

## Report to the Schools Forum January 2016

### 2016/17 Early Years Budget

#### 1 National Context

- 1.1 The Childcare Bill, proposing to increase the free entitlement for 3 and 4 year olds has been introduced against background of increasing concern about cost pressures in the sector, particularly arising from minimum ('living') wage increases.
- 1.2 Since October 2015, the national minimum wage is £6.70 per hour (previously £6.50). From April 2016, this will increase to £7.20 per hour for employees over the age of 25, marking the beginning of the transition to what the government has termed a 'living wage', intended to increase by 2020 to 60% of the median wage. This is currently estimated to equate to over £9 per hour.
- 1.3 This reflects a significant inflationary increase to the cost base of early years providers, particularly PVIs, given that staffing ratios can mean more lower paid staff in the sector compared to school providers. Providers are required to have a ratio of 1:13 with a teacher present (the model in most schools) or 1:8 without a teacher present (the model in most PVIs).
- 1.4 In 2015 the DfE had issued a 'call for evidence' about costs in the early years sector, particularly in the context of forthcoming increases in the minimum wage. This had seemed to signal a likely increase in the funding allocations for 2016/17. However, the allocations have remained at the same level as 2015/16, i.e. for T&W £4,156.12 per FTE pupil for the general early years funding block, £4,607.50 per FTE pupil for 2 year olds and £0.53 per hour for the Early Years Pupil Premium (only applicable to 3 and 4 year olds).
- 1.5 It appears that in 2017/18 there will be an increase in funding generally from the government, linked to the Childcare Bill, increasing the free provision for working parents from 15 hours to 30 hours from September 2017. The Secretary of State for Education stated in November 2015 that £300m will be allocated "*for a significant uplift to the rate paid for the two, three and four-year-old entitlements. That will deliver a new national average funding rate paid to providers. Both rates will increase by at least 30p per hour. For three and four-year-olds, the new average rate will be £4.88, including the early years pupil premium and the rate for two-year olds will be £5.39.*"
- 1.6 It is not clear when such an increase will take effect – April 2017, the beginning of maintained schools and local authorities (and central government) financial year, or September 2017, the planned date for extending the free entitlement.
- 1.7 For 2 year olds, £5.39 per hour is 30p more than the current average of £5.09. Most Local Authorities, including T&W, get £4.85 per hour, but the national average is boosted by higher rates for London. It therefore appears in 2017/18 there will be an increase to £5.15 per hour for 2 year old funding in T&W.
- 1.8 For 3 and 4 year olds, the inclusion of the pupil premium makes it difficult to establish whether the increase of 30p per hour for 3 and 4 year olds is in reality less than this, i.e. whether part of the 30p is the existing pupil premium. In addition, there is no uniform

funding rate for local authorities for early years outside 2 year old funding or the pupil premium. If the government introduces a national funding formula for early years it is therefore not clear what an 'average' 30p per hour increase will actually mean for T&W.

1.9 What is clear is that there is no increase in funding per pupil for the sector in 2016/17.

## 2 T&W Early Years Budget 2016-17

2.1 The proposed early years budget for 2016/17 is as follows:

Early Years Single Funding Formula (3 & 4 year old free entitlement)	£6,868,201
Early Years Pupil Premium Grant (for eligible 3 & 4 year olds)	£181,052
Two Year old funding	£1,870,665
Central early years funding	£14,195
<b>Total</b>	<b>£8,934,113</b>

2.2 As notified by the DfE on 17 December 2015, 2015-16 provisional Early Years Block DSG funding for T&W is £9.574m. The remaining £640,000 not specified above has been transferred to the High Needs block, to fund the Assessment Nursery at the Bridge and to pay for early years high needs support (see further discussion of this below).

2.3 Early Years block allocations are delivered to Local Authorities in a different way to the other two DSG blocks (schools and high needs) in that the figures provided in December are indicative allocations based on existing data, which is subsequently updated based on later data, i.e. the January 2016 and January 2017 census results. The final allocation will not be confirmed until after the end of the 2016/17 financial year.

## 3 Benchmarking Comparisons for Early Years

3.1 2015/16 DfE data for early years budgets is as follows

	<b>T &amp; W</b>	<b>Median</b>
Central expenditure from 3 & 4 year old funding	5.6%	5.6%
Central expenditure from 2 year old funding	0%	1.3%
Planned spend on 3 & 4 year olds per hour PVI	£4.06	£4.04
Planned spend on 3 & 4 year olds per hour Maintained	£3.77	£4.09
Planned spend on 3 & 4 year olds per hour Nursery Schools	£6.95	£6.98
Planned spend on 2 year olds per hour	£4.85	£4.95

<https://www.gov.uk/government/publications/early-years-benchmarking-tool>

- 3.2 The reason for the lower than median planned spend on maintained settings and difference between the maintained and PVI figures for T&W is the flexibility factor in our Early Years Single Funding Formula which is £0.36 per hour. Most PVI settings qualify for this but only a minority of schools.
- 3.3 The figures for central expenditure need to be viewed with some caution as a note to the tables defines central expenditure as “*the sum of early years contingency funding, centrally retained spending and additional funded free hours for 3 and 4 year olds.*” This in some LAs some ‘central expenditure’ may actually be distributed to providers.

#### 4 3 & 4 year old Funding – the Early Years Single Funding Formula (EYSFF) 2016/17

- 4.1 The EYSFF commenced in T&W in 2010/11. Since then the funding rates have been as follows:

Formula Factor	10/11	11/12	12/13	13/14 - 15/16
Base rate for all settings per hour	£3.27	£3.27	£3.32	£3.40
Average deprivation uplift per hour	£0.19	£0.19	£0.19	£0.22
Flexibility uplift for eligible settings per hour	£0.36	£0.36	£0.36	£0.36
Lump sum for standalone nursery schools	£91,529	£91,529	£92,921	£145,421 Note 1

Note 1: The increase in the lump sum for nursery schools reflects the loss of legacy grant funding, amounting to £52,500 which had previously formed part of the schools budget. In practice it therefore left the nursery schools with the same lump sum payment as in 2012/13.

- 4.2 It can be seen that funding rates were increased in 2012/13 (base rate and nursery lump sum) and the increasing and 2013/14 (base rate and deprivation rate). These increases were implemented in part to acknowledge that children in reception classes onwards attracted pupil premium from 2011/12 where eligible. The Early Years Pupil Premium was introduced in 2015/16. During the period above DSG per pupil for Early Years has not increased, a situation which will continue in 2016/17.
- 4.3 Inflationary pressures are becoming significant in the sector, particularly for PVIs, due to increases in the minimum wage. **It is therefore proposed to increase all the funding factors in the local EYSFF by 2%, at a budgeted cost of around £135,000.** This increase is included in the budgeted figure shown in section 2.1 above.

#### 5 2 year old Funding

- 5.1 Funding in 2016/17 remains at £4.85 per hour. To date, the same amount has been passed to providers. The full £4.85 per hour is currently passed on to providers by T&W.
- 5.2 We propose to continue to pass on this full amount to providers and therefore **retain the current 2015/16 funding rate of £4.85 per hour for 2 year old providers in 2016/17.**

## **6 Expenditure on High Needs in Early Years**

- 6.1 Until now we have treated the costs of the Early Years Intervention service area and funds distributed by the Inclusion Panel, as central early years expenditure. This has made up the vast majority of the central early years budget reported to the Forum. However, in the 2015 Schools Finance Regulations, Schedule 2 “Classes or descriptions of planned expenditure prescribed [i.e. approved] for the purposes of the Schools Budget of a Local Authority which may be deducted from it to determine the Individual Schools Budget”, part 4, Children & Young People with High Needs includes the following section

*16. Expenditure in respect of pupils with special educational needs in primary and secondary schools, and children with special educational needs in relevant early years providers, exempt early years providers and those being provided with community early years provision, excluding expenditure—*

*(a) in respect of pupils in places which the authority has reserved for children with special educational needs; or*

*(b) where it would be reasonable to expect such expenditure to be met from a school’s budget share, the amount allocated to a relevant early years provider or the general annual grant paid to an Academy by the Secretary of State.*

- 6.2 Thus it would seem that the Regulations expect early years high needs expenditure to be reported in the High Needs Block rather than in Central Early Years, which is described as follows:

*PART 3 Central Early Years Expenditure*

*14. Expenditure on early years provision, excluding expenditure—*

*(a) on such provision in a maintained school;*

*(b) on relevant early years provision;*

*(c) on exempt early years provision;*

*(d) on community early years provision, and*

*(e) on excluded early years provision.*

*15. Expenditure on determining—*

*(a) the eligibility for free school meals of a pupil who is being provided with early years provision;*

*(b) the eligibility of a child for prescribed early years provision; or*

*(c) the eligibility of a child for the early years pupil premium.*

- 6.3 The DfE also issue guidance for the annual budgetary return Local Authorities have to provide, referred to as ‘Section 251’ and line 1.2.5 of this return, within the High Needs budget block, is described as follows:

**1.2.5 SEN support services:** *Include the costs of non-delegated centrally retained specialist SEN support services for statemented and non- statemented pupils, whether supported directly by the local authority or commissioned by them. This will include services for visual, hearing and physical impairment, specific learning difficulties, speech, language and communication, profound and severe learning difficulties, and autism.*

- *Include the costs of these services for 0-5 year olds*
- *Include any costs of providing these services to home educated children*
- *Include the costs of early years SENCOs who are centrally managed across a number of early years providers*
- *Do not include the costs of behaviour support*

6.4 This describes the services delivered by the Early Years Intervention team and the funding allocated to providers by the Inclusion Panel.

6.5 As noted in paragraph 2.2 above, we have therefore transferred funding for the Early Intervention team and the inclusion panel to the high needs block. The implication is that this planned expenditure is no longer subject to a Schools Forum vote. The amount transferred for this is £373,373, a similar sum to the £386,000 agreed in 2015/16 (the 2015/16 amount included £10,000 for moderation, discussed below). Appendix 1 to this paper describes the services funded by these funds.

## 7 Central Expenditure for Early Years

7.1 The following central expenditure from Early Years is proposed for 2016/17:

Moderation of the Early Years Foundation Stage Profile	£10,000
EYPPG Eligibility Checks	£4,195
<b>Total</b>	<b>£14,195</b>

7.2 The first element of this, the Early Years Foundation Stage Profile, is requested to fund training and moderation visits across the LA. Moderation is a statutory requirement, takes place in the summer term and is described by the DfE as follows:

*LAs have a statutory responsibility to set up and carry out moderation arrangements to:*

- *secure the consistency and accuracy of judgements made by different practitioners*
- *reassure practitioners that their judgements are accurate, valid and consistent with national standards*
- *assure moderators that an acceptable level of accuracy and validity has been achieved for assessments recorded and reported by the settings for which they have responsibility*

- 7.3 The second element of this, eligibility checks for the pupil premium, is requested to enable the LA's Benefits Team to carry out eligibility checks on behalf of Early Years settings.
- 7.4 The alternative is for settings to do this themselves, or enter into individual agreements with the Benefits team – each of these alternatives is likely to be more time consuming, as discussed at the local Early Years Finance Group. The amount requested has been calculated using the same rate per eligible child, £7.00, that was used for the 2016/17 de-delegation for the same checks for pupil in schools -see November 2015 Forum minutes. The number of eligible children has been established by using the DfE's estimated allocation for 2016/17 (£181,052 equates to 599 children).
- 7.5 The Forum is asked to approve the proposed central expenditure from the Early Years Block of £14,195**

Tim Davis  
Finance Team Leader  
January 2016

## **Appendix 1 – Early Years Intervention Team and the Intervention Panel**

- 1 The overall role of the Early Years Intervention service is to assist Early Years Education providers in both maintained and non-maintained (private, voluntary and independent) settings to ensure that children’s special educational needs and disabilities are met effectively in the setting and to improve outcomes.
- 2 There are broadly two aspects to the service –
  - Early Years Education Practitioners - Early Intervention Qualified Teachers (also known as Area Senco’s);
  - Inclusion Panel Funding which allocates an Inclusion Mentor to work with a child in a specific setting or provides funds for the setting to employ a support assistant.

### **Early Years Intervention Team**

- 3 The Early Years Intervention Team is based at the Stepping Stones Centre and consists of Early Years Qualified Teachers and Early Years Inclusion Mentors.
- 4 The main functions of the team are as follows:
  - providing specialist early years educational advice to early years settings in receipt of government funding on the identification of special educational needs, planning for inclusion and intervention within the SEND Code of Practice;
  - providing assessment and interventions and direct support to individual children within settings;
  - providing support for setting-based SENCOs to develop and review SEN policies;
  - supporting settings in the early identification of young children with special educational needs;
  - supporting settings to develop, implement and review Individual Education Plans and SEND paperwork;
  - supporting liaison between early education settings, parents/carers and other agencies;
  - signposting to a range of professionals and services, and supporting settings in the detail of implementing advice from health and education support services;
  - advising and assisting settings in making applications for Inclusion Panel Funding support for individual children;
  - providing regular contact through visits to settings or offering advice by telephone;
  - supporting transition planning from early years settings into school;
  - delivering training to settings aimed at developing inclusive practice and supporting children with additional needs;
  - updating practitioners on relevant legislative changes through network briefings;

- contributing to or facilitating multi-agency meetings to co-ordinate support for children with additional needs.

### **Early Years Inclusion Panel (EYIP)**

- 5 Funding/support for individual children is allocated by the EYIP, which has a multidisciplinary membership. Meetings are held every half term, when new referrals are discussed and open cases reviewed. Settings in maintained and private and voluntary sectors can refer children to the EYIP. Children are eligible for support until the end of the term in which they are five.
- 6 An amount of funding (2.5-10 hours per week) or mentor support may be allocated for a time limited period. This is to provide direct additional support for individual children and settings are encouraged to match fund where possible. Inclusion Mentors are usually allocated to children for at least a term to enable interventions to impact over a period of time.
- 7 Mentor time has been particularly effective in supporting transitions into school. Mentors provide a good role model to practitioners for positive behaviour management strategies and quality interactions with children.
- 8 The use of EYIP funding in settings is monitored by the Early Years Qualified Teacher, who makes recommendations on the level of funding at EYIP. The funding is used to implement interventions in order to fulfil recommendations from SaLT reports and multi-disciplinary assessments.
- 9 The Panel may also agree to purchase specialist equipment for a child in a PVI setting. This would be on the recommendation of a professional e.g. occupational therapist. When a child leaves the setting the equipment should go with them to the new setting or school. When the equipment is no longer suitable for the child then it is checked by the relevant professional and, if possible, put into storage for reuse.

### **Disadvantaged 2yr olds**

- 10 In addition to the government eligibility criteria (free school meals) for a 15 hour funded education place, Telford and Wrekin fund children with identified additional needs based on the local criteria. Professionals (EG Health visitors, Portage workers, Educational Psychologists, Speech and Language Therapists, Occupational Therapists) can make an application for funding on this basis which is considered by the EYIP. Children who qualify for this funding may also need additional support from the Panel. A mentor post for 2 year olds was created in September 2013 to meet this rise in demand.
- 11 In summary, the Early Years Intervention Team and Inclusion Panel:
  - Allows children to access settings of parental choice;
  - Allows children to access preschool experiences prior to starting school;
  - Early identification of needs;



- Opportunities for modelling good practice;
- Providing peer support;
- Upskilling staff in settings to develop more inclusive practice.