



City of Westminster

Economic Development, Education, Community and Place Shaping Policy and Scrutiny Committee

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Title:	Early Years Funding
Report of:	Ian Heggs
Cabinet Member Portfolio	Economic Development, Education and Community
Wards Involved:	All
Policy Context:	City for All
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1.0 Executive Summary

- 1.1 The purpose of this report is to provide information on early years funding and the government's Free Early Years Education Entitlement, both nationally and in the context of Westminster City Council.
- 1.2 Much of the financial information contained is subject to change in light of the Department for Education (DfE) announcement on 2019/20 funding, expected late December 2018, and the forthcoming January census.

2. Key Matters for the Committee's Consideration

- 2.1 The Committee is asked to reflect on some of the barriers families in their wards might be facing in respect of access to free childcare and early education.
- 2.2 The Committee is also asked to consider some of the challenges providers may be facing – financial and otherwise, in respect of delivering the free childcare and early education entitlement.

3.0 The Free Early Years Education Entitlement

- 3.1 Families with 2-year olds who are receiving benefits (such as Income Support or Jobseekers Allowance) are entitled to 570 hours per year of free childcare or early education from an approved childcare provider as part of the government's Free Early Years Education Entitlement. The entitlement is usually accessed as 15 hours per week for 38 weeks, although parents can opt to use their entitlement flexibly, and commences the term after a child's 2nd birthday.
- 3.2 All 3 to 4-year olds are eligible for 570 hours per year free childcare or early education from an approved childcare provider. Again, this universal entitlement is usually accessed as 15 hours per week for 38 weeks and parents can opt to use their entitlement flexibly. The free provision commences the term after a child's 3rd birthday and finishes when they start in reception or reach compulsory school age, if later.
- 3.3 Eligible working families can get 1,140 hours per year free childcare or early education for their 3 to 4-year olds, i.e. double the universal entitlement, and again this entitlement can be used flexibly, for example over 52 weeks using fewer hours per week. The main criteria for eligibility is that you are working at least 16 hours per week with taxable income of up to £100k if you are a lone parent, or both working at least 16 hours per week with taxable income of up to £200k per couple.
- 3.4 Table 1 – Breakdown of provision

Provision	Annual Entitlement (Hours)	Example Usage
Disadvantaged 2-year olds	570	15 hours per week over 38 weeks
Universal entitlement for 3 to 4-year olds	570	15 hours per week over 38 weeks
Working families with 3 to 4-year olds	1,140	30 hours per week over 38 weeks

4.0 Local Authority Funding

- 4.1 Local authority funding for early years comes from the Education, Skills & Funding Agency (ESFA). The level of funding is determined by census data on the local population and an estimate of the likely take up of provision in the borough.
- 4.2 In April 2017, the Early Years National Funding Formula (EYNFF) was introduced to ensure a more equitable distribution of early years funding based on the actual cost of providing early education and childcare, as opposed to local, historic information. The formula, which is used to determine the hourly rate of funding per 3 to 4-year old provided to each local authority to deliver the universal and additional entitlements, comprises a universal hourly base rate, additional needs factors, and an area cost adjustment.

4.3 Table 2 – Calculation of Local Authority Hourly Rate

Local Authority Hourly Rate
(Base Rate + Additional Needs Factors) x Area Cost Adjustment

4.4 Local authorities receive their total funding across six streams that together make up the Early Years Block of the Dedicated Schools Grant (DSG). The real-term level of funding received is based on actual take up of the free entitlement. Westminster's revised allocation for 2018/19 is set out below in Table 2.

4.5 Table 3 – Early Years Block Revised Budgets 2018/19

Early Years Block Budgets 2018/19	Total £m
Universal entitlement for 3 to 4-year olds	9.580
Additional 15 hours for working families with 3 to 4-year olds	1.098
Supplementary funding for maintained nursery schools (MNS)	1.264
Disadvantaged 2-year olds	1.333
Early Years Pupil Premium (EYPP)	0.090
Disability Access Fund	0.032
Total	13.396

5.0 Provider Funding

5.1 In line with Education & Skills Funding Agency (ESFA) guidance, Westminster distributes 95% of the hourly rate set by the EYNFF for 3 to 4-year olds to its providers as a universal base rate. (This rate increased from 93% in April 2018.) This ensures that most of the funding received by local authorities reaches providers to enable them to deliver the free entitlements.

5.2 The remaining 5%, retained by Westminster for central expenditure, contributes towards the cost of a number of early years services also funded in part with General Fund resources.

5.3 Westminster's 2018/19 hourly rate payable to early years providers delivering universal and additional entitlements for 3 to 4-year olds is £6.40.

5.4 Westminster pays 100% of the hourly rate set by the EYNFF for disadvantaged 2-year olds to its providers. This year's hourly rate has been set at £6.50.

5.5 Table 4 – Funding for Early Years Providers (Hourly Rates)

Provision	Provider Hourly Rate
Early years entitlement for disadvantaged 2-year olds	£6.50
Universal entitlement for 3 to 4-year olds	£6.40
Additional entitlement for working families with 3 to 4-year olds	£6.40

6.0 Supplementary Funding for Maintained Nursery Schools

6.1 Maintained nursery schools are those financed primarily from public funds for children who are too young to enter a reception class in primary school. There are four maintained nursery schools in Westminster. These are:

- Dorothy Gardner Centre
- Mary Paterson Nursery School
- Portman Early Childhood Centre
- Tachbrook Nursery School

6.2 In some cases, the hourly rates payable to maintained nursery schools (MNS) have varied from those paid to private, voluntary and independent (PVI) settings, often resulting in maintained settings benefitting from higher levels of funding for delivering the same entitlement. To address this, the government is providing an additional £55m of supplementary funding nationally until at least 2019/20 to support local authorities in managing the transition to EYFF rates for its maintained settings. Westminster's allocation this year is £1.264m.

7.0 Deprivation Funding

7.1 Funding supplements are additional amounts paid to providers to reflect locally identified need on top of the hourly rate for 3 to 4-year olds. Local authorities can opt to pay a number of supplements, however when combined these must not exceed 10% of the hourly rate payable to providers. Deprivation is a mandatory supplement and local authorities must use this factor to recognise deprivation in the borough and its impact on the most deprived cohort.

7.2 In Westminster, deprivation rates for private, voluntary and independent (PVI) nurseries are variable, and weighted and banded according to postcode as per the national Income Deprivation Affecting Children Index (IDACI) rankings for child deprivation. This year's hourly rates range from £0.50 to £1.70. Conversely, the deprivation rate for nursery schools is fixed at £0.64.

7.3 The amount set aside to manage deprivation is taken from the universal element for 3 to 4-year olds budget.

8.0 Early Years Pupil Premium

- 8.1 The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged 3 to 4-year olds. This year's EYPP rate is £0.53 per hour. EYPP is not payable for 3 to 4-year old children from working families accessing the additional 15-hour entitlement.
- 8.2 Providers are responsible for identifying eligible children who will attract EYPP when they turn three – many of whom will be those who took up the entitlement for disadvantaged 2-year olds, so that local authorities can provide them with the right level of funding. The 2018/19 EYPP budget is £0.090m.

9.0 Disability Access Fund

- 9.1 Providers can apply to the Disability Access Fund (DAF) for funding to make reasonable adjustments to their settings to support disabled children's access to the entitlements for 3 to 4-year olds.
- 9.2 The DAF payment is £615 for each child per year for children who are in receipt of Disability Living Allowance (DLA) and receiving the universal 15-hour entitlement. Providers are responsible for identifying eligible children and are encouraged to familiarise themselves with those in their settings who might be in receipt of DLA.
- 9.3 No applications for funding have been received so far this year.

10.0 Special Educational Needs Inclusion Fund

- 10.1 Local authorities must create a Special Educational Needs Inclusion Fund (SENIF) for all 3 to 4-year olds with special educational needs (SEN) accessing their free entitlements, in consultation with early years providers. These funds, established from budgets from the early years block and/or the high needs block of the DSG, are intended to support local authorities to work with providers to address the needs of individual children with SEN, e.g. to commission SEN services as required by the Children and Families Act 2014.
- 10.2 Funding must be targeted at children with low or emerging levels of SEN and should take account of the number of local children with SEN, their level of need, and overall capacity of the local childcare offering to support this cohort.
- 10.3 Westminster's SENIF is £500 per application, and eligibility criteria are drawn up by the local authority. All providers are made aware of the fund and how to claim, but despite this there has been no take up to date this year. Feedback indicates that the amount payable is deemed too small to warrant the time required to complete the application process.
- 10.4 Children with more complex needs and those with Education, Health and Care Plans (EHCP) are eligible to receive funding via the high needs block of the Dedicated Schools Grant.

11.0 Spring/Summer Term 2018 Take up in Westminster

11.1 Across the spring/summer term, approximately 333 two-year olds from eligible families in receipt of a form of income support accessed their free entitlement, and most used their entitlement in full.

11.2 Over the same period, a further 1,279 children accessed the universal and additional entitlements for 3 to 4-year olds from private, voluntary and independent sector providers (PVI) and 1,213 children accessed their entitlements in maintained nursery schools (MNS).

11.3 Table 5 – Spring/Summer Term 2018

Category	No of Children
Disadvantaged 2-year olds	333
PVI nurseries	1,279
Maintained nurseries	1,213

12.0 Data Quality

12.1 Data on eligible 2-year olds is compiled by the Department of Work & Pensions (DWP) and is based on those families in receipt of income support or accessing universal credits. The data excludes a number of key indicators and does not take account of family circumstances, which may have changed by the time it is received. Despite this, the DWP have no plans at present to improve the quality of the data. The limitations resulting from this have been raised with the DfE by local authorities nationally.

12.2 Take up of universal and additional entitlements is deemed to be significantly lower than that expected by both the ESFA and Westminster, however the quality of data received from which this conclusion is drawn is again not necessarily reliable. The Early Years team has estimated population data for 3 to 4-year olds in Westminster, but uptake is difficult to assess as families can go anywhere to access their entitlements and local authorities do not have the ability to share this data with each other.

12.3 The Early Years Team will be publishing their childcare sufficiency assessment in January 2019 and this will review the 2017/18 academic year. Further work will also be undertaken to facilitate a better understanding of early years data in a wider context, both locally and at national level for comparative purposes. The intention is to streamline methods used for data collection and reporting to achieve more consistency in the quality of information used for analytical purposes.

If you have any queries about this report or wish to inspect any of the background papers, please contact Amanda Anerville on x6364 or aanerville@westminster.gov.uk.

APPENDICES:

None

BACKGROUND PAPERS

EFSA Early Years Entitlements: Local authority funding of providers operational guide 2018 to 2019

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/682452/Early_years_entitlements-Operational_guide_2018_to_2019.pdf

RBKC Spring/Summer Term 2018 SIMMS and Portal Data on 2, 3 and 4-year olds