

**Report of the Head of Learning Systems**

**Report to the Director of Children & Families**

**Date: 29 March 2019**

**Subject: 2018/19 FEEE Rates and Contracts**



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 checked="" type="checkbox"/> Yes	<input 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**

In line with the guidance the local authority has consulted providers on the proposed rates and contractual arrangements for free early education entitlement (FEEE) for 2019/20 and this report sets out the outcome of that consultation and the rates and contractual changes subsequently determined.

**Recommendations**

The Director of Children & Families is recommended to approve the breakdown of the Free Early Education Entitlement as follows:

For 3 & 4 Year Old funding - of the £4.81 per eligible child per hour allocated to Leeds City Council by the DfE:

- Universal base rate - £4.30 (increase of £0.05 from 2018/19)
- Deprivation supplement - £0.29 (reduction of £0.02 from 2018/19)
- SEN inclusion fund - £0.04 (reduction of £0.01 from 2018/19)
- Centrally retained - £0.20 (reduction of £0.02 from 2018/19)

For 2 Year old funding – of the £5.20 per eligible child per hour allocated to Leeds City Council by the DfE;  
£5.20 per hour (increased by £0.10 from 2018/19)

In addition the Director of Children and Families is recommended to approve the changes to the contractual arrangements with providers as follows:

- Align the payment and term dates to the academic year rather than the existing financial year arrangements
- Move the monthly payment dates from the 3<sup>rd</sup> week of the month to the 1<sup>st</sup> week of the month

## **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 and amendments to the contracts between Leeds City Council and FEEE Providers.

## **2 Background information**

- 2.1 Local authorities will continue to receive funding via the Early Years National Funding Formula in April 2019 to fund the FEEE for 2, 3 and 4 year olds.
- 2.2 A consultation with providers commenced 25th January 2019. The consultation was sent to all providers in Leeds setting out proposals for the rates that would come into force from April 2019, alongside proposed changes to the contract for the funding between the Local Authority and providers. This consultation closed on 22<sup>nd</sup> February 2019.
- 2.3 There were 39 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 rates and changes to be implemented to the LA / Provider contracts for FEEE following consultation with providers.

## **3 Main issues**

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

- 3.1.1 This continues to be allocated by the government on a formulaic basis and they are not proposing any changes. The census on which the funding allocation is determined by the DfE takes place in January. Typically this was a low point for numbers of children in provision and during the year the numbers of children claiming funding was frequently higher. A contingency fund was historically held centrally to enable any increase in numbers of children to be funded at the same rate.
- 3.1.2 We have reviewed this arrangement and can see that the number of children recorded on January census is now more in line with the pattern of take up throughout the year, therefore we do not expect that a contingency for 2 year old claims is required.
- 3.1.3 The rate proposed for 2 Year olds by the Local Authority is £5.20 per hour, an increase of £0.10 on the 2018/19 rate.
- 3.1.4 Some responses to the consultation stated that they did not think that the 2 year old rate should increase, and that this increase should instead be offered to 3 & 4s. The funding regulations state that 2 year old allocation can only be used for 2 year old places, therefore it is not possible to distribute this funding for use for 3 & 4s.

### **3.2 Centrally retained funding (3&4s 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 5% of the allocated funding. This retained funding cannot 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 For 2018/19 the central retention was reduced to 4%, and the rate for 2019/20 reduces this further to 3.7% of the per pupil allocation. The centrally retained funding provides a contribution to the costs of marketing, eligibility checking, capacity building, family support and early years inclusion.
- 3.2.3 The proportion of the central retention allocated to the contingency fund has been significantly reduced for 2019/20 from £175,000 in 2018/19 to £32,500 in 2019/20, to reflect uptake and funding allocation patterns, which has reduced the need and demand on this contingency fund. The use and breakdown of the centrally retained element was reviewed and agreed at Schools Forum in February 2019 as below:

		<b>18/19</b>	<b>19/20</b>
		<b>£</b>	<b>£</b>
1	Special Educational Needs Inclusion Team (SENIT)	450,000	460,000
2	Commissioned Service - Portage	140,000	140,000
3	Sensory Services	180,000	160,000
4	Education Psychology	50,000	70,000
5	Early Years Funding for Inclusion team. 3&4 YO Assessments.	30,000	30,000
6	Family Information Service	100,000	100,000
7	Family Services	500,000	500,000
8	Sufficiency	40,000	40,000
9	Commissioned Services - Northpoint Wellbeing (Leeds Counselling)	60,000	60,000
10	Learning Improvement	220,000	200,000
11	Contingency	<b>170,000</b>	<b>32,500</b>
	<b>Total</b>	<b>1,940,000</b>	<b>1,792,500</b>

- 3.2.4 Providers raised no objections to the principle of retaining 3.7% centrally in 2019/20.

### 3.3 Local Universal Base Rate

- 3.3.1 We believe that once again, the base rate for providers should increase from April 2019, despite the allocation to the Local Authority remaining the same. Currently the base rate is £4.25 per hour per child, and it was proposed that we increase this to £4.30 per hour from April 2019. This is achieved by reducing the centrally

retained proportion, a small reduction to the deprivation element and also a small reduction to the SEND allocation.

- 3.3.2 Some providers raised issue about the increase not being enough in line with national living wage, business rates and inflation. We will continue to highlight to the DfE the pressure caused by the set funding rates they pay to the Local Authority, but remain satisfied that we are passing through the maximum possible amount directly to providers.

### 3.4 **Supplements – Deprivation**

- 3.4.1 There is a mandatory requirement for a supplement over the base rate for children facing deprivation. There are some further discretionary supplements that are permitted in the funding regulations, however in Leeds we have only previously used deprivation and propose that this continues.
- 3.4.2 Our aim in Leeds is to reduce 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 vulnerable children remains a priority.
- 3.4.3 The IDACI was introduced as the method for allocating the deprivation funding in 2017/18 and will continue to be used in 2019/20. This sees 80% of all children being eligible for some element of the deprivation uplift funding, with those in the most deprived areas receiving the largest deprivation uplift. The funding retained for deprivation uplift is distributed in full, on a sliding scale using IDACI bands.
- 3.4.4 Some consultation comments were received which asked about the allocation of the deprivation uplift and how providers could better understand who this funding was paid for. The arrangements in 2018/19 paid this element retrospectively and as a single annual payment. We continue to review how we can improve these arrangements – our intention is to pay deprivation uplift on a monthly basis, with providers able to see which child is eligible for the deprivation uplift, and this should be introduced by the end of the summer term.
- 3.4.5 The funding rates proposed to reduce the per hour per child deprivation contribution by £0.02. The changes to the regularity of deprivation payments, plus the subsequent increase to all providers for all children of £0.05 per hour per child on the base rate is expected to offset this £0.02 reduction so that providers can continue to support the children who need it most.

### 3.5 **Supplements - SEN Inclusion Fund (SENDIF)**

- 3.5.1 The DfE require the LA to establish a fund for 3 and 4 year olds who take up any number of hours of their free entitlement which is targeted at children with lower level or emerging SEN. This is in line with our approach locally to support children through funding for inclusion.
- 3.5.2 For 2018/19, changes were introduced to the application and allocation process for the SENDIF to ensure that this money was best utilised to support children in

their settings. This saw a significant increase in the claims on this inclusion fund by providers, with over 750 children with SEND in childcare settings being supported by the fund. Despite this increase in claims, there continues to be a small underspend on this element of the retained funding, therefore the amount retained for this element of the DfE funding will reduce from £0.05 to £0.04 per hour per child, although the payments to providers will remain at £1800 per eligible child.

3.5.3 Providers agreed that this amount seemed reasonable and appropriate.

### 3.6 **Other relevant funding**

3.6.1 The Disability Access Fund which is a fixed amount of £615 per child per annum in accordance with national regulations although locally administered, will continue in 2019/20.

### 3.7 **Contractual changes**

3.7.1 The Local Authority receives the FEEE allocation from the DfE as a payment for the financial year, based on January census return figures (5/12ths in advance, 7/12ths in arrears). The funding arrangement with childcare providers has historically been arranged on a financial year, therefore the total number of hours a family can claim has been allocated over that financial year.

3.7.2 The intention of the funding for 38 weeks per year relates to term time only – linked to the academic year and not the financial year. Some families who are eligible for 5 terms of funding miss out because of the financial year arrangement, and for some school years, it would mean that there were multiple un-funded weeks in the academic year, to ensure that the number of funded weeks in the financial year was correct.

3.7.3 It was proposed to amend the funded timetable to align with the Leeds published term dates, so that there was greater clarity for parents, carers and childcare providers about the funded / non-funded FEEE weeks throughout the year. Some concerns were raised about whether this would lead to increased workload for childcare providers, and whether families would miss out on the hours they would be eligible for if they were stretching the funding across the year. Providers have been reassured that they are not required to complete new forms each term, and that stretched funding should not be affected, as long as providers continue to refer to the maximum funding weeks available each term.

3.7.4 The childcare providers have always been paid on the third Wednesday and Friday of each month. Some providers had advised that earlier in the month would be better for them in terms of business planning and cashflow. It was proposed that payments would be made on the first Wednesday and Friday of the month, and all respondents supported this.

## 4 **Corporate Considerations**

### 4.1 **Consultation and Engagement**

4.1.5 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 use of the centrally retained element of the funding, although the Local Authority is the final decision maker.

4.1.6 Comments were received from 39 childcare providers and were taken into account when determining the funding allocation and changes to the FEEE provider contract.

## 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 of building a child friendly city, 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. The LCC rates and arrangements for the use of this funding aim to pass through to childcare providers 96.3% of the hourly rate per pupil funding received.

## 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 have been meeting this requirement since 2017.

4.5.2 This is a Key decision and eligible for call in.

## 4.6 **Risk Management**

4.6.1 The allocation of funding from DfE to the Local Authority is based on the January census, which is when numbers of children accessing provision was historically low. The rates for 2019/20 have taken into account the full year of 30 hours take up in 2018/19 to enable an increase to the universal base rate. However, 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 small contingency fund available as part of the 3.7% 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, and retaining centrally less than 4% of the funding rather than the 5% permitted.
- 5.2 Providers of free early entitlement have provided feedback to the contracts in place, and these have been considered and, along with the DfE FEEE guidance, have informed the proposals made for contractual changes.
- 5.3 Consultation responses have been taken into consideration, resulting in the universal base rate being increased for all providers, with the some elements of the centrally retained funding being reduced. The funding continues to be paid to providers at a greater overall passthrough rate than in previous years.

## **6 Recommendations**

- 6.1 The Director of Children & Families is recommended to approve the breakdown of the Free Early Education Entitlement as follows:
  - 6.1.1 For 3 & 4 Year Old funding - of the £4.81 per eligible child per hour allocated to Leeds City Council by the DfE:
    - Universal base rate - £4.30 (increase of £0.05 from 2018/19)
    - Deprivation supplement - £0.29 (reduction of £0.02 from 2018/19)
    - SEN inclusion fund - £0.04 (reduction of £0.01 from 2018/19)
    - Centrally retained - £0.20 (reduction of £0.02 from 2018/19)
  - 6.1.2 For 2 Year old funding – of the £5.20 per eligible child per hour allocated to Leeds City Council by the DfE;
    - £5.20 per hour (increased by £0.10 from 2018/19)
  - 6.1.3 The Director of Children and Families is also recommended to approve the changes to the contractual arrangements with providers as follows:
    - Divide the annual allocation of hours across the academic year rather than the financial year
    - Change to payment dates to bring forward to 1<sup>st</sup> week of the month

## **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.