocation enables the delivery of childcare; targeting some of our most vulnerable children, providing them with access to good quality early education and ensuring they are school ready. We are faced with the continuing challenge to deliver affordable, sustainable childcare and this continues to be area under considerable financial pressure as the gap between the cost of providing childcare and the income generated from fees remains significant.

8. Early Years Block Funding 2013-14.

8.1 The total amount of funding within this block is determined by four elements, which generate the funding set out in **Table 4**.

The four elements in 2013-14 are:

- (i) The Full Time Equivalent (FTE) number of three and four year olds recorded in the January censuses multiplied by £5,345.46. The number funded in 2013-14 was 2,358 FTE this represents 3,930 children at an equivalent hourly rate of £5.6268
Both the January census preceding the start of the financial year and the January census during the financial year (October) are used to determine the DSG, with any resulting adjustments being made to the allocation.
- (ii) The target number of two years olds funded by DfE at £5.28 per hour
- (iii) A fixed, one-off, allocation of £1,042m Trajectory funding. This amount is given for the development of provision to meet future expansion in two year old numbers; and
- (iv) Transitional funding, in 2013-14 only, following the removal of the guaranteed funding for 90% of three year olds.

Table 4: Early Years Block Funding 2013-14

Element	Number of Children	Funding Rate per Hour £	£000
3 and 4* Year Olds (90%)	3,930	5.6268	12,604.6
2 Year Olds	882	5.2831	2,656.0
Trajectory Funding			1,042.7
Transitional Funding			900
Total			17,203.3

*Only refers to 4 year olds in PVI settings and not those in reception classes in schools. Does not include in-year adjustments expected for January 2014 census numbers

9. Application of Early Years Block Funding 2013-14.

- 9.1 The Schools Forum in February 2013 agreed to maintain the 2013-14 centrally retained budgets at the same level as 2012-13. The application of the funding is set out in **Table 5**.

Table 5: Breakdown of Early Years Block Funding 2013-14

Budget Area	Budget
3 and 4 Year Old Formula Funding	£000
Children Centres(Formula Allocation)	483.1
Nursery Schools (Formula Allocation)	1,639.0
Nursery Classes (Formula Allocation)	5,872.4
PVIs (Formula Allocation)	3,199.3
2012-13 Claw back (Schools Only)	(544.7)
Sub-total	10,649.1
2 Year Olds	
Place and child led funding	2,656.0
Trajectory Funding	1,042.7
Sub-total	3,698.7
Centrally Retained Budgets	
Childcare Subsidy	1,557.0
Early Years Team	260.0
De-delegated services	91.4
Carbon Commitments	26.5
Contingency	360.0
Claw back to Contingency	544.7
Overheads	15.9
Sub-total	2,855.5
Total	17,203.3

10 Early Years Block Funding 2014-15 and 2015-16.

- 10.1 It is anticipated that future year DSG settlements will be based on the following two elements.

Table 6 Projected Early Years Block Funding 2014-15

Element	Number of Children	Funding Rate per Hour £	£000
3 and 4 Year Olds	4,201	5.6268	13,473

2 Year Olds	1,700	5.2831	5,119
Total			18,592

Table 7 Projected Early Years Block Funding 2015-16

Element	Number of Children	Funding Rate per Hour £	£000
3 and 4 Year Olds	4,290	5.6268	13,760
2 Year Olds	1,700	5.2831	5,119
Total			18,879

10.2 The DfE has revised the eligibility criteria for the two year old programme and as a consequence of this, it is anticipated that the estimated number of eligible children will change for September 2014.

10.3 We would expect recommendations for the use of Early Years Block Funding from 2014-15 onwards to be informed by how early years strategy evolves in Haringey, spearheaded by the implementation of an Early Years Framework and Delivery Plan and shaped by the strategic work of the Early Years Partnership Board in the context of an emerging early help approach across Haringey.

11. Issues likely to affect the proposed future use of the Early Years Block funding

11.1 Funding the Two Year Olds Free Entitlement.

The DfE's plans to move to participation-led funding from April 2015 have significant implications for future levels of DSG funding. Mitigation against any potential reduction in funding levels will be through maximising the take up of two year old places by eligible children. This is a strategic priority within the Council's Corporate Plan 2013-2015 which set outs a target take up rate of 80%.

The Early Years Framework and Delivery Plan identified this as a priority area of work and our approach to ensuring the sufficiency of good quality places with high levels of participation is central to achieving these targets.

In July 2013, Cabinet agreed a funding formula rate of £5.18 per hours to be applied as a flat rate. It was acknowledged that this was a challenging rate due to the diverse range of childcare providers in the borough, with differing hourly charges for 2 year old places.

Funding rate issues

A review of funding rates in other London local authorities undertaken in September 2013 suggests a typical flat rate of £6.00 per hour. Feedback from the consultation undertaken with providers in Haringey in the summer 2013 would suggest that a similar rate would encourage higher levels of participation in the programme by local providers. The risk of increasing the provider funding rate in Haringey from £5.18 to £6.00 per hour is that it will need to be sustained over the long term and will require additional funding.

A profile of the funding that would be required to meet the delivery of the two year old programme at an increased rate from 2014-15 onwards is at **Appendix 4**.

It should be noted that levels of additional funding required may increase subject to the implementation of DfE's additional eligibility criteria.

Sustainability

Increasing the hourly funding rate for providers from £5.18 to £6.00 will mean introducing a rate that exceeds the £5.28 per hour rate DfE pay to Haringey. To this end, implementation of a higher rate will need to include planning for the longer term sustainability of an increased rate within the anticipated DSG Early Years Block funding envelope. Current levels of projected under spend for 2013-14, in allocated funding for statutory places, mean that there are the financial resources available to support an increase in the provider funding rate from April 2014 to March 2016. It should be noted that from April 2015, funding allocated to the Council will be based on participation and therefore it is not possible to confirm at this point, the overall funding allocation that will be available to fund statutory places from April 2016.

The current estimation is that the cost of increasing the hourly funding rate from £5.18 to £6.00 from April 2014 could be met fully for the financial years 2014/15 and 2015/16 by the existing ring-fenced funding allocation for the two year old programme within the DSG's Early Years Block.

For 2016/17, if the estimated take up levels of 1700 children are achieved by January 2015, maintaining a funding rate of £6.00 per hour would require an additional £195,000. From April 2017, this would increase to an additional £826,000 per financial year. Should participation levels be below this target figure, the need for additional resources to meet the £6.00 per hour rate may be reduced or delayed, **Appendix 4b** provides an exemplar of the financial implications for lower than expected participation rates.

In order to meet this additional funding requirement, there will be a need to examine the discretionary element of the early years funding block in order to identify the financial resources to meet the costs of delivering the programme from April 2016.

Planning

Over the next two financial years, there will need to be some robust financial planning and preparation for 2016/17. This may involve rationalising the early years single funding formula across the 2, 3 and 4 year old free entitlement.

As part of this work, consideration would need to be given to:

- The targeted nature and higher cost basis of 2 year old programme places; particularly for children with disabilities and special educational needs; and
- The requirement that the Council must have a deprivation supplement in any single funding formula for 3 and 4 year olds

In addition to this, there may need to be a reconfiguration of the childcare subsidy element. Our future strategy for childcare will need to consider how best to target the subsidy to maximise the benefits for children and ensure the most vulnerable and disadvantaged children are supported to access good quality provision. As part of this work, consideration will need to be given to the profile of childcare across our children's centres; including rationalising the age range.

11.2 Increase in numbers of three and four year old places towards DfE targets and the provision of full time places

The indicative budgets for 2013-14 included 311 fulltime places being funded in Haringey schools. Unverified numbers for the summer term indicate that this number has since fallen. In February 2012, Cabinet agreed Schools Forum recommendations to reduce full time places to 118 by September 2014. A central budget of £67,000 would be retained to support the provision of targeted places for our most vulnerable children.

The removal of the transitional protection for 3 year old take up rates and the impact of Haringey's participation rates at January 2013 census will mean a reduction of £900,000 in DSG funding levels for 2014-15 compared to 2013-14.

Mitigation against further reductions in the future will require action to be taken to increase participation rates for three year olds from current levels of 84% to 94% (as set by DfE in 2013) and overall

participation by three and four year olds from current levels of 90% to 96% (as set by DfE in 2013). This is a strategic priority within the Council's Corporate Plan 2013-2015 and is reflected as a priority action within the Early Years Framework.

Increases in part-time numbers and a reduction in full-time numbers will help mitigate the loss of £900,000. Based on the projected numbers in **Appendix 5**, in year adjustments and the use of the one-off claw-back contingency (in respect of lower than anticipated numbers in 2012-13) together with the reduction of full-time places will be sufficient to balance the budget. If the projected increase in three and four year olds does not materialise this will be need to be reviewed.

11.3 The Childcare Subsidy

The provision of childcare as part of the children's centre service offer in Haringey continues to face significant financial pressure as parents experience the effects of the current economic climate, finding it increasingly difficult to afford good quality childcare.

It is not anticipated that the need for a subsidy will reduce for 2014-15 and 2015-16. Rather, we are faced with increasing pressure on this element of the centrally retained funding as the gap between the costs of childcare and the levels of income generated through fees remains significant.

In June 2013, the outcome of an external review of Haringey's Children's Centres and associated childcare provision by Cordis Bright was published. The report made a number of recommendations to the Council to consider and a project, steered by the Early Years Partnership Board, will be undertaken to consider the recommendations and develop options for the future delivery of the Council's childcare.

This work will take some time to complete and therefore, current levels of childcare subsidy funding will be required for 2014-15 and 2015-16. In the short term, work will be undertaken to consider how the subsidy can more effectively support the provision of childcare services in our most disadvantaged areas.

12. Recommendations

- 12.1 That Schools Forum notes the indicative funding for the Early Years Block in 2014-15.
- 12.2 That Schools Forum endorses the proposed use of the Early Years Block for 2014/15.

- 12.3 That Schools Forum agrees that the additional resources required to sustain the £6.00 per hour funding rate from April 2016 will be identified within the early Years Block by March 2015.
- 12.4 That Schools Forum recommends to Cabinet, a change in the funding formula for the two year old programme that will introduce an increase in the funding rate for providers of the two year old programme from £5.18 to £6.00 per hour from April 2014.