

Agenda Item

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Report Status

For information/note
For consultation & views
For decision

Commissioning

Report to Haringey Schools Forum – 25th February 2016

Report Title: The Early Years Funding Block 2016-17.

Author:

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Purpose: To inform Schools Forum members of the 2015-16 budget proposals for the Early Years Block.

Recommendations:

1. That Schools Forum notes the indicative funding for the Early Years Block in 2016-17 and the funding profile as set out in Appendix 3
2. That Schools Forum agrees the proposed allocation of the Early Years Block for 2016-17 as set out in Appendix 4.

1. Introduction

- 1.1 This paper sets out, for approval by Schools Forum, proposals for the use of the Early Years Block (EYB) contained within Haringey's Dedicated Schools Grant (DSG) allocation for 2016-17.
- 1.2 In addition, the paper will outline how the proposals for use of the EYB are intended to meet the required statutory duties placed on the Council and support improvements in outcomes for children in the borough.
- 1.3 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.
- 1.4 This paper has been prepared ahead of anticipated changes to the way in which early education is funded by central government. The Department for Education (DfE) announced its intentions to consult in 2016 on proposals for new national funding formulas for schools and early years from 2017. We do not yet know the detail of what will be proposed in either formula but there are likely to be changes that may have a significant impact on all areas covered by this report.

2. The Strategic Context for the Early Years in Haringey

- 2.1 Proposals for the use of the EYB within DSG in 2016-17 are shaped by both statutory requirements derived from the Childcare Act 2006 and the strategic aims of Haringey Council as set out in its Corporate Plan.
- 2.2 A key priority for the Council over the next two years is improving opportunities to thrive for children from conception to five and achieving better outcomes for children, young people and families as we implement our Early Help strategy. The vision for Early Help is held jointly with partners and reflected in Haringey's Corporate Plan.
- 2.3 We need to ensure that all young children, regardless of circumstance or where they live within the borough, are able to access the opportunities and support they need to develop well and become confident learners by the time they reach statutory school age.
- 2.4 As in this financial year, it is intended that the use of the EYB is underpinned by Haringey's overarching strategic aim for children and young people and the strategic priorities set out below:
 - Delivering prevention and early intervention to reduce escalation of need
 - Increasing equity of access to quality provision for all children young people and families

- Improving and sustaining resilience amongst children. Young people and families
- Developing the workforce to be more confident and empowered practitioners
- Enhancing access to, and coordination of, integrated services

3. Key Activities and Actions for 2015-16

3.1 Free Early Education for Two Year Olds

3.1.1 Funding from the Department for Education (DfE) for the free early education for eligible two year olds prior to the end of March 2015 was on a place-led basis and for 2014-15 was based on an anticipated 1790 eligible children in the borough. There was a move to participation-led funding from April 2015.

2YO Place Funding -DSG

Year	Grant Income	Expenditure	Balance
2014- 2015	4.464m	2.438m	2.026m
2015-2016	**2,041m	2.911m	(0.870m)

** This DfE funding allocation is based on the actual number of children participating in the programme at January 2015 headcount.

3.1.2 DfE's place funding allocation of £4.464m for 2014-15 was based on a projected population of 1790 eligible children in Haringey. Our total expenditure of £2.438m in that year reflected the actual number of children funded. The difference in these two amounts has contributed to an EY Block DSG carry forward of £2.026m into 2015-16.

3.1.3 In addition to the £2.026m place funding carry forward, we had a remaining balance of £1.774m development funding (also known as trajectory funding) held in reserve.

3.1.4 This combination of the amounts detailed in 3.1.3 totalled £3.8m at the start of the 2015-16 financial year.

3.1.5 It had been agreed previously with Schools Forum that the £3.8m amounts be held and ring fenced in order to mitigate the annual anticipated funding gap created by the payment of an hourly funding rate for the programme of £6, which is above the £5.28 per hour rate at which Haringey is funded by DfE and the projected slow growth in take up. The net cost of increasing the hourly funding rate to £6.00 from April 2014 can be fully met for the financial years 2015/16 to 2017/18 by the ring-fenced

funding allocation for the two year old programme within the EYB.

- 3.1.6 A further call on this reserve has become necessary to finance the gap between the numbers funded through DSG based on the January censuses and the actual take-up during the year (3.1.7 and Appendix 1). For 2015-16, we anticipate that the amount needed to address the 2 year old funding gap will be £0.870m. This will be met from the ring fenced EYB carry forward balance of £3.8m.
- 3.1.7 Taking into account fluctuations across the three terms during 2015-16, average take-up of this entitlement has remained steady at approximately 50% of the estimated eligible children. **Appendix 1** shows the place and take-up trend to Spring 2016.
- 3.1.8 The final 2015-16 allocation of EYB funding for the two year old programme will be based on the January 2015 and January 2016 headcounts. The DfE conducted a one-off voluntary head count in October 2015 but we do not yet know whether this will change the DSG allocation in this and/or future years.

3.2 Universal Free Early Education Entitlement: Three Year Olds

- 3.2.1 Our target to increase participation rates for three year olds from 2014 levels of 84% to 94% by 2018 (as set by DfE in 2013) stalled in 2015. There was a reduction in the 85% take up rate in 2014 to 83% in 2015.
A marketing and outreach campaign during the 2015 summer term provided useful feedback and identified a need to focus on the 3 year old take up and improving our understanding of the fluctuating patterns of take up across our school nursery classes and PVI providers. More in-depth work has started to develop our understanding of patterns of take up.
- 3.2.2 This will continue to be a priority for the Council as achieving these targets will mean that we are maximising the benefits of early education for children by ensuring that the majority of our 3 & 4 year olds are participating in their free entitlement. Achieving high take up will act to shore up the financial resources available within the Early Years Block within DSG and, in turn, maximise the funding drawn down by early years settings and schools for the delivery of the free entitlement.
- 3.2.3 Whilst we await more information from the DfE on proposals for a new early years funding formula from 2017, there are no

proposed changes to the current early years single funding formula in 2016-17.

3.3 Roll out of the Early Years Pupil Premium

3.3.1 After a challenging start, following its introduction in April 2015, the EYPP has begun to embed in Haringey with increasingly more settings supporting parents to provide information for eligibility checking. Work will continue in 2016-17 to maximise the take up of the EYPP. This has been accompanied by support provided to settings through the Early Years Quality Team to ensure settings are able to use the EYPP to best effect, supporting improved outcomes for children in their settings and evidencing this as required by Ofsted.

3.4 The Childcare Subsidy

3.4.1 A priority within our early help approach is to develop more equitable access to quality provision for all children across the borough and we have been exploring how best to maximise the benefits for children and ensure the most vulnerable and disadvantaged children are supported to access good quality provision.

3.4.2 Work was undertaken in 2015-16 to review the childcare formula for the eight maintained childcare settings supported by this subsidy funding. In addition to the £1.427m subsidy contribution from the EY DSG block, these settings are further supported with a Council subsidy of approximately £400k. There continues to be pressure on these services as the gap between the costs of childcare and the levels of income generated through fees remains significant. Further work during 2016-17 will be needed to consider how the maintained childcare can develop more sustainable delivery models. One aspect of this work is a re-consideration of the fees structures currently in place. The Council currently set the rate for fees and these are charged consistently across all eight maintained settings.

3.4.3 We will need to review the current fee arrangements as part of a wider piece of work to look at the sustainability of maintained childcare provision. This work may also require some consideration of how the subsidy, bearing in mind potential risks to the availability of subsidy funding as a consequence of government proposed changes, can more effectively support

the provision of childcare services in our most disadvantaged areas and maximise outcomes for children.

3.5 Early Years and Special Educational Needs (SEN)

3.5.1 The SEND reforms introduced changes that lower the age at which families can request an Education, Health and Care Plan (EHC) on behalf of a child which they may feel has an SEN or disability. As part of developing our early help approach, we need to establish that the appropriate support or intervention is available to reduce an escalation of needs and to ensure that children's needs can be identified and met in a timely way. Work has begun on articulating refreshed pathways to support in the early years for those children accessing early education and childcare.

3.5.2 The 2012 school funding reforms set out how the Early Years Single Funding Formula (EYSFF) should make some allowance in its standard funding arrangements for children with additional needs based on locally determined criteria. A Pathways to Early Support budget was introduced in 2015 to ensure that children with significant SEN and disabilities have the support they need to access early education across a range of providers.

3.5.3 Work has been done to develop a document to outline the thresholds for intervention and funding, which will act as a guide for early education and childcare settings and practitioners. This will be consulted on with aim of launching the framework across the borough from April 2016.

4. The National Context: Changes and Challenges

4.1 In 2015, the government has committed to extending the 15 hours per week universal free entitlement for 3 and 4 year olds to include an entitlement of 30 hours per week for the 3 and 4 year old children in families where both parents (or the sole parent in the household) work a minimum of 16 hours per week at national minimum wage or living wage and earn less than £100,000 per year. **Appendix 2** provides an overview of the latest eligibility profile issued by the DfE.

4.2 There is general uncertainty about the levels of DSG funding from 2017. We await government funding decisions and revisions to current legislation and statutory guidance relating to a new;

- National Schools Funding Formula
 - National Early Years Funding Formula; including the funding rate for the 30 hour extension
- 4.3 Early indications from DfE are that funding rates will vary across the country to reflect the 'local' circumstances in different local authorities and that there will be clear expectations set out by government as to how much authorities are able to retain centrally to provide local-authority delivered functions.
- 4.3.1 The government intends to consult on funding formula proposals in early 2016.
- 4.3.2 The proposals for the 30 hour provision have generated concern in the early years sector about whether the provision will be funded at a rate that will be high enough to meet the costs of delivering the offer and providing the degree of flexibility envisaged by government. A risk highlighted by providers nationally, and within the borough is that if funding rates are insufficient, it will have a detrimental impact on the sustainability of provision; therefore affecting the Council's statutory obligation to ensure there are sufficient numbers of early education and childcare places for our population of eligible children.
- 4.4 The EYPP is set to continue as a separately funded element of the 3 and 4 year old free entitlement.
- 4.5 It was announced in the November 2015 Spending Review that the government had identified £50m nationally to support the expansion of nursery places. This is to be focused on Free School¹ provision.
- 4.6 In light of a national context of anticipated change for 2017, this paper is proposing minimal changes to the elements currently within the EYB. However, it is important to highlight that 2016-17 will, based on early indications, require close review and assessment of the impact of any proposed government policy on the EYB, the wider DSG envelope and on how early education and childcare provision will be delivered in the borough from April 2017.
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5. Early Years Block Funding for 2016-17.

5.1 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

5.2 The total amount of funding within this block is determined by two elements, which generate the funding set out in the table below.

The elements in 2016-17 are:

- The Full Time Equivalent (FTE) number of three and four year olds recorded in the January censuses multiplied by £5,345.46.
- The Full Time Equivalent (FTE) number of two years olds recorded in the January censuses funded by DfE at £5.28 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.

5.3 The estimated Early Years Block funding profile for 2016-17 is shown at **Appendix 3.**

6. The Proposed Application of Early Years Block Funding: 2016-17.

6.1 Delivering the Universal Free Early Education Entitlement (3 and 4 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.

In 2013, DfE increased the expected participation rate for 3 year olds to 94%. In 2015, Haringey's 3 year old participation rate was 3,001. This represents approximately 84% of our total population of 3 year old children taking up a place as at the January 2015 headcount. To meet this target we need to work towards increasing our 3 year old participation on the following trajectory.

Census Year	Academic Year	Participation rate target	Number of children required to participate	Additional number of children from 2015 levels
2017	2016-17	94%	3358	357
2018	2017-18	96%	3430	429

6.2 Delivery of the Targeted Free Education Entitlement (2 year olds)

6.2.1 DfE estimated in December 2014 that approximately 1710 children per year would be eligible in Haringey. This figure is adjusted on a regular basis and the expectation is that take up is likely to be 80% of all those eligible; approximately 1368 children.

6.2.2 Since April 2015 funding the two year old programme through the Dedicated Schools Grant (DSG) has been 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.

6.2.3 There is currently an expectation from the DfE that the council continues to develop and promote the 2 year old free entitlement for all eligible children. This means that for 2016-17, we will need to continue to:

- Ensure there are sufficient good quality places to meet our statutory responsibilities;
- Build high levels of participation in the programme. We will need to continue our brokerage role and strengthen early help 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.
- Maintain a funding formula that is able to encourage provider participation and secure places. In the longer term, these will need to be sustainable within the agreed financial settlement.

6.3 Funding the Early Years Pupil Premium

6.3.1 For 2016-17, the allocation for Haringey is £320k, a small uplift on the £317K allocated for 2015-16.

6.3.2 Work has been undertaken by the Early Years Commissioning team to engage with settings and establish mechanisms to streamline the processing and administration of the EYPP. As a consequence, we have seen an increase over the three academic terms from April 2015, in the number of providers proactively drawing down EYPP for children attending their setting. This is expected to continue into the 2016-17 financial year.

7. Discretionary use of Early Years Block Funding: 2016-17

7.1 In addition to meeting the funding requirements of the free entitlements and the EYPP, it is proposed that Early Years Block funding is allocated to a number of other key areas. These are set out in detail at **Appendix 4**.

7.2 It is also proposed that funding is also held in respect of services that have been delegated/de-delegated to mainstream schools (£91,400) and in respect of Corporate Support Costs (£15,900)

7.3 Full time Nursery Class Places

7.3.1 In 2015-16, the number of full time places within our nursery classes was reduced to 118. This represented the latest stage of reductions since they began in 2012. It had been suggested previously to Schools Forum that the next step may involve be the complete withdrawal of full time place provision as a consequence of funding no longer being readily available to meet the £0.375m annual cost.

7.3.2 Given the fact that the implications and impact of the government's proposed 30 hour free early education offer will become clearer during 2016-17, it is proposed that this allocation remains unchanged for a further academic year.

7.4 Delivery planning for the 30 hour extension

7.4.1 In November 2015, the Council submitted a bid to DfE to be an early implementer of the additional 15 hours of free early education. The intention was to take the opportunity offered by DfE to prepare for the national implementation in September 2017, through undertaking early work with maintained sector providers, Private, Voluntary and Independent (PVI) sector

providers and childminders in the borough. This bid was unsuccessful.

- 7.4.2 The DfE's roadmap to implementation identifies the summer term 2017 as when implementation support to LAs will be provided. Taking a wait and see approach may leave little opportunity to work with Haringey's early education sector to ensure that there are sufficient places available for eligible families from September 2017. A further concern about doing nothing is that DfE's timescale does not afford the Council the opportunity to understand the implications of the changes on our school, PVI and childminder sectors and fully prepare for the national roll out from September 2017.
- 7.4.3 Early work with Haringey Schools, PVI providers and childminders suggests a need to continue with preparation plans and support provider-readiness across the borough. Feedback from the sector has identified business, service and spatial planning as areas that providers would find beneficial over the coming year.
- 7.4.4 It is therefore proposed that a contribution of £41,224 from the ring fenced early years block funding to support the continuation of this early work during 2016-17 be considered by Schools Forum. If agreed in principle by Schools Forum, further discussion about the deployment of this resource will take place in the early years working group.

Appendix 4

Proposed Discretionary use of the Early Years Block Funding: 2016-17

Funded Element	Allocation (£)	Rationale
Early Years Single Funding Formula (EYSFF) Elements	£1,846m (estimated from 2015-16 level)	There are currently a number of supplements (deprivation, flexibility and quality) added to the basic part-time hourly funding rate. An additional amount attributed to Element 1 (SEN) funding within the EYSFF is proposed and reflected in the figure shown. The only statutory requirement is a supplement for deprivation which accounts for £1.348m of this figure.
Full time places provision for 118 three and four year olds	£0.306m (estimated from September 2015-16 level)	This would continue the current allocation unchanged for a further academic year as the implications of the Government's proposed 30 hour extension to the free entitlement for three and four year olds from September 2017 become clearer.
*Sustainability support to Nursery Schools	£0.712m (unchanged from 2015-16 level)	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)

		<p>funding allocations.</p> <p>This funding is provided to support the financial viability of the three nursery schools in Haringey. The Nursery schools are able to increase their impact through providing training and support to other early years and childcare providers</p>
Childcare Subsidy	<p>£1.427m (unchanged from 2015-16 level)</p>	<p>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.</p>

<p>Central Early Years Quality Team:</p> <p>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).</p> <p>The contribution is towards roles that support the achievement of the following outcomes for children:</p> <ul style="list-style-type: none"> - 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. 	<p>£0.333m (unchanged from 2015-16 level)</p>	<p>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, 67 PVI providers, 3 nursery schools and over 60 schools offering early education.</p> <p>The new Early Years Foundation Stage Framework is more challenging and will be judged and graded by Ofsted, quite rightly carrying more weight in the overall inspection of the school. In order to meet this challenge, we need to realign our Early Years Quality Improvement approach with the overall School Improvement ambitions of achieving outstanding for all.</p> <table border="1" data-bbox="1429 1050 2038 1248"> <tr> <td>Advisory Teacher</td> <td>74,876</td> </tr> <tr> <td>Advisory Teacher</td> <td>74,076</td> </tr> <tr> <td>Advisory Teacher</td> <td>64,756</td> </tr> <tr> <td>Advisory Teacher</td> <td>64,758</td> </tr> <tr> <td>Advisory Teacher (0.8)</td> <td>49,090</td> </tr> <tr> <td>Moderation (EYFS) (0.5)</td> <td>6,250</td> </tr> </table>	Advisory Teacher	74,876	Advisory Teacher	74,076	Advisory Teacher	64,756	Advisory Teacher	64,758	Advisory Teacher (0.8)	49,090	Moderation (EYFS) (0.5)	6,250
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	<p>£0.056m (unchanged from 2015-16 level)</p>	<p>The introduction of the EYPP has increased the administrative processes for the Council and this allocation is a contribution towards the staffing resources required to ensure our statutory processing and payment obligations can be met. In addition to this, this allocation contributes to the costs of the capacity we believe is required to support both sufficiency and access to the free entitlement for 2 and 3 year olds in 2016-17.</p> <table border="1" data-bbox="1435 675 2047 805"> <tr> <td>Business Support Officer (0.33)</td> <td>14,608</td> </tr> <tr> <td>Brokerage Officer (0.5)</td> <td>19,307</td> </tr> <tr> <td>Free Entitlement Funding Administrator (0.5)</td> <td>21,913</td> </tr> </table>	Business Support Officer (0.33)	14,608	Brokerage Officer (0.5)	19,307	Free Entitlement Funding Administrator (0.5)	21,913
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<p>Maintaining the £6.00 per hour funding rate for the two year old programme delivery</p>	<p>£2.639m</p>	<p>To retain the ring fence around the balance of under spent 2 year old place funding to mitigate the impact of funding places at an hourly rate above the £5.28 paid by the DfE to Haringey.</p>						
<p>Delivery planning for the 30 hour Extension</p>	<p>£0.041</p>	<p>It is proposed that some of the EY Block DSG under spend, currently ring fenced for the delivery of the 2 year old programme, is allocated to support our initial implementation planning and potential providers as we continue to establish the implementation plan for the borough. This is a contribution to the projected project costs of £82,448 and represents a 50%</p>						

		<p>contribution.</p> <table border="1"> <tr> <th colspan="2">2016-2017: Project Costs</th> </tr> <tr> <td>Project Manager</td> <td>22,226</td> </tr> <tr> <td>Project Support</td> <td>13,596</td> </tr> <tr> <td>Service planning, delivery support & training</td> <td>23,800</td> </tr> <tr> <td>Business Planning support</td> <td>14,426</td> </tr> <tr> <td>Spatial planning support</td> <td>8,400</td> </tr> <tr> <td>TOTAL</td> <td>82,448</td> </tr> <tr> <td>50% apportionment</td> <td>41,224</td> </tr> </table>	2016-2017: Project Costs		Project Manager	22,226	Project Support	13,596	Service planning, delivery support & training	23,800	Business Planning support	14,426	Spatial planning support	8,400	TOTAL	82,448	50% apportionment	41,224
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