



Schools Forum
17 January 2018

**Report from the Strategic Director
of Children and Young People**

Early Years National Funding Formula – Year 2 2018/19

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1
Background Papers:	N/A
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1.0 Purpose of the Report

- 1.1 Following on from the setting of Brent's Single Early Years Funding Formula, based on the National Funding Formula, and agreed at the January 2017 Schools Forum meeting, we agreed to confirm the position for 2018/19. The base funding rate to providers was agreed for 2 years in January 2017. This therefore continues to be £4.46 which makes up 90% of allocated funding. The deprivation factor allocates the remaining 10%.
- 1.2 At the Schools Forum meeting in December 2016, concern was expressed at the proposals to cease full time places for some vulnerable children based on free school meals criteria.
- 1.3 A disapplication request was submitted to the DfE in December 2016 for the continuation of funding full time nursery places for children meeting free school meals criteria at some schools. This was agreed by the DfE in January 2017

until March 2018 and further arrangements were put in place until Summer term 2018. No further disapplication arrangements are permitted by the DfE regarding this matter.

- 1.4 This paper addresses this concern and it proposes arrangements for April 2018 and an interim solution till July 2018.

2.0 Recommendations

2.1 The Schools Forum is being asked:

(i) to **note** the following changes to the Brent Early Years Funding Formula for 2018/19:

- The decision to set the percentage of early years funding retained centrally by the local authority at 5%.
- Supplementary funding from the DfE for the nursery schools has reduced as the initial allocation for additional resources for maintained nursery schools for 2018/19 is £797k.

(ii) to **accept** the following recommendation of the Task and Finish Group:

- Having considered options for the distribution of the amount no longer used to fund full time nursery places using Free School Meals criteria, the Task and Finish Group recommends adopting Option 3 – that this funding is allocated to the Under 5's Nursery Panel and that both PVI and maintained providers can apply for this.

3.0 Detail

3.1 In January 2017 the Schools Forum agreed to implement a funding formula for 2 years taking into account the reduced funding Brent will receive for EY provision as a result of the new national funding formula. This funding is now ring fenced as the Early Years Block of the DSG.

The following were agreed:

- a) A universal base rate for Brent providers for 3 and 4 year old funding of £4.46 per hour
- b) An allocation for deprivation for 3 and 4 year funding of 10%
- c) A decision to apply for disapplication regarding funding additional 15 hour places for some 3 and 4 year old based on local eligibility criteria. (This was subsequently applied for and approved by DfE until end of March 2018.)
- d) A base rate for Brent providers for 2 year old funding
- e) A cap on centrally retained funding by the local authority to 7%

In 2018/19 a) b) and d) will be the same. Proposed revisions to c) and e) are included within this paper

3.2 Funding from central government to the local authority

3.2.1 The Early Years National Funding Formula hourly rate will reduce from £5.54 in 2017-18 to £5.37 in 2018-19. The DSG initial allocations for 3 and 4 year old provision for 2018/19 are £16.04million for the universal entitlement and £3.14 million for the additional 15 hours. This is a total of £19.18 million.

3.3 A universal base rate for Brent providers for 3 and 4 year old funding

3.3.1 Brent will distribute this funding after the reduction for central spend to providers as a universal base hourly rate and after allocation for deprivation. The universal base rate to providers in 2018-19 remains at £4.46 (compared to £3.73 distributed in 2016-17).

Overall hourly rate received from DfE	£5.37
Remove central spend (5% of £19.18m)	£5.10
Reduce by allocation for deprivation (£5.10 x 90%)	£4.59
Reduce by F/T free school meals criteria (0.13p)	£4.46

3.3.2 Whilst there was an increase in hourly rate for most providers in 2017- 2018, due to national changes in IDACI (framework used to identify deprivation in an area) some settings saw a reduction in rates. These losses were managed by ensuring none were over 10%. Providers also received an inflated hourly rate for two year olds.

3.3.3 30 hour take up in Brent has been good, compared to many London authorities and we are placed 15th out of 33 London LA's. We were funded for 990 places until March 2018 (7/12th of the DfE estimate for Brent of 1547 eligible children). As of October 2017, 839 children have taken up places, which is 85% of the places we have been funded for this financial year and 54% of the overall number of eligible children.

3.4 Centrally retained funding by the local authority

3.4.1 The DfE mandated for 2017/18 that 93% of the early years funding for 3 and 4 year olds is passed through to providers. For 2018/19 this is set at 95%.

Table 1

3 and 4 year olds	2017-18	2018-19
Universal offer allocation (£k)	16,911	19,185*
Allocation less central spend (£k)	15,728	18,225
Maximum percentage for central spend	7%	5%
Central spend cap (£k)	1,183	959

* Increase as additional 15 hours allocation is for the full year. 2017/18 was for part year only from September onwards.

3.4.2 The central spend budget is based upon the DfE estimates for the take-up of provision in 2018/19 and is then fixed for the year. The actual income received

in year is dependent upon the number of 3 and 4 year olds who take up places in Brent. This means that a reduction of 100 children taking up this offer results in an increased pressure of £18k on this budget in 2018/19.

3.4.3 The central spend will support early years services that are provided for and support Brent settings:

The Early Years Quality Improvement team – provides specialist early years advice and guidance to nursery schools, early years' settings and children's centres to improve the quality of early learning for Brent children.

The Early Years Inclusion Support team - works with early years settings including supporting the inclusion of young children who have a range of special educational needs and disabilities (SEND) that may be affecting their learning and progress.

The Early Years Sufficiency and funding team - leads our efforts to secure expanded supply and take-up of good quality early learning and childcare opportunities for all 3 and 4 year olds and increasing numbers of 2 year olds. The funding team administers NEG and related projects for the whole Early Years sector across Brent.

The Early Years Learning and Development service - Learning and development opportunities are provided for practitioners from all parts of the sector including single and multi-day courses, projects and annual conferences. This support is designed to complement in-setting support provided by the Quality Improvement team.

It is recommended that the maximum 5% of early years funding is retained in 2018/19.

3.5 Additional resources for maintained nursery schools

3.5.1 Initial allocations for 2017/18 suggested maintained nursery schools would receive a total of £836k for 2017/18, however the amount now confirmed by the DfE is £808k. The initial allocation for 2018/19 is £797k.

3.5.2 This funding is split between the council's four maintained nursery schools on an agreed local formula.

3.6 Funding additional 15 hour free places for 3 and 4 year olds based on local eligibility criteria (free school meals)

3.6.1 No additional funding is provided by the government for full time places and all other schools and settings in Brent effectively subsidised this provision through the mechanics of the Early Years Single Funding Formula (EYSFF). This was not sustainable under the Early Years National Funding Formula implemented in April 2017. The cost of these places was approximately £400k.

- 3.6.2 Members of School Forum expressed concerns at stopping funding for vulnerable young children who would qualify for free school meals, with no plan to replace it with an alternative targeted to vulnerable children. A disapplication request was made to the DfE to continue funding these places for a further year.
- 3.6.3 The DfE agreed the disapplication for these places to be funded until March 2018 and therefore less than the required 93% required to pass through to providers was considered when setting the hourly rate. However, it is not in the interests of children or providers to implement this part way through the school year. It is therefore planned for the final term to be funded from contingency funds.
- 3.6.4 In order to address the concern around a lack of alternative support for vulnerable children, the Task and Finish Group have considered options and it is proposed that funds of approximately £400k are added to the budget for the Early Years Under 5's specialist nursery panel. To allocate this funding to the panel rather than add to the hourly rate will ensure it continues to be targeted at vulnerable children, albeit that these children meet different criteria.

3.7 Feedback from the Early Years Task and Finish group

- 3.7.1 A detailed discussion took place regarding the re-allocation of the additional funding, approx. £400k, previously for some children who met free schools meals criteria in some schools. Two options were discussed:

Option 1 – The hourly base rate is increased for all providers.

Option 2 – The money is allocated to the Under 5's Nursery Panel to allocate for children meeting the required criteria predominantly for PVI providers and specialist nurseries as now.

The group proposed an Option 3:

Option 3 – the money is allocated to the Under 5's Nursery Panel and both PVI and maintained providers can apply for this.

- 3.7.2 Option 3 was the preferred option of the members of the group on the grounds of equity. Local Authority representatives are concerned that as there are as many children in the school sector as the PVI, childminder and specialist nursery group and as the money has not substantially increased, future applications may increase to an extent that all funding is exhausted early in the year and there continues to be increasing unmet need. Therefore funding may need to be reviewed and re-calibrated to address this potential risk later in the year. The Local Authority representatives, however, agree that Option 3 is the most equitable.
- 3.7.3 It is essential that the local authority makes the processes of Early Help Assessments (EHA) and Education, Health and Care Plans (EHCP) flow and meet the purposes for which they were designed to ensure the right outcomes for vulnerable children at the right time. Providers will continue to complete

EHCP's on all identified children and young people to ensure appropriate transition arrangements to mainstream education.

3.7.4 The recommendation of the Task and Finish group is to adopt Option 3 – add the funding to the Under 5's Panel and applications for places and support to be given across the early years childcare sector.

3.8 Under 5's specialist nursery panel

3.8.1 This is a multi-agency panel allocating funds for children with SEND or CIN based on eligibility criteria to assist with their placement and successful inclusion of their additional needs.

The high needs block currently funds the EY inclusion fund that is allocated via this panel. The proposed additional funding from 3.8.3 below will also provide part funding.

3.8.2 Referrals to the Under-5's specialist nursery panel have increased in complexity over the last two years. The funding has been primarily for children allocated places at the specialist nurseries (Fawood/Curzon, Granville and Willow) as detailed in the panel Terms of Reference (attached as Appendix 1 – panel Terms of Reference).

3.8.3 It is proposed that the released £400k for the FSM eligibility provision, from funding last year from NEG 3 and 4 allocation, is provided to this panel for allocation in order to ensure the most vulnerable children receive some additional support. The principle remains that children with the most complex needs will be supported to attend one of the specialist nurseries where there will be the right equipment and expertise. This additional funding would be prioritised for those with slightly lower levels of complexity across the whole sector of childcare providers (see Appendix 1 – panel Terms of Reference).

Table 2 shows the proposed total funding for distribution by the Early Years Under 5's Specialist nursery panel and the source of income.

Table 2

2018/19 Proposed EY Inclusion Fund		
Proposed income 2018/19		
DSG High Needs Block	£ 1,128,085	
Early Years Block	£400,000	
Disability Access Fund	£ 98,000	
Total	£ 1,626,085	
Expenditure		
Early Years Inclusion Fund for specialist nurseries	£625, 332	
CIN for specialist nurseries	£288, 000	
Inclusion fund for 3 & 4 year olds in non-specialist early years provision	£250,172	
Transport	£20,172	
Staff member for EY Inclusion team	£56,000	
Disability Access Fund	£98,000	
CIN/2 year olds in non-specialist early years provision	£100,000	
Additional one off funding	£88, 753	
Total	£ 1,626,085	
Allocation from the EY Inclusion Fund for pre-booked spaces		
	SEND	CIN
Fawood / Curzon	10 (FTE) (FTE)	12
Willow	15 (FTE) (FTE)	14
Granville	6 (FTE) (FTE)	6
Total	31 (FTE) (FTE)	32

3.9 A base rate for Brent providers for 2 year old funding

3.9.1 It is recommended that this continues to be funded at £6 per hour. The DfE allocation is £5.92 per hour. For 2018/19 this represents a funding gap of £51,000.

3.9.2 Funding at £6 per hour does not take into account the use of a proportion of 2 year old funding for central spend. Allocating 5% of this budget for central spend would be the equivalent of reducing funding to £5.70 per hour.

3.9.3 Continuing to pay providers £6 per hour while also allocating 5% for central spend results in a funding gap of £118k. For 2018/19, reserve funding has been identified to cover this gap.

3.10 Early years funding based on DfE draft allocations

3.10.1 The following table outlines a draft early years budget based on draft allocations from the DfE and the recommendations from this paper.

3.10.2 The below table assumes no change in NEG funded children numbers in 2018/19.

3.10.3 £141k of the overspend represents the funding for additional 15 hours for 3-4 year old children eligible for free school meals, to be funded until July 2018. Unlike 2017/18, we do not have dispensation for this funding, therefore it has not been included in the budget. This overspend will be covered in 2018/19 with reserve funding allocated to Early Years.

Table 3 – Early Years Block 2018/19

Expenditure		£(000)	Part of high pass through requirement
Distribute to providers for 3-4 year old universal offer		14,844	Yes
Distribute to providers for 3-4 year old children with working parents (additional 15 hours)		2,910	Yes
Distribute to providers for 3-4 year old children eligible for free school meals (additional 15 hours to July)		141	No
Supplementary funding distributed to maintained nursery schools		797	No
Early Years Pupil Premium		149	No
Disability Access Fund		98	No
Distribute to providers for 2 year olds		3,843	No
Central Spend for 3-4 year olds		959	No
Central Spend for 2 year olds		190	No
Additional Panel Funding		400	Yes
Total Expenditure		24,331	
Income			
Universal allocation for 3-4 year olds		16,041	Yes
Additional hours for 3-4 years from September 2017		3,144	Yes
Supplementary funding for maintained nursery schools		797	No
Disability Access Fund		98	No
Early Years Pupil Premium		149	No
Allocation for 2 year olds		3,792	No
Total Income		24,021	

Balance to be funded from reserves		310	
Breakdown of balance:			
Additional Hours for children eligible for free school meals		141	
Funding gap for 2 year olds		169	
Balance		310	

4.0 Financial Implications

4.1 The financial implications are laid out throughout this report.

5.0 Legal Implications

5.1 There are no legal implications from this report.

6.0 Equality Implications

6.1 Sections of this are focussed on more vulnerable children and their families, in particular children with SEND and Children in Need, more vulnerable two year olds. Apart from these intentional differences, there are no other equality implications.

7.0 Consultation with Ward Members and Stakeholders

7.1 N/A

Report sign off:

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