

<b>Committee:</b>	School Forum
<b>Meeting Date:</b>	2 <sup>nd</sup> October 2018
<b>Title:</b>	Early Years & Childcare funding surplus
<b>Author:</b>	Christina Lewis, Strategic Lead Early Years and Childcare
<b>Decision making / consultative / information:</b>	Decision Making

### What is the Forum being asked to decide?

1. Agree a one-off investment of £0.3m into the Early Years sector funded from the 2017-18 Early Years DSG block funding surplus to support quality improvement.

### Reason for recommendation

2. The redesigned EYC service has a renewed focus on quality improvement. We are aiming to achieve a position where all providers delivering the funded entitlement are at least good. We are also working to support and challenge good providers to become outstanding. This one-off investment will be allocated as an additional supplement to all providers participating in the forthcoming 'aiming high' provider development sessions. This proposal comes following a recent meeting with a Senior HMI. The funding will be used to enable invited providers to participate by providing cover costs. Each participating setting will be required to produce an action plan at the end of the session and identify how they will use an improvement grant to improve outcomes for children and, hopefully, an improvement in Ofsted outcome. This can then be monitored, and effectiveness evidenced. This approach takes into consideration other pressures on DSG funded activity over all blocks, and the vulnerability of Early Years funding as the majority is dependent on the census day count of children registered, rather than actual spend.

### Alternative options

3. Provide a different level of investment into the Early Years sector (either increased or decreased). This will impact on the levels of reserves available to offset potential underfunding of the Early Years block in 2018-19 comparatively to spend, as well as the increasing pressures against the High Needs Block.

## **Who will be affected by this decision?**

4. Targeted Early Years settings will be provided with one-off additional funds. The impact of a reduced level of reserves would ultimately need to be agreed with all providers of education.

## **Main body of the Report – Background**

5. As reported to Schools Forum at its last meeting on 10th July 2018, there was a reported funding surplus against the Early Years Block expenditure at the end of the 2017-18 financial year of £0.743m. Schools Forum was asked to agree that this be moved to the DSG reserve to be held as a contingency against increasing demand on the High Needs Block.
6. Schools Forum decided to defer their decision until the final variance to funding received was available, based on the recoupment of Early Years DSG at the end of July. The final level of recoupment is based on the actual census count at 2 points in time.
7. The amount recouped was £0.746m less than had been expected when initially reported to Schools Forum in July, leaving a final Early Years & Childcare (EYC) DSG Block funding surplus compared to spend of £1.489m.
8. Funding for the early education entitlement is based on early years January census' returns and is therefore vulnerable to fluctuation.
9. The original Early Years DSG Block for 2017-18 was calculated at the beginning of the 2017-18 financial year based on the January 2017 census count, with an estimation of how many families would take up the 30 hours of extended funding available from September.
10. In July 2018, the final allocation Early Years Block funding for 2017-18 was announced, with the total being based on 5/12ths of the January 2017 census count, and 7/12ths of the January 2018 census count.
11. During the financial year, there was a temporary dip in 2-year-old take up which was caused by the roll out of universal credit and was evident in Lowestoft and Bury St. Edmunds.
12. The 30-hour extended offer for some families was introduced in September 2017. Demand did not match the DfE's expectations, but there is no evidence that parents have been unable to access the additional hours when they wish to.
13. The take up of the 2-year-old funding for disadvantaged children remains high at 83%.
14. The take up of the universal 15-hour entitlement for 3 & 4-year olds remains high at :
  - 97% (3-year olds)
  - 95% (4-year olds)
15. More detailed work needs to be undertaken with the early years sector to understand the change in take-up of places during the year compared to the census day count.
16. At a time when the low funding rate for EYC in Suffolk is well documented any additional resource we can make available to providers, (prioritising all

pressures against the services funded from DSG), would be welcomed. By distributing this additional resource based on a commitment to service improvement the distribution mechanism will be transparent and we will work with providers to be clear on what outcomes are expected. This level of additional funding will show an investment in the quality of provision for Suffolk's youngest children as a good Ofsted judgement cannot be considered 'good enough'.

17. As described above, the Early Years Block funding is based on census count data. This means that the budget is vulnerable to both over and under-funding should the actual take-up of places throughout the year be lower or higher than the number counted on census day. We would not expect the same level of disparity between funding and expenditure in this or future years.
18. The investment of £0.3m will still ensure an adequate level of contingency would be retained in DSG reserves to mitigate against fluctuations in future Early Years funding comparative to spend. The impact (before the impact of any variances to the final 2018-19 budget) will be to increase the DSG reserves as below:

	Opening Position	In-year transfers agreed	In-year transfers to be agreed	Closing Position	2019-20 onwards Commitments	Comments
<b>Pre-funding Reform DSG</b>	<b>-£220,248</b>			<b>-£220,248</b>		
<b>Post-funding Reform DSG</b>						
2 Year Old Capital Monies	-£370,729	£75,740		-£294,989		
Net Operating Underspend 14-15	-£231,264			-£231,264	£231,264	Hold for Academy Debts - agreed with Schools Forum
Net Operating Overspend 16-17	£2,015,496	-£970,000		£1,045,496		
Previous years' balances	-£1,194,582					
2017-18 Overspend-HNB	£1,199,000			£1,199,000		
2017-18 Overspend-Growth	£510,712			£510,712		
2017-18 Underspend-EY	-£742,000	-£746,000	£300,000	-£1,188,000		
2017-18 Underspend Recoupment	-£631,230			-£631,230		
Additional 2018-19 DSG re central block			-£185,000	-£185,000		Additional 2018-19 DSG re central block
<b>Total DSG Reserves</b>	<b>£335,156</b>	<b>-£1,640,260</b>	<b>£115,000</b>	<b>-£1,190,105</b>	<b>-£958,841</b>	<b>Potential DSG Reserves Deficit/(Surplus) 31/3/2020</b>