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<b>Report title:</b>	Early Years Funding 2017-18	
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### Executive Summary

This further report on the Early Years National Funding Formula (EYNFF) identifies the progress of work undertaken on the Local Inclusion Fund and consultation on the scheme. It provides an update on the Disability Access Fund, the progress on the preparation for 30 hours additional funding and notes the current pressures on the Day Nursery budgets. An update on the Maintained Nursery School Assurance Exercise is also provided.

### Schools Forum Actions

The Schools Forum is asked to:

- Note the progress made in relation to the Local Inclusion Fund a verbal update of the outcome of the consultation on the proposals will be given.
- Approve the option for managing the administration of the SEN Local Inclusion Fund awards.
- Note the operation of the payments from the Disability Access Fund.
- Note the introduction of the funding for “additional hours” from September.
- Note the pressure on the Council Managed Day Nursery budget of £700k.
- Note the use of supplementary funding for the Maintained Nursery Schools.
- Note the update on the Maintained Nursery School Assurance Exercise.

## 1. Introduction and Background

1.1 In March 2017 there was a report to the Schools Forum that sought approval to the proposed central retentions from the early years block in 2017/18. This was in compliance with the new Early Years National Funding Formula guidelines The report also identified areas that were still under review and would be reported on at the subsequent meeting.

1.2 Southwark’s provisional early years block funding for 2017-18 is £27.99m and is split across the following categories:

Universal entitlement for 3 and 4 year olds £000s	Additional entitlement for 3 and 4 year olds £000s	Entitlement funding for disadvantaged 2 year olds £000s	Early years pupil premium-initial £000s	Supplementary funding for maintained nursery school £000s	Disability Access Fund £000s	Total provisional early years block £000s
19,615	2,623	4,201	221	1,257	74	27,991

## 2. SEN Local Inclusion Fund

- 2.1 The report to the Schools Forum in March 2017 explained that local authorities must set up a local inclusion fund (LIF) for EY SEN children. Unlike the Disabilities Access Fund described below, there is no additional DSG funding for the LIF. The DfE state that funding may come from either one or both of either of the early years block and/or high needs block of the DSG. Local authorities must consult with early years providers to set the value of their local SENLIF taking into account:
- The number of children with SEN in the local area
  - Their level of need,
  - and
  - The overall capacity of the local childcare market to support these children.
- 2.2 The local authority has now produced a proposal for the local inclusion fund and must now consult with early years providers on the value of that fund. This exercise will be undertaken by consulting members of the Early Years Working Group and canvassing their opinions via e-mail. Officers hope to be in a position to update Schools Forum verbally at the 6<sup>th</sup> July meeting as to the outcome of that consultation.
- 2.3 The proposed level of the fund is £300,000. The March 2017 report identified 3 and 4 year old grant funding of £448k which was estimated to be unallocated after the pass through to providers. It is proposed that this is used to fund the SENLIF for 2017-18, with the balance held as contingency to manage any in year increase in pupil numbers. The report also highlighted that the SENLIF could be funded from the high needs block, but given the current pressures on that block as detailed in the report also on this agenda, it was not considered viable to do so.
- 2.4 The figure of £300k has been arrived at by analysing the expenditure of a scheme for SEN funding of the PVI sector. The average cost of this scheme over the past 2 years was £110k for FTE pupil numbers of 2,325. When extrapolated across the pupil numbers for all EY settings in Southwark this would give a pro rata figure of £225k.
- 2.5 Other settings, particularly the Maintained Nursery Schools, have a higher percentage of pupils with SEN therefore it was felt that the fund should be increased by 20% to allow for this, bringing the fund to £270k. One of the proposals to fund the administration of the scheme is for a 12% admin fee to be levied on each award of funding, therefore the fund is set at £300k to accommodate this.
- 2.6 The LA has drawn up a detailed scheme for early years settings to bid for SENLIF funding. Providers will submit an application setting out the child's needs which will be assessed against a matrix spanning 3 levels of need. Each application will be considered by a panel who will determine whether funding is to be awarded and at which level.
- 2.7 There will be 3 levels of funding depending on which level of need the child is assessed as having. The levels are:

	<b>Annual Amount</b>	<b>2/3 of funding</b>	<b>1/3 of funding</b>
<b>Funding Level 1</b>	675	450	225
<b>Funding Level 2</b>	1,350	900	450
<b>Funding Level 3</b>	3,450	2,300	1,150

- 2.8 The Early Years Guidance from the DfE requires the scheme to allocate funding on a case by case basis, rather than delegating a sum to each setting. To do so will require a significant amount of administration of processing application forms, preparing papers for panel, informing settings of the outcome of the panel decision, making payments and collating review documentation. The Local Authority does not have resource to undertake this administration and therefore a solution needs to be found.
- 2.9 The Schools Forum is asked to consider and give their approval to one of the following options:
- a. a 12% admin fee levied on each funding award to fund the cost of administrating the fund. The advantage of this is that it will provide certainty for the first year.
  - b. a lead school to volunteer to administer the scheme on behalf of the local authority. The Schools Forum may wish to stipulate whether this be a school with no vested interest in the scheme or not. There may be a disadvantage in this approach as the LA will still be the accountable body for the grant and so there may be some doubling up of activity/ cost.
  - c. operate a buy-back scheme (subscription or pay as you go) for which schools pay a subscription each year to access the fund with no further fees, or if they choose not to subscribe, a fee will be levied on each successful application. The disadvantage of this is that this could be risky for the first year to ensure full funding and a move to this in year 2 may be more prudent.
- 2.10 The scheme will be available from September 2017 and will run on an academic year basis. The funding will be allocated for the whole academic year in which the application is made, pro rata to the term in which the application is made. Funding will be made termly, so that if a child leaves a setting, they will not receive funding for the following term.
- 2.11 Members should note that the sum of unallocated early years block funding available in 2017-18 will not be available from 2018-19 as the amount of grant from central government is being reduced by 5%. In order to allow for a SENLIF allocation in 2018-19 officers will need to consider lowering the hourly rate for 3 and 4 year old provision in order to fund this. Based on current pupil numbers across early years provision within Southwark this could amount to a reduction of £0.12 per hour.

### **3. Disability Access Fund (DAF)**

- 3.1 New funding of £12.5m nationally has been provided under the Disability Access Fund (DAF), and three and four year olds will be eligible for funding if they receive:
- Disability living allowance (DLA); and
  - Free early education.
- 3.2 An annual sum of £615 will be paid by the council to providers towards additional costs of provision for a child with disabilities. Funding will be provided through a supplementary element of DSG and Southwark will receive initial funding of £73,800 for 2017-18 representing 120 eligible children.
- 3.3 Providers are responsible for identifying children eligible for DAF through a new parent declaration template, and requests for funding are sent to the local authority with evidence of the child's eligibility of DLA, usually the DLA funding letter. Applications have already been received by the local authority and these are being paid over to providers.

### **4. Additional Hours Funding – 30 hours free funding**

- 4.1 From September 2017 all 3 and 4 year olds of working parents will be entitled to 30 hours of government-funded early education and childcare during term-time, which amounts to 1,140 hours per year.
- 4.2 Families where both parents (or one in lone parent families) earn the equivalent of 16 hours at National Minimum or Living Wage over the coming three months will be eligible to the funding. The funding is not available where a parent earns over £100,000.
- 4.3 The DfE estimates that 1,700 Southwark children will be eligible for 30 hours, which is approximately one third of three and four year olds. Many children are already in full-time provision. The Spring 2016 census count showed there were 1,032 three and four year olds as in provision of more than 20 hours
- 4.4 The LA is developing a new providers portal as part of its Capita One computer software system which will enable providers to check on eligibility and claim funding. Briefings have been held with PVLs and schools to inform about the new system.

### **5. Day Nursery Subsidy**

- 5.1 The reduction in centrally retained functions has significant implications for other areas of Council expenditure, in particular in relation to the day nurseries currently directly managed by the Council. These received a lump sum payment from DSG of £1.2m in 2016-17. The number of nurseries has now been reduced from 4 to 3 following the transfer of management of South Bermondsey Nursery to a voluntary sector provider early in 2016-17. While this ameliorates the budget pressure, it will be very difficult for the remaining three day nurseries to be viable without the DSG subsidy.
- 5.2 The LA is taking action to reduce the pressure on the DSG and officers are currently exploring options with providers to keep the provision in existing locations following this reduction in funding. Letters have gone out to staff and parents notifying them of the change ahead. There will be an increase in the funding that the nurseries receive for the free early education entitlement (FEEE) due to the

increase in hourly rate from £4.10 to £5.95 an hour. This will, however, have a limited impact due to the low numbers of children at the nurseries.

- 5.3 As noted in the DSG report elsewhere on the agenda, there is a commitment to use up to £0.7m of the DSG reserve in 2017-18 to provide transitional support for the remaining day nurseries. However, given the reduced level of the DSG reserve, and pressures on other areas this may need to be reviewed.

## **6. Use of Maintained Nursery School Supplementary Funding**

- 6.1 The Early Years block funding includes an allocation of supplementary funding for Maintained Nursery Schools to support the schools during the implementation of the Early Years National Funding formula. The allocation to Southwark Maintained Nursery Schools for 2017-18 is £1.257m. The majority of this has been used to maintain three elements of nursery schools funding which are not supported by the new formula. These are lump sum funding, English as an Additional Language (EAL) and funding the NNDR bills of the schools.
- 6.2 The balance of the supplementary funding, once these three items have been funded, is £131.5k. The executive Heads of Southwark's 5 Maintained Nursery Schools have met to discuss how this funding should be used, and have decided that the balance should be split across the five schools, pro rata to the number of pupils at the school as at the May 2017 census.

## **7. Maintained Nursery Assurance Exercise**

- 7.1 The Authority was asked by the DfE to complete an assurance exercise in March 2017 with regard to the funding of Maintained Nursery Schools, including the supplementary funding, in order to demonstrate compliance with the funding regulations and to provide any justification for variation from the guidance.
- 7.2 The LA received confirmation on 6 June 2017 that the evidence provided in response to the Maintained Nursery School data assurance exercise had been accepted. The communication stated that updated allocations to take account of both the data assurance exercise and the January 2017 census data will be issued in the regular mid-year DSG update.

## **Schools Forum Actions**

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