

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE New funding arrangements for Early Education	
REPORT OF Head of Education Commissioning and School Organisation	
FOR SUBMISSION TO Schools Forum	DATE 6 February 2024
<p>SUMMARY OF REPORT</p> <p>This report summarises the Free Early Education entitlements funded by the government for 2, 3 and 4 year olds and outlines the additional entitlements that were announced in March 2022 and will be phased in from April 2024.</p> <p>The report also proposes a new approach to the allocation of Camden’s Local Inclusion Fund which supports providers to meet the needs of children with emerging special educational needs or disabilities.</p> <p>Local Government Act 1972 – Access to Information</p> <p>No documents that require listing have been used in the preparation of this report.</p> <p>Contact Officer: Debbie Adams, Head of Integrated Early Years and Family Hubs 4th Floor, 5 Pancras Square, London N1C 4AG debbie.adams@camden.gov.uk / 020 7974 6706</p>	
<p>RECOMMENDATIONS</p> <p>That Schools Forum is asked to:</p> <ul style="list-style-type: none"> a) approve the proposed funding rates for Early Education providers in the borough from April 2024 b) approve to consult with Early Education providers on a new approach to the allocation of Camden’s Local Inclusion funding. 	



Signed:
Nicholas Smith Head of School Organisation and Education Commissioning

Date: 31 January 2024

1. Purpose of Report

This report seeks approval from Schools Forum for the implementation of new hourly funding rates for the provision of early education and childcare for Camden children following revised allocations from the Department for Education and describes the new entitlements announced in March 2022 and being phased in from April 2023.

The report also seeks approval to consult with providers about a new process for the allocation of Camden's Local Inclusion Funding that supports providers to meet the needs of children with emerging special educational needs and disabilities.

2. Free Early Education Entitlements

2.1 Camden continues to benefit from a strong network of childcare providers. Unlike many Local Authorities we have seen few settings close and have welcomed some new ones to the borough. The position is a little less positive for childminders where numbers of registered childminders have fallen significantly. We have developed a recruitment strategy to attract more childminders to register and are using a combination of local and national resources to support this.

2.2 The quality of provision is good with all but 2 settings currently judged to be good or outstanding. We offer comprehensive support to settings through our Quality Support and Training service with all settings having a named quality adviser.

2.3 The government currently funds three Early Education Entitlements that are delivered by a range of early education providers including Primary schools, Private, Voluntary and Independent nurseries and Council maintained nurseries.

- 15 hours Early Education and Childcare for 38 weeks of the year for all 3 and 4 year olds
- An additional 15 hours Early Education for the 3 and 4 year olds of working parents
- 15 hours of Early Education for disadvantaged 2 year olds

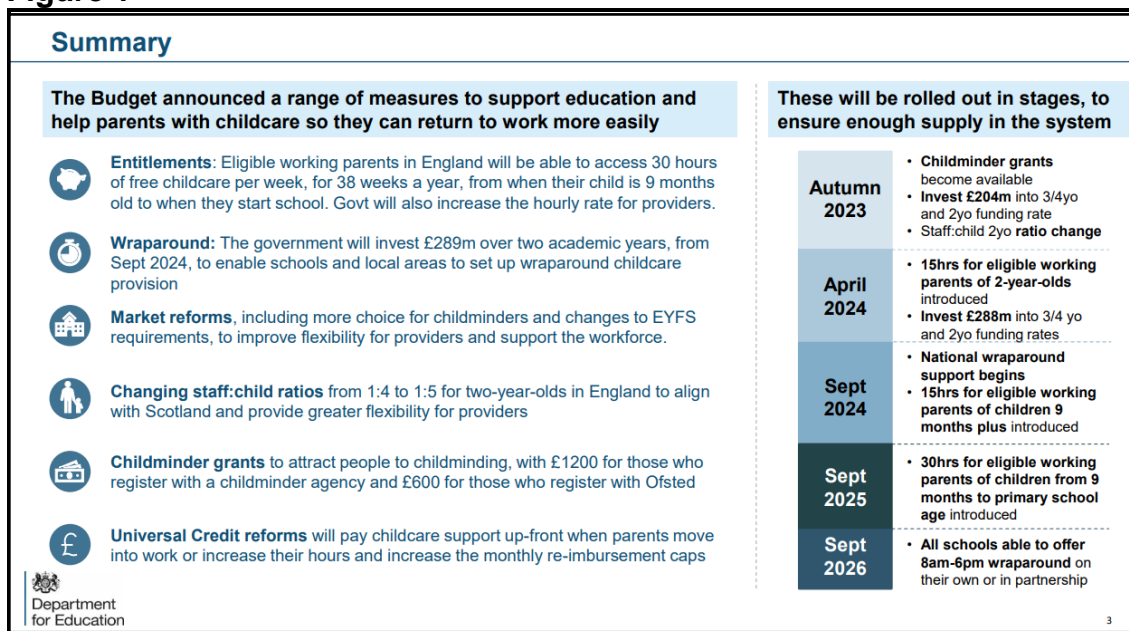
Camden also funds, through its General Fund, an additional 15 hours for disadvantaged 3 and 4 year olds.

2.4 Funding of the free entitlements is administered by the Free Entitlement team who process payments termly based on headcount returns from providers. The team ensure that places are free at the point of access for families, as stipulated in the statutory guidance, and will challenge providers when they are made aware that the guidance is not being followed correctly.

2.5 In March 2023, the government announced a number of policy developments for the provision of early education. In response to serious challenges faced

by the sector in the recruitment and retention of staff, and the resulting closure of many providers across the country, additional funding for the existing funded entitlements was announced along with the introduction of additional entitlements for the children of working parents. The new entitlements are summarised in Figure 1.

Figure 1



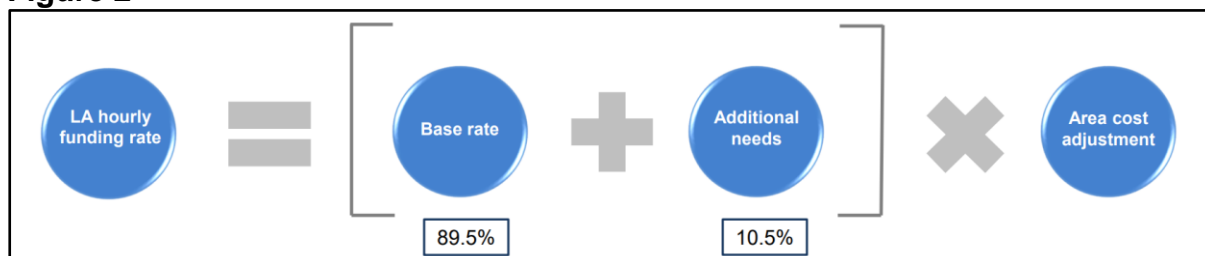
- 2.6 Additional funding for early education is welcome. However, the new entitlements raise the following questions for Camden:
- What is the likely impact on the financial sustainability of the sector if the hourly rates were insufficient to cover costs?
 - Would there be demand for the new places and, if so, would there be sufficient supply?
 - What would be the potential impact on the inequality gap of funding just the children of working parents?

The Integrated Early Years Service commissioned an independent research organisation, the ISOS Partnership, to explore these three questions. Early findings indicate that there is likely to be demand for the new entitlements however, providers were not willing to commit to extending their provision to deliver the new entitlements as, at the time the research was undertaken, the new hourly funding rates were not published. Interestingly, the concept of children coming to nursery with different levels of funding due to their age does suggest that those who are not entitled to funded provision until aged 3 may find it difficult to find places if nurseries have filled their capacity with higher paying one and two year olds.

3. The Funding formula

3.1 Nursery places are funded by the government through the allocation of Early Years Dedicated Schools Grant, EYDSG. Local Authorities are provided with an hourly rate to fund provision based on the following formula, see figure 2.

Figure 2



The additional needs factor is calculated as shown below in Figure 3

Figure 3

Free School Meals (FSM)	Income Deprivation Affecting Children Index (IDACI)	English as an additional language (EAL)	Disability Living Allowance (DLA)
4%	4%	1.5%	1%
As proxies for deprivation i.e. the costs of providing childcare to children from more deprived backgrounds and low-level special education needs		As a proxy for the costs associated with supporting children who do not have English as a first language	As a proxy for children with more complex special educational needs and disabilities

Area cost adjustment is calculated as shown below in figure 4.

Figure 4

Staffing costs	Premises costs	Other
80%	10%	10%
We use general labour market data (from DLUHC) to reflect differences in staff costs	We have a nursery, infant and primary rates cost adjustment (NIPRCA) which uses rateable values data for schools and private nurseries to reflect differences in premises-related costs	We assume that the remaining 10% of costs do not vary geographically e.g. energy costs

Local Authorities are required to 'pass through' at least 95% of the funding received to providers, the retained funding supporting the administration of the schemes and the quality of provision. We have been able to pass through 97% for children under 3. For Camden the national funding formula translates to the following funding rates, see Figure 5.

Figure 5

National funding Formula			
	3 & 4 year olds	2 year olds	Under 2's
From DfE	£9.04ph	£11.83ph	£16.15ph
Centrally retained	-£0.45ph (5%)	-£0.35ph (3%)	-£0.48 (3%)
Funding for providers	£8.59	£11.48	£15.67

The funding for providers is allocated to local nurseries using a local funding formula, as set out in the statutory guidance, which allows for a local weighting to reflect variations in deprivation and, the provision of inclusion funding for children with emerging Special Educational Needs or Disabilities, see figure 6. These funds are also passed through to providers but on a targeted basis.

Figure 6

Local funding formula			
	3 & 4 year olds	2 year olds	Under 2's
Available for providers	£8.59	£11.48	£15.67
SEND Inclusion fund	-£0.50	-£1.03	-£1.74
TPPG	-£0.14	nil	nil
Deprivation	-£0.72	-£0.95	-£1.27
Hourly rate	£7.22	£9.50	£12.66

These provisional rates, pending Schools Forum approval, were communicated to providers in December. We will be able to determine the boroughs position regarding sufficiency of provision for the new entitlements in the coming weeks.

4. Camden Local Inclusion Fund (CLIF)

- 4.1 In addition to the place funding the Free Entitlements Team also administer CLIF which supports providers to meet the needs of children with SEND. Providers complete an application for additional funds, usually for a number of hours of additional staffing resource to meet a particular child's needs. The applications are determined by a CLIF panel. The demand for CLIF funding has grown significantly in the last few years in line with the well documented increase in the number of children with additional needs and it is likely that the demand for funding to support these children's needs will be sustained or increase further. In response to the increasing demand and to enable Camden to provide the best possible support for these children the Early Years Dedicated School Grant allocation to CLIF has been supplemented by a contribution from the High Needs block.
- 4.2 The allocations system for the Camden Local Inclusion Fund has not been reviewed since 2017 and is not aligned to the process for the allocation of Exceptional Needs Grant for school age children or for Education, Health and Care Plans (EHCPs). It is proposed therefore that a new system is introduced that moves away from the allocation of funding for additional staffing hours to support children to a new 'band based' system based on the assessment of a child's needs.

We propose to introduce funding bands:

- Band A will fund children with emerging needs
- Band B will fund children with developing needs
- Band C will fund children with complex needs

Information on minimal banding descriptors can be found in appendix A and full funding descriptors can be found in Appendix B.

- 4.3 The band funding, in the form of a 'top up grant', will be allocated to the childcare provider to assist in supporting the child. The amount of grant would be pro-rata dependent on the number of hours that the child attends the setting and is shown in figure 7.

Figure 7

	Proposed amount for 'top up grant per term'	Total annual grant amount
15 Hours	Termly	Annually
Band A	£750.00	£2,250.00
Band B	£1,500.00	£4,500.00
Band C	£2,200.00	£6,600.00
30 Hours		
Band A	£1,500.00	£4,500.00
Band B	£3,000.00	£9,000.00
Band C	£4,500.00	£13,500.00

5. Application process

- 5.1 Providers will be invited to apply for support from Camden's Local Inclusion Fund using an online application form for each child for whom additional funding support is requested. The CLIF Panel will meet 9 times per year i.e. three times per term. The CLIF Panel will decide on the banding level based on the threshold criteria outlined in appendix A and B. Funding, if agreed, will be paid from the date of the CLIF Panel meeting until the end of the academic year. Each terms payment will be made following the clarification that the child appears on the headcount for the applying nursery.
- 5.2 Providers will be encouraged to think about the interventions they can put in place that can support a number of children, and where possible to make a small group work application rather than individually based applications. We are therefore proposing to introduce an additional application process for small grants to support group activities such as 'Attention Autism' and 'Special time'. Providers will not be able to apply for both funding streams for a specific child.

6. Timeline for implementation

Submission to Schools Forum	6 th February 2024
Launch consultation with providers	12 th February 2024
Close consultation with providers	4 th March 2024

Publish outcome of consultation and final proposals	15 th March 2024
Implement new arrangements, if approved	4 th April 2024

7. Finance Comments of the Executive Director Corporate Services

- 7.1 There is no financial implication within the General Fund for the implementation of new hourly funding rates for the provision of early education and childcare for Camden children, following revised allocations from the Department for Education from April 2024.
- 7.2 For the financial year 22/23 170 children were supported from the Local Inclusion Fund to meet the needs of children with SEND. The total cost was £1,089m which provided total of 74054 hours at an average hourly rate of £14.70.
- 7.3 With the proposed new approach to the allocation of Camden's Local Inclusion Fund system that moves away from the allocation of funding for additional staffing hours to support children to a new 'band based' system based on the assessment of a child's needs. This would cost £992k based on the same number of children and hours. A reduction in cost of £97k.

8. Legal Comments of the Borough Solicitor

- 8.1 Schools Forum makes decisions on local authority proposals about financial arrangements for schools including on the early education funding.
- 8.2 This report details it, however it should be pointed out that 3 & 4 year olds not eligible for the additional 15 hours for working parents may be entitled to Camden's Enhanced offer of an additional 15 hours per week term time or stretched over the year. Universal hours must be taken in Camden to receive this enhanced offer.

9. Environmental Implications

These proposals have no environmental impacts.

10. Appendices

Appendix A - CLIF minimal descriptors

Appendix B - CLIF proposed banding with full descriptors