

**Report of the Head of Learning Systems**

**Report to the Director of Children's Services**

**Date: March 2017**

**Subject: 2017/18 FEEE Rates**



Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

Local authorities will receive their first payments under the early years national funding formula in April 2017. The formula includes a minimum funding rate which will give local authorities the scope to pay providers an average funding rate of at least £4 per hour.

In September 2017 the government will be introducing 30 hours free childcare for eligible families.

In line with the guidance the local authority has consulted providers on the proposed rates for free early education entitlement (FEEE) for 2017/18 and this report sets out the outcome of that consultation and the rates subsequently determined.

**Recommendations**

The Director of Children's Services is recommended to approve the breakdown of the Free Early Education Entitlement as follows:

Of the £4.81 allocated per hour per eligible child in Leeds:

- Universal base rate - £4.20
- Deprivation supplement - £0.31
- SEN inclusion fund - £0.06
- Centrally retained - £0.24

## **Purpose of this report**

- 1.1 To communicate the outcome of the consultation and confirm the determined rates for funding the free early education entitlement to providers.

## **2 Background information**

- 2.1 The outcome of the government consultation on the implementation of 30 hours free childcare was published, alongside guidance and technical documents for local authorities in December 2016. Further FEEE statutory guidance was published in March 2017.
- 2.2 A brief consultation was undertaken with providers in late December, and then on 19th January 2017 a consultation was sent to all childcare providers in Leeds setting out proposals for the rates that would come into force from April 2017.
- 2.3 This consultation closed on 10th February 2017. There were 41 respondents, the majority from private nurseries, and responses were also received from childminders and school nurseries.
- 2.4 Schools forum was consulted in February on changes to local early years funding formulae in line with regulations, although the final decision rests with the local authority. This paper sets out the determined Early Years funding following consultation with providers.

## **3 Main issues**

### **3.1 Funding for two-year olds**

- 3.1.1 This is already allocated by the government on a formulaic basis and they are not proposing any changes. The rate, however, is being increased. Currently eligible two-year olds attract £4.85 per hour and this will increase from April 2017 to £5.05 per hour. The census on which the actual funding allocation is made takes place in January. Typically this is a low point for numbers of children in provision and during the year the numbers of children is frequently higher. A contingency fund will therefore be held centrally to enable any increase in numbers of children to be funded at the same rate. The fund will not be used for any other purpose and any surplus will roll forward into the next financial year.
- 3.1.2 All providers who responded to the consultation supported this proposal.

### **3.2 Centrally retained funding**

- 3.2.1 In order to ensure that the maximum amount of funding reaches providers, the DfE has allowed the local authority to retain from the overall allocation no more than 7% in 2017/18 and no more than 5% from 2018/19 onwards. This retained funding may not be used to administer the payments to providers, although it can be used for the eligibility checks that are required, and a wide range of central services or services in-kind.

3.2.2 It is our intention to retain only 5% in Leeds in 2017/18. Similarly to the funding for two year olds this will, in part, provide for a contingency fund in the event that the take up numbers exceed the numbers in the January census which determine the level of funding we receive from central government. Additionally the centrally retained funding will cover some new costs in relation to marketing, eligibility checking, as well as supporting services in relation to capacity building, family support, placement work and Early Years Inclusion. The DfE will be monitoring local authority compliance with this.

3.2.3 Providers asked for more clarity as to the uses of the centrally retained funding and this is provided in the attached technical note. Although there were requests for clarity providers raised no objections to the principle of retaining 5%, rather than the permitted 7%, and that a contingency fund be established.

### 3.3 Local Universal Base Rate

3.3.1 Some local authorities have funded some maintained nursery schools at a different rate to other providers and a new requirement has been introduced to ensure the base rate is the same for all providers. The base rate has been the same in Leeds and therefore brings no change. We believe that the base rate itself should increase from April. Currently the base rate is £3.80 per hour, and it was proposed that we increase this to £4.10 per hour from April 2017.

3.3.2 Whilst the childminders and school nurseries that responded supported the proposed rate of £4.10 per hour, the private day nurseries raised a number of concerns. Many settings mentioned the increase on their business rates, the introduction of the living wage and the auto-enrolment pension as pressures on their sustainability as providers. 18 of the private day nurseries mentioned that they would consider not delivering 30 hours at the proposed rate. We have listened to this feedback, and the concerns of this sector of the market and consequently **proposed that the universal base rate be increased to £4.20 per hour.**

3.3.3 We understand that some private nurseries may still feel unable to offer many places for families eligible for 30 hours childcare and will be looking to other providers to consider how they might prioritise the places they offer. Initial discussions with a small number of schools indicate they may be interested in making a mixed offer with some 30 hour places and we will be providing information to schools who may be considering this approach.

### 3.4 Supplements

3.4.1 There is a mandatory requirement for a supplement over the base rate for deprivation. There are some discretionary supplements that are permitted, however in Leeds we have only previously used deprivation and propose to continue only with this supplement. It was proposed that the supplement for deprivation be increased from £0.33 per hour to £0.41 per hour. We have been focusing in Leeds on reducing the attainment gap between the most vulnerable families and the most affluent, which can be significant by the time children have reached secondary school age. The importance of the best early start for more vulnerable children remains a priority.

3.4.2 We have continued to use a measure for deprivation that is now somewhat out of date. As the national funding formula is introduced the IDACI is more commonly used and we will be moving across to this measure. In addition, having listened to the responses of the providers, **we now propose that the supplement reduce to £0.31**. It was felt that the amount proposed to be allocated through the supplement was disproportionate and should be reduced to enable the base rate to be increased. As the measure used to distribute this funding is also brought up to date, through the use of IDACI, we consider that the supplement will be more suitably targeted and best meet the needs of the providers working with families in deprived areas.

### 3.5 **SEN Inclusion Fund**

3.5.1 This is a requirement to establish a fund for 3 and 4 year olds who take up any number of hours of their free entitlement, that will be targeted at children with lower level or emerging SEN. **We propose to set aside £0.06 from the hourly allocation to establish this SEN Inclusion fund**. Based on our current estimate of likely funding this would equate to approximately £0.5m.

3.5.2 Providers agreed that this amount seemed reasonable and appropriate. Further details on how this will be allocated will be consulted on with providers and parents now that the fund amount has been considered.

### 3.6 **Other**

3.6.1 There are no changes to EY pupil premium and to EY Funding For Inclusion, which will continue to be distributed as previously. There has been the addition of a Disability Access Fund which is a fixed amount of £615 per annum per child in accordance with national regulations although locally administered.

## 4 **Corporate Considerations**

### 4.1 **Consultation and Engagement**

4.1.2 Although no statutory consultation was required, in line with our local procedures, consultation regarding the locally proposed funding allocations was undertaken with all current early years providers in the city; including schools, children's centres, childminders and private day nurseries. School's Forum were also asked to agree the proposed funding arrangements, although the Local Authority is the final decision maker.

4.1.3 Comments were received from 41 childcare providers and were taken into account when determining the funding allocation.

### 4.2 **Equality and Diversity / Cohesion and Integration**

4.2.1 An EDCI has been completed with regard to the changes and is attached to this report.

### 4.3 **Council policies and Best Council Plan**

4.3.1 Appropriate funding being available to providers will ensure that parents have access to their funded free early education entitlement places. Positive engagement with quality early education helps provide the best early start for children, to enable them to reach their full potential.

4.3.2 The Free Early Education Entitlement contributes towards the key objectives in the Best Council Plan 2015-2020 of building a child friendly city and supporting communities and tackling poverty.

#### 4.4 **Resources and value for money**

4.4.1 The DfE will allocate the FEEE funding to the local authority using the Early Years funding formulae to determine the funding level.

#### 4.5 **Legal Implications, Access to Information and Call In**

4.5.1 The Local Authority is responsible for ensuring that sufficient places are available for 2, 3 and 4 year olds to take up their free early education entitlement should their families choose to. In addition, the Local Authority is required by law to inform the DfE of the locally agreed funding rates for 2, 3 and 4 year old places, and to ensure that this is a universal base rate for all types of provider by 2019 – we will be meeting this requirement in 2017.

4.5.2 This is a significant operational decision and as such is not eligible for call in.

#### 4.6 **Risk Management**

4.6.1 Some private childcare providers have indicated that they will not be able to provide the additional entitlement (additional 15 hours giving access to 30 hours for working parents) due to concerns about their business model and the funding rate offered. While this raises significant concern in relation to the Local Authority's statutory responsibility to ensure sufficiency and flexible choice, there is confidence that in supporting providers to work in partnership with each other, sustainable arrangements will be secured.

4.6.2 The allocation of funding from DfE to the Local Authority is based on the January census, which is when numbers of children accessing provision is noticeably low. Funding to providers is paid termly, therefore there is a risk that there is more funding owed to providers than we receive in the initial allocation from the DfE. This risk is being managed by ensuring there is a contingency fund available as part of the 5% centrally retained budget, which will be spent in full or rolled over to the following financial year.

### 5 **Conclusions**

5.1 The Leeds breakdown provides funding in line with the statutory guidance, meeting our requirement for a universal base rate 18 months before it is required, and retaining centrally just 5% of the funding rather than the 7% allowed.

5.2 Consultation responses have been taken into consideration, resulting in the universal base rate being increased and the deprivation supplement being reduced, to ensure that more providers receive more of the funding available.

## **6 Recommendations**

6.1 The Director of Children's Services is recommended to approve the breakdown of the Free Early Education Entitlement as follows:

Of the £4.81 allocated per hour per eligible child in Leeds:

- Universal base rate - £4.20
- Deprivation supplement - £0.31
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- Centrally retained - £0.24

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.