

## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>SCHOOLS FORUM</b> <b>14 January 2015</b>	Agenda Item	<b>6</b>
Report Title	<b>Early Years Funding for 2015-16</b>		
Decision/ Discussion/ Information	For Information and decision		
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### 1. SUMMARY

- 1.1 The report on DSG Funding Blocks for 2015-16 in November 2014 reported that more detailed information would be presented to Schools Forum at this meeting regarding the funding available for allocation to early years settings in 2015-16.
- 1.2 A similar named report to this meeting confirms that the DSG allocation for 3-4 year olds is **£14.836m** including **£0.329m** for implementing the extension of Pupil Premium to 3-4 year olds from April 2015. However, funding for 2 year olds will not be confirmed until June 2015 and LAs should make their own calculations based on the EFA hourly rate which for Waltham Forest is **£5.28**.
- 1.3 This report summarises the difficulties in forecasting the total funding expected to be available for early years settings in 2015-16 (the Early Years Control Total) and the need to review the current formulas used to fund 2 year olds and 3-4 year olds. It recommends that a further report is presented to Schools Forum in February 2015 when decisions will need to be taken on provisional budget shares for 2015-16 for early years settings.

### 2. RECOMMENDATIONS

#### 2.1 Schools Forum to agree that:

- 2.1.1 Early Years settings are consulted on these questions:

Question 1: "The Local Authority recommends that existing funding rates remain unchanged for 2015-16. Do you agree? (Yes/No)"

Question 2: "If No, what changes should be made?"

## 2.2 Schools Forum to note that:

2.2.1 A further report will be presented to Schools Forum at its next meeting on 11 February 2015 setting out:

- (a) feedback from the consultation;
- (b) the hourly rates to be set for 2015-16; and
- (c) provisional allocations for early years settings based on these funding rates

2.2.2 Final funding allocations from the government will not be known until June 2016 – 3 months after the end of the 2015-16 financial year.

2.2.3 On the basis of information currently available the control total for the Early Years Block is expected to be **£22.51m**, subject to the 2014-15 outturn for 3 and 4 year olds.

## 3. REASON

3.1 The LA is required to consult with the Schools Forum regarding any changes to be made to the agreed funding rates for providers of early years free education.

## 4. BACKGROUND INFORMATION

### Determination of the Control Total

4.1 The Early Years control total is determined by three factors:

- **Funding for 3-4 year olds**

- (a) The initial DSG Early Years funding of **£14.507m** is based upon the January 2014 Early Years Census (EYC).
- (b) This will be updated in June 2015 for January 2015 EYC.

- (c) The final allocation to be announced in June 2016 will be based on 5/12ths January 2015 EYC and 7/12ths on January 2016 EYC.
- (d) DSG includes funding of **£0.329m** for the extension of the Pupil Premium to 3 – 4 year olds.

- **Funding for 2 year olds**

- (e) Funding for 2 year olds will initially be based on the January 2015 EYC (to be announced in June 2015)
- (f) LAs are expected to make their own forecast of the number of eligible pupils in January 2015 and calculate their likely grant based on the previously announced funding rate which for Waltham Forest remains unchanged at **£5.28** per hour.
- (g) The initial allocation will be updated in January 2016 for any growth in participating numbers in the Autumn Term 2015, based upon LAs voluntarily providing information to the EFA.
- (h) Final allocations will be announced in June 2016 based upon 5/12ths January 2015 EYC and 7/12ths on January 2016 EYC.

- **Adjustments made by the Local Authority**

- (i) The previously announced underspend on the Early Years Block carried forward from 2013-14 of **£1.261m**
- (j) A forecasted expenditure on 2 year old place funding for 2014-15 of **£2.658m**
- (k) Claw back of 3-4 year old funding from 2013-14 of **£0.700m**.
- (l) The transfer of funding from Early Years Block to High Needs and Schools Block in 2015-16 totalling **£0.625m**.

4.2 Given that the age cohorts for 2, 3 and 4 year olds are still rising, there is a strong prospect that actual census data in January 2015 and January 2016 will be higher than that for January 2014. However, the effect of the above is that actual funding allocations lag behind decisions being taken by the Local Authority on budget shares for individual early years settings.

4.3 This creates a high degree of uncertainty and volatility which requires a reasonable level of reserves to be held to smooth out these differences between forecast and actual data. Higher participation rates will lead to a higher final allocation, but this will not be known until June 2016 – 3 months after the end of the financial year.

4.4 The data for January 2013 and January 2014 School Census and Early Years Census suggest an upward trend (figures are fte):

**Table 1: January Schools and Early Years Census data 2013 and 2014**

	January 2013	January 2014	% Change
Schools	1825	1864	2.1%
PVI settings	1026	1106	7.8%
Total	2851	2970	4.2%

4.5 However, the recently published October 2014 Schools Census data shows participation numbers slightly lower than for October 2013. This could be because there is more growth in PVI settings.

4.6 Table 2 below shows what is currently known about funding for early years in 2015-16:

**Table 2: Early Years Control Total 2015-16**

Source of funding	£m
DSG Early Years Block - January 2014 Schools and Early Years Census based on 2,970 fte 3-4 year olds	14.507
Extension of Pupil Premium to 3-4 year olds	0.329
Claw back in funding for 2013-14 for 3-4 year olds	0.700
Forecasted underspend / overspend for 3-4 year olds 2014-15	TBA
2 Year Old funding based on 1500 children	£4.514
Early Years Block underspend from 2013-14	£1.261
2 Year Old Place funding forecasted underspend in 2014-15	£2.490
2 Year Old Trajectory funding forecasted underspend in 2014-15:	£0.394
Transfer of funding from Early Years Block to High Needs in 2015-16	-£0.500
Transfer of funding from Early Years Block to School Block in 2015-16	-£0.125
Early Years Support Services	-£1.057
<b>Total</b>	<b>£22.51</b>

4.7 A total of **£1.057m** is currently retained centrally for early years support services. The breakdown is shown in Table 3 below:

**Table 3: Early Years Support Services in 2015-16**

<b>Service</b>	<b>£m</b>
Portage	0.184
Educational Psychologists	0.168
Early Years Core	0.401
Under five's pre-statement top-up funding	0.150
Early Years Consultancy	0.150
Schools Forum	0.004
<b>Total</b>	<b>£1.057</b>

Projected spend on 2 year old places for 2014-15 is **£2.658m** against an allocation of **£5.148m** for 2014-15. Therefore an underspend of **£2.490m** in 2014-15 is projected. This will need to be allocated against the funding gap between the hourly rate received of **£5.28** and that paid to settings of **£6.00**.

- 4.8 The projected outturn for 3 and 4 year olds will not be available until mid February 2015 once September to December 2014 headcount data submitted by settings in mid January 2015 is received and analysed.
- 4.9 In February, the LA will be able to make more precise forecasts on funding allocations to individual settings for 2015-16. However, the table below shows a possible scenario assuming that the average number of participating 2 YOs is 1,500 and the average number of participating 3-4 year olds is 5,417.
- 4.10 Funding for 2 year olds moves to being based on participation from 2015. Allocations will not be announced until June 2015 and will be based upon the January 2015 early years census. For Waltham Forest and for a number of other LAs, the grant announced in June 2015 is expected to be significantly less than the current grant which for Waltham Forest is **£5.791m** (**£5.148m** place and **£0.644m** trajectory funding). This is because at present funding by the EFA is based upon target numbers set for each local authority which relate to an estimate by the DfE on the number of eligible children in each LA.
- 4.11 Carried forward 2 year old funding from 2014-15 will be used to fund places provided during the first quarter of 2015-16 whilst we await receipt of funding from the EFA.

- 4.12 The final participation funding for disadvantaged two year olds will be based upon the formula of 5/12ths January 2015 participation numbers and 7/12ths January 2016 participation numbers. By this time, the expectation is that actual numbers of participating two year olds will be considerably higher than at present
- 4.13 However, the EFA has stated that it will offer LAs the opportunity in the autumn term 2015 to complete a voluntary census if there is a significant increase in participation since January 2015. Allocations will be adjusted in January 2016 to reflect these increases. This should be beneficial to Waltham Forest since there is a major drive on at the moment to raise participation rates in 2015.
- 4.14 If we assume that funding rates remain unchanged then the funding required would be as set out in Table 4 below:

**Table 4: Possible funding allocations to settings in 2015-16**

Year Group	Pupils	hours	Hourly rate	Cost
2 YO s	1,500	855,000	£6.00	£5.130m
3-4 YO s	5,417	3,087,690	£ 4.50 (average)	£13.894m
3-4 Pupil Premium				£0.329m
<b>Total</b>				<b>£19.353m</b>

- 4.15 The above analysis suggests that even with some growth over current levels of participation of 2,3 and 4 year olds, there should be sufficient funding available if existing funding rates are maintained.
- 4.16 However, as it is a year since the LA consulted with early years providers, it is important to carry out a quick consultation with providers on current funding rates for 2, 3 and 4 year olds. The basis of that consultation should be that the Local Authority recommends that existing funding rates remain unchanged as set out in the Table 5 below.

## **5. CONSULTATION**

- 5.1 The LA has will consult with all early years providers before the next Schools Forum on 11 February 2015 and will determine factor rates for 2015-16 after taking account of feedback from settings and any updated information on funding and participation rates for 2, 3 and 4 year olds.

**Table 5: Funding rates set for 2014-15**

<b>Factor</b>	<b>Hourly rate</b>
<b>2 year old funding</b>	£6.00
<b>3-4 year old funding</b>	
<b>Base Funding</b>	
PVI	£3.90
Nursery Classes	£3.75
Nursery Schools	£6.04
<b>Quality Funding</b>	
No Ofsted judgement or less than good	£0.00
Ofsted judgement of good - PVI	£0.36
Ofsted judgement of good - Nursery class	£0.35
Ofsted judgement of good - Nursery school	£0.56
Ofsted judgement of outstanding - PVI	£0.54
Ofsted judgement of outstanding - Nursery class	£0.52
Ofsted judgement of outstanding - Nursery School	£0.83
<b>Deprivation Funding</b>	
Pupil lives in IDACI Band 4	£0.25
Pupil lives in IDACI Band 5	£0.70
Pupil lives in IDACI Band 6	£1.00