

## Central Bedfordshire Council

**Meeting:** Schools Forum  
**Date:** 19<sup>th</sup> September 2016  
**Subject:** Early Years Funding Streams

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### Purpose of this report

1. To respond to Schools Forum request for information regarding Early Years and related Funding

### RECOMMENDATIONS

The Schools Forum is asked to:

1. Note the various funding streams contributing to Early Years
2. Note the information on the Early Years National Funding Formula Consultation.

### Background

The complexity of Early Years funding emerged over the period of Sure Start funding following the publication of the Childcare Strategy from 1997 onwards.

A range of clearly defined budgets were introduced as part of ring-fenced Sure Start funding to encourage a major growth of Childcare to increase availability to working parents, particularly of school aged children (for which specific targets were set year on year); development of holiday schemes; to ensure that provision, particularly in less well off areas was sustained and kept running; to improve the quality of all types of provision including early years often via accreditation schemes, with targets; training to coincide with the introduction of minimum qualification levels; to improve the quality of provision when the Early Years Foundation Stage was introduced, particularly with reference to the Outdoors; and inclusion funding to enable children to attend childcare and early years if additional support was needed. During this period there was also support for Business Development

within the Sector, and with the statutory duty to provide information about Childcare services to parents and carers, there was specific funding enabling councils to develop Family Information Services. These ring-fenced and clearly defined budgets had to be spent out in each financial year or returned to the Department.

The free offer for children not yet at school was limited to 12.5 hours per week for three and four year olds which was funded through the Dedicated Schools Grant (DSG). A duty was imposed to develop a local Funding Formula during 2009, with the introduction in full from April 2010. This had to have a base funding level and component parts for social deprivation and quality as a minimum. Using the local funding formula to incentivise behaviour was seen as acceptable (for example encouraging the adoption of flexible hours).

In 2010 additional funding was made available through the Standards Fund to enable the 12.5 hours to be expanded to 15 hours a week for three and four year olds. From 2011 these sums were incorporated into the DSG.

Extended Schools Funding was introduced in 2007 and this was also paid through the Standards Fund.

During 2010 it was announced that the Standards Fund would cease to exist in 2011/12 and the funding would be paid into the DSG. This led to the end of a dedicated sum paid for Extended Schools. It coincided with the introduction of the Pupil Premium.

The Early Intervention Grant was introduced which replaced Sure Start Funding in 2011. Initially the varied, delineated funds (and targets) were removed, and a year later the ring-fencing too. The monies previously funded by Sure Start were then incorporated into core budgets. It was agreed that as far as possible at that stage that the same usage should be retained, especially with regard to the management of the Childcare and Early Years Market.

There followed the introduction of pilot schemes for two year olds, and then the roll-out of the full scheme in 2014, for which funding was also placed into the DSG. This element of funding however was not subject to the local Funding Formula but paid to providers at a nationally agreed rate.

As the core budget has come under additional pressure the funding available for managing the market has reduced to the development of new places (including holiday places), and sustaining existing provision.

## **Issues**

The June meeting of the Schools Forum contained the following Minute:

The Schools Forum has requested that a paper be brought to the September meeting covering the following:

1. What is funded from Early Years Block
2. What is funded in Early Years from High Needs Block
3. What other funding is used for Early Years (or Early Help)
4. Application for the Growth Fund – how do you apply
5. Extended Schools

### **1. What is funded from the Early Years Block**

The Early Years Block in 2016/17 is used to fund:

- a. Funding for Three and Four Year Olds
- b. Funding for Two Year Olds
- c. Pupil Premium for three and four year olds only

#### **a. Three and Four Year Olds**

The free early years provision of up to 570 hours per year for three and four year olds, commencing at the first term after the third birthday is paid from the Early Years Block. The funding is paid to a range of settings including pre-schools, day nurseries, private and maintained schools and childminders. Payments are based on attendance and settings are only paid for the hours used.

The payment is made up of a funding formula consisting of three elements, a base rate, a social deprivation sum and a quality factor.

Additional Lump Sums and payments for Rates and to support the Minimum Funding Guarantee are available to Nursery Schools only.

#### **b. Two year olds**

Two year olds meeting particular criteria (mostly but not exclusively benefit based) are funded for up to 570 hrs a year, at 15 hours a week.

There is no funding formula applied to this funding stream, and the same rate is paid to all providers at £5.10 per hour. A deprivation element is deemed to be included as the funding is only available to children whose families meet certain criteria.

The funding is paid to a range of settings including pre-schools, day nurseries, private and maintained schools and childminders. As with the funding for three and four year olds payments are based on attendance and settings are only paid for the hours used.

#### **c. Pupil Premium**

The Early Years Pupil Premium has been part of the Early Years Block funding since April 2015. The sum equates to £300 per year, per child, or 53p per hour.

#### **d. Inclusion Funding**

Funding from the Early Years Block has been transferred to the High Needs Block to cover Inclusion funding and information is included in Section 2 below.

### **2. What is funded in Early Years from High Needs Block**

Prior to 2016/17 the areas of work listed below were funded from the Early Years Block.

From April 2016 a transfer of funds from the Early Years Block was made into the High Needs Block, and a consolidation of funding for High Needs three and four years olds has been introduced from September 2016 following the review reported to the Schools Forum in March 2016.

- a. If three and four year old children have high levels of need but do not yet have an EHC Plan, they may require additional support to meet their needs.

From September 2016 if a child meets the indicators in the Guidance on Special Educational Needs in the Early Years a setting can apply for funding to provide additional support both for the funded 15 hours per week (in the case of a two, three or four year old) as well as for any additional hours attended at the setting. If a child is not yet in receipt of Nursery Education Funding support for the hours they attend the setting for which their parents pay, will be considered.

Following consolidation of the process from September 2016, all applications for this funding will be considered by the Early Years Allocation Meeting (EYAM) which meets on a fortnightly basis. The application process had previously shared identical criteria and almost identical paperwork, but was considered by different panels. This consolidation will be more streamlined for settings who henceforth will only be required to make one application to cover the different aspects of attendance by the same child.

- b. If children with an EHC plan attend out of school provision, either in term time or during the holidays support can be requested. The funding can be used to assist settings that wish to promote inclusion by assisting with the appointment of staff to support

children with additional needs who, without support, would be unable to access the service.

### **3. What other funding is used for Early Years**

Council Core Budget is used to fund all other aspects of Early Years. Help.

This includes:

- a. The Development Team working to support all Early Years and Childcare Setting including Childminders.
- b. The Business Support Team who gather in all the information and data to enable the payment of funding for two, three and four year olds and the pupil premium.
- c. The 2006 Childcare Act lays down a requirement for Councils to provide information on childcare and other services, facilities or publications which may benefit parents, prospective parents, children or young people and , where appropriate, they must also provide additional advice and assistance to parents on childcare in their area through a brokerage service for parents finding it difficult to identify suitable care. This is also carried out by the Business Support Team, funded through Council Core Budget.
- d. The Childcare Act 2006 requires local authorities to ensure that there is sufficient high quality integrated early years provision and childcare for parents locally; to work with local private, voluntary and independent sector providers to meet local needs; and to manage the market.
- e. In order to assist with these duties a limited sum of core budget is available to
  - i. Assist settings with the development of new places. This is for new and existing providers, to accommodate additional children for either Early Years or Childcare. This funding must be used to support start up costs which may include the purchasing of new or additional resources / equipment. It can also be used to pay for minimum numbers of staff before a setting has reached break-even. Projects are only supported where a need for new or additional places has been identified. At present there is a particular focus on areas of proposed large housing developments, along with additional places needed to meet the needs of the 30 hours Free Childcare Offer when it is introduced universally in September 2017. New childcare which may undermine existing provision will not be supported, but consideration of need and parental choice will be taken into account by the panel. Funding is only considered when cashflow details show that initial income will not meet running costs.

ii Sustain Childcare and Early Years settings which are in danger of closing. Priority for this funding is given to: Settings in areas of deprivation and highest need and Settings based in areas where closure would result in the Local Authority not meeting its statutory obligations in maintaining sufficient childcare places for 2, 3 and 4 year olds. In order to access the funding the setting must provide a financial statement showing where the funding is required to meet the shortfall in income. The grant cannot be used to maintain profits or generate a surplus. Evidence has to also be provided to show how the support forms part of a progressive move towards viability where possible. For 2016/17 the High Needs Holiday Schemes will be funded through this area in order to ensure that they are able to run.

iii Assist with the development of New Holiday Scheme Places which can be funded on a one off basis if a minimum of 16 places are provided operating for a minimum of 10 weeks per year and offering opening hours of at least 9.00 - 5pm.

iv. Funding has been awarded to some very specialist Special Needs Holiday Provision such as Skools out, SNOOSC and Mencap where high quality, highly staffed provision for children with considerable extra needs has been provided.

The Childcare Development Team will work with any existing or new provider who is considering making any claims for these tranches of funding, and they monitor use of the funding. Applications for this funding are agreed by the Childcare Funding panel which meets three times a year.

f. All other aspects of Early Help such as the Hub, Relay, Parenting, Children's Centres are also funded from Core Budget.

#### **4. Application for the Growth Fund – how do you apply**

There is no formal Growth Fund in Early Years. For settings who wish to develop new places an application can be made for Childcare Funding as outlined in 3.e.i above.

#### **5. Extended Schools**

Funding for Extended Schools ceased to exist in 2010. There has not been any funding to replace this. Pupil Premium was subsequently introduced and in some cases may be used for some of the work previously funded by the Extended Schools Grant.

## Summary of Early Years Funding

		<b>2015/16 Expenditure</b>	<b>2016/17 Budget</b>
1.a	DSG Three and Four Year Olds	10,058,530	10,241,056
1.b	DSG Two Year Olds	1,887,724	1,658,140
1.c	DSG Pupil Premium	125,691	138,986
2	DSG Inclusion Funding from Early Years Block (now High Needs Block)	109,000	128,000
		<b>12,180,945</b>	<b>12,166,182</b>
3.a	Council Funding for Development Team	269,855	273,515
3.e	Council Funding for Managing the Market (New Places & Sustainability) Council Funding for High Needs Holiday Schemes	205,832 of which 88,950	145,100
		<b>475,687</b>	<b>418,615</b>

### 6. Capital Funding

An application was made in early 2016 to capitalise unspent early years reserves, as there was no specific dedicated funding for a sector which is in need of growth. The Secretary of State gave permission for £1.1M to be capitalised.

Two Early years schemes were linked with the school building programme leaving a capital sum of £371K which can be used for managing the needs in the Childcare and Early Years market. At present consideration is being given at the DfE to additional capital funding bids to enable expansion for the new 30 hour entitlement for three and four year olds with working parents. Use of this sum will be considered in conjunction with the outcome of this potential capital programme.

### 7. Early Years Block Consultation and Future Funding

The government launched a consultation on 11<sup>th</sup> August, which runs until 22<sup>nd</sup> September, on its proposal to create a National Early Years Funding Formula. This is in response to recent pilots on the 30 Hours offer which becomes universal in September 2017, along with increasing evidence that the current funding arrangements are making the sector unviable.

The proposal is to introduce an early years national funding formula, which will be used to allocate funding for the three- and four-year-old entitlement, both the existing universal 15 hour entitlement and the new 30 hour entitlement for working parents, on a formulaic basis for the first time.

It is proposed that it will commence, for the existing 15 hours, in April 2017 and for the additional 15 hours, in September 2017, when 30 hours of free childcare is implemented nationally.

The proposed formula has been designed to allocate funding fairly, efficiently and transparently in order to give local authorities the funding they need to ensure that sufficient numbers of providers are willing and able to deliver 30 hours of free childcare on a sustainable basis.

It features three funding factors that determine the funding per child that each local authority receives:

- i) a universal base rate of funding for each child (as now)
- ii) an additional needs factor, reflecting the extra costs of supporting children with additional needs to achieve good early learning and development outcomes; and
- iii) an area cost adjustment, reflecting the different costs of providing childcare in different areas of the country.

The base rate will allocate the majority (89.5%) of all early years formula funding. The remainder will flow through the additional needs factors which are: Free School Meal Eligibility, English as an additional Language and Disability Living Allowance.

There will be an area cost adjustment to reflect the cost differentials between local areas particularly in terms of the staff costs which are the main cost driver for childcare providers.

It is anticipated that most local areas will gain funding once the formula is implemented in full.

There will be three changes to how the funding is distributed: there will be minimum thresholds set for the proportion of the funding passed on to providers; the same base rate will apply to both PVI and Maintained settings; the variations which emerged from the local Funding Formula will be reduced. Only 10% of the total will be subject to local variation.

### **Managing the Transition**

The proposals will be phased in and there will be a cap on how far local authorities are able to reduce their hourly rates where this is necessary.

There will be a local consultation on the local variables.

It is expected that all local authorities will be 'on formula' by 2019-20.

There will be transitional funding support for Maintained Nursery Schools for at least 2 years.

### **Support for Children with Special Educational Needs**

The government acknowledge that the current funding system does not serve the needs of children with special educational needs and disabilities (SEND) consistently well and has stated a determination, in rolling out 30 hours of childcare, to tackle this so that families and children with SEND can access and benefit from the free early education and childcare that they are entitled to.

It is proposed to introduce disability access funding to ensure that providers will automatically receive additional funding for every child in their setting in receipt of disability living allowance. Local Authorities will also be encouraged to build on existing best practice by creating SEN Inclusion Funds to provide additional top up funding to providers to improve outcomes for children with special educational needs.

### **The Impact of the Proposals**

The published indicative average hourly funding rates that providers might expect to receive in each local area to deliver the entitlements for 3- and 4-year-olds, indicate that in Central Bedfordshire this would be £4.21 per child per hour. This is to help them plan ahead for the introduction of 30 hours of childcare from September 2017.

The proposed formula would result in more generous per-hour funding for 112 local authorities and less generous per-hour funding for 38.

The full proposal along with illustrative impacts are available at

<https://consult.education.gov.uk/early-years-funding/eynff>

**c. Previously funding had been awarded to some very specialist Special Needs Holiday Provision such as Skools out, SNOOSC and Mencap where high quality, highly staffed provision for children with considerable extra needs has been provided. Changes in regulations mean that the High Needs Block cannot be used to assist these children with very high levels of need.**