

Meeting: Schools Forum
Date: 11th June 2018
Subject: Early Years Block
Report of: Director of Children's Services
Summary: This paper provides an update on the final spend of Early Years Block allocation for 2017/2018, updated information for 2018/19 including Early Years SEND, a range of draft proposals for 2019/20, and additional information regarding aspects of Early Years funding which are not part of the DSG.

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Public/Exempt: Public
Wards Affected: All
Function of: Council

RECOMMENDATIONS:

- 1. The Schools Forum note the 2017/2018 outturn position of the Early Years Block**
- 2. The Schools Forum note the information regarding Early Years SEND funding and consider the request to create an Early Years SEND fund for joint monitoring (para 8d)**
- 3. The Schools Forum consider the risks and possible outline options for 2019/2020 Early Years spend as outlined in para 13 to enable detailed modelling and a full options analysis to come to a future meeting.**

1. Background

The School and Early Years Finance (England) Regulations 2017 define the local authority education budgets (the non-schools education budget, the schools budget, the central expenditure and the Individual Schools Budget (ISB)). The regulations set out how local authorities are to allocate funding from the ISB to maintained schools and private, voluntary and independent providers of free early years provision (relevant early years providers) through a locally determined formula.

2. **Early Years Block**

The Early Years block funding consists of a number of different tranches:

- Funding for the **universal 15-hour entitlement for all 3 & 4-year olds**. This is based on payment by the DfE to the authority of a fixed hourly rate of £4.30 ph. The 2018/19 rate is at the same level as 2017/2018.
- Funding for the **additional 15 hours for 3 & 4-year olds of eligible parents**. This is also calculated at £4.30 per hour. The allocation in 2018/19 covers a full year. (The allocation for 2017-2018 covered the seven months following its introduction in September 2017.)
- Funding for the **15-hour entitlement for disadvantaged 2-year olds**. The hourly rate paid to the authority continues to be paid at £5.39.
- Funding for the Early Years Pupil Premium (EYPP) at a rate of £300 p.a. per eligible pupil.
- Funding for the new **Disability Access Fund (DAF)**. This is paid to Early Years Settings at a one-off rate of £615 p.a. if a 3 & 4-year-old child receiving free nursery education is in receipt of child disability living allowance.
- In addition, there is **Supplementary funding for maintained nursery schools**. This is set at £195,221 in 2018/19 which is the same as the amount revised in October 2017 for the year 2017/2018.

3. The table below illustrates the allocation for Early Years Block funding for 2018/19, against the updated amounts in 2017/18.

Early Years Block Funding	2018/19 Initial Allocation £M	2017/18 Updated Allocation £M
3&4-year olds universal funding	10.598	10.598
3&4-year olds additional 15 hours	3.600	2.024
2-year-old funding	1.629	1.629
EYPP	0.091	0.091
DAF	0.059	0.059
Supplementary Funding for Maintained Nursery Schools	0.195	0.195
Final DfE adjustment (16/17)		(-0.169)
TOTAL	16.173	14.428

4. **Actual Spend of Early Years Block by end of March 2018**

	Spend	Allocation
Payments to providers (3& 4-year-old universal)	9,925,527	10,598,000
Payments in Autumn term for additional 15 hours for 2 terms	1,462,981	2,024,000
Early Years Support Team incl admin (formerly funded from High Needs Block)	240,360	
Early Years Inclusion funding	121,221	
Spend on 2-year olds	1,582,712	1,629,000
Spend on EYPP & DAF	133,458	150,000
Nursery school payments	195,000	195,000
In year Adjustments made		(169,000)
Total	13,661,529	14,427,000
Underspend on Early Years Block		765,471

5. The majority of the underspend has been generated by lower take-up of the additional hours as part of the 30 hours offer. £561,019 of the original allocation has not been spent.

There is a risk that this underspend will be clawed back as part of in-year adjustments made. It should therefore be retained as a ring-fenced sum.

6. The balancing figure is an underspend of £204,452.
7. The Early Years National Funding Formula requires that in 2017/2018 93% of the allocation is 'passed-through' to providers. £13,421,169 has been passed through which represents exactly 93%.

8. **2018/2019**

As reported at the Schools Forum in January the national formula for all aspects of funding for 3 and 4-year olds as well as the different rate for 2-year olds has not changed for 2018/19 in the allocations from the Department for Education. The overall increase in the Early Years Block is solely dependent on the additional allocation for the 30 hours offer.

It was agreed at that meeting that there would be no changes to the rates paid to all sectors.

At present the base-rates are £3.70 per hour for schools and PVIs receive £4.05 per hour.

The 'Pass-through' requirement of the Early Years Funding Formula for 2018/19 is 95%. It is anticipated that this figure will be met.

The agreed allocations are shown in Paragraph 3. Spend will be monitored and reported on throughout the year.

9. Early Years Special Needs Inclusion Funding

- a. In 2016 a dedicated £250,000 of the Early Years Block was transferred to the High Needs Block and then set aside to support inclusion for settings, against specific children who are aged 3 & 4 and attend for the government funded hours. Until September 2017 this was a maximum of 15 hours per week, from September 2017 up to 30 hours per week. The money is allocated to provide some additional staff time to work with children who are showing an additional need. In the main only a proportion of hours are funded. In exceptional cases where a child would not be able to attend the setting without this support, full time staff support is funded.
In 2017/18 the spend against this budget was £366,945 and overspend of £116,945.
- b. In the Early Years Block a notional £40,000 has been set aside for a number of years to fund inclusion for children who are too young to receive 3 & 4-year-old funding or who need support in the hours over and above the funded 15 (now 30 hours). This includes 2-year olds.
The spend in 2017/2018 was £121,221. The spend in this area increased partly due to the equalisation of rates with the funding listed in para a. above
The money is allocated in the same way, using the same criteria and forms as the money listed in para a above.
- c. In summary – across the two blocks there is £290,000 set aside for early years inclusion and spend in 2017/18 was £488,166, a total shortfall of £198,166. The underspend in the Early Years Block not related to the additional hours payment could be used to cover this underspend. (Para 6 above refers).
- d. It is proposed that the £250,000 and the £40,000 be combined into a single Early Years SEN Support fund positioned in and monitored through either the High Needs or Early Years Block. This will fulfil the requirements in the National Early Years Funding Formula.
- e. The operational guidance for the Early Years Funding Formula states that Local authorities are required to have SEN inclusion funds, using funding from either or both the High Needs and Early Years blocks. This should be used to target low level and emerging SEN. The requirement only covers 3 and 4-year olds, but Central Bedfordshire has always supported younger children as part of its Early Intervention strategy. If this is approach by the forum is agreed, then consultation on allocation will take place as part of the SEN 'Local Offer'. Children in the Early Years with an EHCP should be supported via the High Needs Block.
- f. During 2017/18 the funding rates, criteria and processes were streamlined across both tranches of money and it is therefore proposed that these are applied to the new Early Years SEND Fund if this is agreed, along with an appeals procedure.
- g. At present there are 15 EHC Plans for children in the Early Years.

Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF)

The Early Years Pupil Premium is a sum paid to settings at the rate of £300 p.a. paid to settings for eligible children.

The eligibility criteria are:

- Children are 3 or 4 years old and receiving government-funded Free Entitlement in any OFSTED registered childcare provider and their parents are in receipt of one or more of the benefits used to access eligibility for free school meals namely: Universal Credit, Income Support, Jobseekers Allowance, Employment and Support Allowance, support under Part VI of the Immigration and Asylum Act 1999, the guaranteed element of State Pension Credit, and some aspects of Working Tax Credit or if they have been:
- looked after by the local authority for at least one day
- have been adopted from care in the local authority
- have left care through special guardianship; and subject to a child arrangement order setting out with whom the child is to live (formerly known as residence orders) in Central Bedfordshire

The overall object of the funding is to improve the outcomes of these children.

Suggestions made to the settings for appropriate spend is e.g. training sessions for staff to meet child's needs i.e. Lift off to Language training; purchasing additional resources to support the child's development; home learning bags; additional sessions to support the family; parenting training; extra curricula activities; support from other professionals/training.

Settings are encouraged to identify and record the need by identifying this in partnership with the parents/key person how they will spend the money and to then monitor the impact for the child/family. When Childcare Development Officers /staff from the Virtual School visit settings they check how settings are measuring the impact and discuss with them how they have used the money. Ofsted usually track at least one EYPP child during their inspections and discuss with the setting how the money is being used.

The number of children eligible for EYPP fluctuates from term to term. In the Spring term of 2018 there were 418 children for whom payments were made in 123 different settings.

The Disability Access Fund was introduced in April 2017. Providers with children aged 3 & 4 who are in receipt of Disability Living Allowance are able to claim £615 per child per year, to enable them to make reasonable adjustments to their settings and/or buildings for the child in question or for the setting as a whole.

The number of payments for DAF in the Spring Term of 2017 was 22 children over 17 settings.

10. **SEND Support For Early Years Settings**

Historically there have been two teams providing support to settings and some families as part of the SEN provision in Central Bedfordshire. These were the Early Years Advisory Teacher Team and the Early Years Support Service.

In April 2017 the costs of providing for the Early Years Advisory Teacher Team was transferred from the High Needs Block to the Early Years Block. The Early Years Support Service has been commissioned through the Special Schools. Funding for this service comes from the High Needs Block.

The Early Years Advisory Teacher Team was originally established as part of the Childcare Strategy from 1997 and carried out the function of Area SenCo's specifically with the Private, Voluntary and Independent Sector. Initially the team supported settings through the delivery and evaluation of continuing professional development in order to support the inclusion of children with additional needs, and to support the identification and assessment of children and advise on the provision for children as defined by the Code of Practice for SEND. They would also hold a caseload of children at Stages 1 & 2.

The Early Years Support Team was originally established as part of the Specialist Child Development Centre based in Kempston. Following disaggregation of Bedfordshire County Council, the team which moved into Central Bedfordshire worked from two locality bases (Ivel Valley in Biggleswade and the Icknield Centre in Dunstable). They were managed centrally as part of the Council Psychology & Specialist Support Service. In 2012 the work was commissioned through Chiltern and Ivel Valley Special Schools. The work of this team generally focused on specific children with identified complex needs who may already have Education, Health & Care Plans (EHCs) aged 18 months to 5 years. They also carried out targeted interventions for children with significant needs at stage 2 who through early intervention could have their needs met without requiring an EHC Plan. The work was carried out with families, carers and settings and schools depending on the age of the children. Eligibility for work with the team was generally an age of 18 months plus.

As the Childcare and Early Years landscape has changed with more children attending settings from an earlier age, with 40% provision funded for two-year olds, and more recently the extension to 30 hours free childcare and education for three and four-year olds, the separate roles of the teams have gradually merged. This has increasingly led to confusion amongst settings and other professionals and created a much greater risk of duplication of work, and certainly some settings would receive visits from members of the different teams supporting different children.

From April 1st 2018 the commission with the Special Schools has ended and the external team brought in-house and combined with the Early Years Advisory Teacher Team. The team is now known as the Early Years SEND Team.

The team consists of 5 teachers and 6 Early Years Specialist Practitioners. The Team is working on a Locality basis. They are regularly visiting settings they are all supporting settings to enable a stronger Early Intervention Approach, so that more of the low-level and emerging needs can be worked on at setting level. The input for the complex needs will also be dealt with locality by locality. Settings are already reporting more clarity in this approach.

The funding is jointly paid for from the Early Years and High Needs Blocks, as it was prior to the ending of the contract.

11. Non DSG funding applicable to the Early Years and aspects of Childcare

There is considerable funding for other aspects of the Early Years which is not DSG funded shown in the table below.

This supports:

(i) The Childcare Development Team which works to support Early Years settings and Childminders.

(ii) The Business Support Team who gather in all the information and data to enable the payment of funding for 2, 3 and 4-year olds and the pupil premium and ensure appropriate returns are made to the DfE. This team also supports the requirement in the 2006 Childcare Act 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.

(iii) 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. In order to assist with these duties a limited sum of core budget is available to assist settings with the development of new places or the sustainability of existing ones. This funding is allocated via an Early Years Funding Panel.

Funding is available for new and existing providers, to accommodate additional Children for either Early Years or Childcare and 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. New childcare which may undermine existing provision will not be supported, but consideration of need and parental choice will be taken into account. Funding is also available to 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.

(iv) Inclusion funding not available through the Early Years or High Needs Block – mostly Special Needs Holiday Schemes (but also After School) for school age children are also funded through this budget.

(v) Children Centres are funded directly, and the budget shown below covers funding to run the centres including vehicles for outreach work, and some building maintenance and one Central Team Manager, as well as a team of 2.8 FTE Early Years Professionals, an Early Intervention Speech and Language contract and Homestart provision.

		2017/2018 Spend
i	Childcare Development Team (as constituted in 2017/18)	239,411
ii	Business Support Team (current team)	136,855
iii	Funding for Settings to manage the market New Start up places. £28,800 Sustainability. £9,024	37,824
iv	Special Needs Equipment, After School Schemes and Holiday Schemes	75,622
v	Childrens Centres and Associated Costs	2,075,581
	Totals	2,565,293

12. **Growth Fund and s.106**

There is no growth fund for pre-statutory children and their settings in any sector. Any setting offering new places can claim £500 per place up to 16 places, and £100 per place for extending places beyond 16. (as listed in para 12 (iii) above.)

When a planning application is submitted the Childcare team are asked if a S.106 is required and for what. Specific projects have to be requested in particular areas which can cause difficulty if there is a substantial change in the setting by the time the money comes through. A corporate S.106 officer will negotiate the specific amount and keep it centrally. The Early Years Team works closely with both this officer and the schools planning officer who deals with S.106 in the Schools Team.

Unfortunately, Early Years is not statutory and therefore the Growth Fund within the DSG cannot be used for Early Years. There are occasional tranches of money from the DfE around specific innovations e.g. the 2-year olds or 30 hours, but the capital provision for Early Years is not at present politically attractive, and there are no current tranches available.

13. **2019/2020 Early Years Funding Formula – Evolving Risks**

As identified in January 2018 there is a major evolving risk in the Early Years block for 2019 and beyond.

The Early Years National Funding Formula, which governs the Early Years Block requires that by April 2019 different base rates are equalised. At present there is a differential base-rate with schools receiving £3.70 per hour and PVIs £4.05 per hour.

The differential rates evolved because under previous sets of regulations PVIs could not be given lump sums e.g. for admin costs or for rates and other building costs, nor for the funding to provide a Headteacher equivalent. As schools received help with all of these via their schools budget a differential rate was evolved in order to assist PVIs with some of these costs.

All base rates were last increased in April 2016 and since then all settings have been and continue to be subject to substantial increases in staffing costs, with the changes to the minimum/living wage, and in schools the NJC Local Government Pay Award which allowed for increases up to 5%.

At present in Central Bedfordshire there are virtually no settings not participating in either the 2-year-old or the additional 15 hours offer, unlike some neighbouring authorities. However, if funding rates begin to fall behind the real cost of delivery there is a risk that places will be lost, particularly in the PVI sector.

Some early outline modelling on possible ways of equalising the base rates has been carried out.

- In 2017/18 a total of £9.925M for the universal hours for 3 & 4-year olds approx. was paid to schools and PVIs in the ratio of 53% paid to schools and 47% to PVIs.

- For the two terms of additional hours a further £1.462M was paid to schools and PVI's in the ratio of 75% to PVI's and 25% to schools.
- Overall a spend of £11.388M is spent on 3&4-year olds in the proportion of 50.4% to PVI's and 49.6% to Schools.
- Based on spend across the entire sector **£534,114** is required to equalise the base rate by bringing the school base rate up to the PVI base rate, an increase of 35p per child per hour for schools.
- At present there are two factors within the overall EY spend. Approx. 1.75% of total spend (approx. £214K) is spent only through PVI's on a quality factor by rewarding higher qualification levels. This is a discretionary factor.
- A mandatory factor is, and remains, a deprivation factor. At present approx. 2.21% of the spend on 3 and 4-year olds is spent on the deprivation factor equating to approx. £277K. There is no differential across the sectors on how this is paid. At present there are two levels of deprivation 15p and 40p per child per hour depending on home address and the LSOA deprivation level. (LSOA 0-30% most deprived in England = £0.40 per funded hour and 31 – 60% most deprived in England = £0.15 per funded hour)
- A reduction of deprivation factor payment levels to 10p and 20p would result in a saving of approx. £120K p.a.
- A reduction of the deprivation factor payment levels to 5p and 10p would result in a saving of approx. £195K p.a.
- In the current year (2018/2019) our local formula has a £195K allocation for the two Maintained Nursery Schools (MNS). The guidance suggests that payment of this may not be a requirement in 2019/2020, and MNSs will benefit from an equalised base rate.

There are no palatable options in this exercise to equalise the base rates.

There does not appear to be any way that the rate can be equalised at the current PVI level of £4.05 per hour.

Option 1	
Equalise Base Rate @ £4 per hour costs £457.812K in extra to schools	
Achieved by	
Reduction in base rate to PVI's of 5p per hour per child	70.89K
Remove the quality factor (affects approx. 66 settings and 16 CMS)	214K
Reduce the Deprivation payments to 5p/10p	195K
TOTAL	479.89K
Option 2	

Equalise Base Rate @ £4 per hour costs £457.812K in extra to schools	
Achieved by	
Reduction in base rate to PVIs of 5p per hour per child	70.89K
Remove the Maintained Nursery School Lump Sums	195K
Reduce the Deprivation Payments to 5p/10p	195K
TOTAL	460.89K
Option 3	
Equalise Base Rate @ £3.95 per hour costs £381.510 in extra to schools	
Achieved by	
Reduction in base rate to PVIs of 10p per hour per child	141.78K
Reduce Deprivation payments to 5p/10p	195K
Reduce Quality Factor but not remove it	44.73K
TOTAL	381.51K
Option 4	
Equalise Base Rate @ £3.87 per hour costs £259,427 in extra to schools	
Reduction in Base Rate to PVIs of 18p per hour per child	255.21K

A discussion with both the Early Years Reference Group and the Schools Forum would be welcome around possible approaches before more detailed modelling is carried out.