
**Manchester City Council
Report for Resolution**

Report to: Schools Forum

Subject: Early Years Block Funding Overview

Report of: Reena Vandhna Kohli – Directorate Finance Lead Children's Services

Summary

This report provides an overview of the funding allocated to Manchester for 2019/20, the overspend on the early years block in 2018/19, and risks and uncertainties surrounding early years funding. Due to pressures in the early years block there is a need to review sustainability of funding and consider how the Council can manage the risks in the early years block.

Recommendations

There remains uncertainty around final DSG early years block allocation for the year 2019/20. Final allocations will not be confirmed until July 2020. There remains a risk that funding received from the DfE will be lower than what the Council has paid to providers. It is expected at this stage that this year's outturn will not be as high as last year's £2.19m deficit. The Council will be monitoring the position closely and will bring further updates to Forum.

All Forum members are asked to note and comment on the report and risks to the early year block funding.

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Background documents (available for public inspection)

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

1.1 The early years block (EYB) of the Dedicated Schools Grant (DSG) provides funding to cover the free entitlement provision for two, three, and four year olds in Manchester. For the year 2019/20, this is currently set at £41.11m. The early years entitlements are:

- the 15 hours entitlement for disadvantaged two year olds
- the universal 15 hours entitlement for all three and four year olds
- the additional 15 hours entitlement for eligible working parents of three and four year olds

1.2 This report provides an overview of the 2019/20 EYB allocation, the overspend on the EYB in 2018/19, and risks and uncertainties surrounding early years funding.

1.3 All Forum members are asked to note and comment on:

- Pressures on the early years block in the previous financial year and 2019/20 onwards.
- Early years block position in 2019/20 and uncertainty regarding the adjustments to the block.

2. OVERALL EARLY YEARS POPULATION

2.1 Table one below shows the number of early years pupils accessing the free entitlement provision in Manchester schools and private, voluntary, and independent childcare settings (PVI), as per the January 2019 census. Part time equivalent (PTE) pupil numbers from the January 2018 census are also shown.

Table one: January 2018 and January 2019 census data

Jan 2019 Census	Schools	PVIs	TOTALS	Jan 2018 Census
2 Year Olds	210	2,306	2,516	2,897
3 & 4 Universal	6,354	3,116	9,470	9,493
3 & 4 Extended	1,206	966	2,172	1,639
TOTALS	7,764	6,526	14,158	14,029

2.2 The number of pupils accessing the 2 year old offer has decreased by 13.2% between January 2018 and January 2019 censuses. This issue is widespread, albeit on a smaller scale, across other authorities nationally.

2.3 The number of 3 and 4 years old pupils taking up the universal 15 hours provision has remained fairly steady between the two years. Manchester has seen a 32.5% increase in the uptake of the additional 15 hours offer. The latter is a result of active promotion of the additional 15 hours funding scheme by the Council and individual schools following the introduction in September 2017, and the increased uptake is in line with expectations.

3. EARLY YEARS BLOCK FUNDING OVERVIEW

- 3.1 Manchester's EYB for 2019/20 was £40.83m. This initial allocation was the first of three DfE notifications for the 2019/20 early years block budget and was based on January 2018 census data (i.e. 2018 pupil numbers shown in table one).
- 3.2 The current DSG allocation was published by the DfE in July 2019, and presents notification two of three for the current financial year. This update reflects the new level of funding as per January 2019 census data. As anticipated Manchester received a significant increase in funding on the additional 15 hours offer, as well as a downwards adjustment on the two year old offer.
- 3.3 The July 2019 update led to an early years block allocation of £41.11m and is split between six funding streams, shown in table two below.

Table two: Updated 2019-20 DSG early years block allocation – July 19

Funding Stream	£m
the early years entitlement for disadvantaged two year olds	7.60
the early years universal entitlement for three and four year olds	26.29
the early years additional entitlement for three and four year old children of eligible working parents	6.03
supplementary funding for Maintained Nursery Schools (MNS)	0.34
the Early Years Pupil Premium (EYPP)	0.72
the Disability Access Fund (DAF)	0.13
	41.11

- 3.4 The July 2019 DSG update also outlined the final adjustment for the previous financial year 2018/19. This was a net total of £171k in our favour.
- 3.5 **Final** DSG early years block allocations for 2019/20 (three of three) will be published in July 2020, and will be a weighted average based on:
- 5/12ths of the January 2019 census pupil numbers (PTE)
 - 7/12ths of the January 2020 census pupil numbers (PTE)

As final 2019/20 allocations will therefore not be released until after the end of the financial year, there remains a considerable amount of uncertainty regarding the level of funding the Local Authority will receive for the year. This is a significant risk area for the early years budget - as in previous years.

4. NURSERY SCHOOLS

- 4.1 Maintained Nursery Schools (MNS) are legally constituted as 'schools' (unlike PVIs), which is recognised by DfE, and therefore are in receipt of additional funding to meet costs such as those of the head teacher and governing body.
- 4.2 Manchester has two MNS which are currently funded at 70 x 30 hour places per term. Unlike other nursery settings, funding is not clawed back for any downwards variances to capacity. However, if the average number of places in a MNS over the financial year exceeds 70 (i.e. more than 210 places across the three terms), then the MNS will receive an additional payment to cover the difference.
- 4.3 As of 2017/18, MNSs are in receipt of supplementary funding. This was introduced in order to protect MNS funding rates following the launch of the EYNFF and the requirement for universal base rates for all providers. This payment has continued in 2019/20 and equates to roughly 32% of Manchester MNSs' total early years block allocations. Funding beyond March 2020 is not yet confirmed, however updates on the grant are expected to be announced shortly.

5. RISKS AND UNCERTAINTIES

Early years block pressures

- 5.1 Future spring term census term determines the funding adjustments to the block for this year and there remains a considerable degree of uncertainty relating to the final early years block allocations for the year. In the eventuality of rising pupil numbers in Autumn followed by a decline in Spring, the Council may receive a final early years block allocation that is lower than amounts paid out to providers in year. Based on recent trends analysis it is foreseeable that the 2019/20 EYB outturn could range between a balanced budget and a £1m underspend. At present the Local Authority has reported and is working on the basis of a £0.4m underspend in this block.
- 5.2 As mentioned earlier, supplementary funding for maintained nurseries beyond March 2020 remains uncertain. The Education Settlement announced on 3rd September 2019 outlines an additional £66 million to be awarded to Councils for early years provision and does not include the nursery school supplementary grant.

6. CONCLUSIONS AND RECOMMENDATIONS

- 6.1 There remains uncertainty around final DSG early years block allocation for the year. Final allocations will not be confirmed until July 2020. In particular there is a risk that free entitlement funding from the DfE will be lower than what the Council has paid out to providers. However, it is not expected at this stage that outturn will be as high as last year's £2.19m deficit; the Council is currently projecting a £0.4m underspend in EYB. The Council will be monitoring the position closely and will bring further updates to Forum.
- 6.2 All Forum members are asked to note and comment on the report and risks to the early year block funding.