
Report of: Lead Officer Admissions and FIS

Agenda item

Report to Schools Forum

Date: February 2020

Subject: 2020/21 FEEE rates



Summary of main issues

1. Local authorities will continue to receive funding via the Early Years National Funding Formula in the financial year 2020/21 to fund the Free Early Education Entitlement (FEEE) for 2, 3 and 4 year olds.
2. The DfE have increased the rate paid to the Local Authority by £0.08 per hour per child for both the 2 year old and 3&4 year old funding streams.
3. The local authority is consulting with providers on the proposed rates for 2020/21 and this report sets out those proposed rates. The formula for allocating the DfE Early Years funding will be determined by the Local Authority following the conclusion of the consultation with providers and Schools Forum.
4. Schools Forum are required to agree the proposed allocation of the centrally retained element of the 3&4 Year Old funding.

Background information

1. A consultation with providers commenced 24 January 2020. The consultation was sent to all providers in Leeds setting out proposals for the rates that would come into force from April 2020. This consultation will close on 21 February 2020. The responses will be collated and analysed prior to determination of the funding arrangements.
2. This paper sets out the proposals for the Early Years funding element of DSG, and feedback is requested to inform final determination. It is a requirement that schools forum are consulted on changes to local early years funding formulae by 28 February, and all responses will be considered by the Local Authority as final decision maker.
3. The EY DSG allocation for Leeds is calculated by the DfE under the EY National Funding Formula. In 2020/21 Leeds will receive an £0.08 increase on it's per pupil funding allocation for both 2 Year Old and 3&4 Year old FEEE.
4. Initial feedback from providers on the proposal for the funding indicates that providers would prefer as much money as possible to be paid via the base rate. In addition, we have further clarity on the number of children likely to be funded by the DfE, therefore a second proposal for the funding is included below, which seeks to uplift the base rate by the full £0.08 that the LA will receive from the DfE.

Main Issues

1. Method of allocation

- 1.1 As in previous years, the allocation for FEEE will be paid to Leeds City Council by the DfE based on the per pupil per hour rates confirmed in December 2019 (£5.28 per hour for 2 year olds and £4.89 per hour for 3/4 year olds). This will be allocated to the authority according to January census returns. The annual allocation for the financial year 2020/21 will be paid to the LA based on 5/12^{ths} of those hours returned by providers on the 2020 spring term census and 7/12^{ths} of those hours returned on the 2021 spring term census. With no confirmation of the DSG grant that would be paid to the LA, the expected DSG income is currently projected based on previous allocations, and patterns of take-up.
- 1.2 Providers will continue to receive payments from the LA monthly, an arrangement successfully implemented since September 2018. During 2019/20, some schools have transitioned over to use the provider portal (Synergy) so also receive monthly payments. The intention is to move all schools to using the provider portal in the coming months so that they also receive monthly FEEE payments rather than the current termly payments.
- 1.3 All settings receive the base rate funding each month according to the number of children the provider records as attending the setting using the provider portal monthly estimates. Each term, balancing payments are made in the final month based on the confirmed termly census headcount.
- 1.4 The supplement payments (SENDIF and Deprivation Uplift) will be paid in one lump sum to providers at the end of the term based on the number of eligible children returned on the census.
- 1.5 Disability Access Fund (DAF) payments are made to providers based on census claims where providers identify that a child is in receipt of Disability Living Allowance (DLA). The payment of £615 is made in the first term that the child is recorded as being in receipt of DLA and covers 3 terms, regardless of the number of hours the child claims.
- 1.6 All providers will receive the same funding rates, as identified by the formulae set out in this paper.

2. Funding for two year olds

- 2.1 The 2 year old FEEE funding rate paid to Leeds City Council (the LA) by the DfE has increased from £5.20 to £5.28 for each eligible hour of entitlement.
- 2.2 In line with the decision in 2019/20 to pass through the full 2YO FEEE funding to providers, the funding rate for 20/21 will increase to £5.28 per hour up to a maximum of £3,010 per child per annum for 15 hours x 38 weeks of early education.

- 2.3 Following the Early Years Peer review, an action plan is in place which includes a focus on increasing the uptake of eligible 2 year old places from the 62% (average) taking up their place in 2019. A 'golden ticket' approach to notifying parents of their eligibility for a funded place for their 2 year old will be introduced Spring 2020, in order to remove some of the identified barriers impacting the city's take up rate.
- 2.4 Although providers continue to share their concerns that the DfE is under-funding the early years entitlement, initial responses from childcare providers have been positive and in favour of the proposed increase to their 2 year old FEEE rate.

3. Funding for three and four year olds

- 3.1 The 3 and 4 year old FEEE funding rate paid to Leeds City Council by the DfE has increased from £4.81 per eligible hour to £4.89.
- 3.2 Leeds has been able to increase the funding allocated to providers through the base rate year on year, by reflecting on the amounts claimed in previous years, and reducing the amount of centrally retained funding.
- 3.3 The full £0.08 increase in the LA allocation from the DfE will be passed through to providers. The consultation sent to providers proposed a base rate increase of £0.05, a deprivation element increase of £0.01 and SENDIF proposed increase of £0.02. No increase was proposed to be allocated to the centrally retained element of the funding.
- 3.4 Since circulating the proposals to providers, we have had further indications of numbers likely to be funded in 2020/21, which projects that there will be a small increase in the number of hours funded by the DfE to the LA. In addition, providers continue to report that the base rate is the most important element of the funding to them and that this influences their business models and charging policies.
- 3.5 The initial proposal was to increase the deprivation retention by £0.01 to £0.30, however following feedback from providers where greater emphasis has been put on the base rate funding, proposal B is to maintain the deprivation retention at £0.29 as in 2019/20.
- 3.6 SENDIF is projected to be significantly overspent in 2019/20 (£241k), hence the initial proposal to increase this retention by £0.02. However, the overall DSG income has historically been overfunded. Any overspend on this element will be met by this overpayment of the grant received, which introduces an element of risk, although means that all providers will receive the maximum possible base rate.

3.7 We would like Schools Forum to consider the following amended proposal where the centrally retained and deprivation elements are reduced and the base rate is increased by the full £0.08 being allocated to the LA:

3&4s	Total received via EY NFF	Centrally retained	Deprivation supplement	SEND Inclusion fund	Base rate paid to all providers
2019/20	£4.81	£0.18	£0.29	£0.04	£4.30
2020/21 – proposal A (consultation)	£4.89	£0.18	£0.30	£0.06	£4.35
2020/21 – proposal B	£4.89	£0.17	£0.29	£0.05	£4.38

4. 3&4 YO Centrally retained funding

- 4.1 The funding regulations dictate that any 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. The Local Authority may retain up to 5% of the DfE per pupil allocation, with schools forum approval.
- 4.2 In 2019/20 Leeds City Council retained 3.7% of the £4.81 funding allocated to Leeds City council. This was used to fund centrally retained services and also create a small contingency to ensure that case by case exceptional circumstances can be funded. Retaining £0.18 (Proposal A) in 2020/21 would also be a 3.7% retention of the £4.89, and proposal B would be a 3.5% retention of the £4.89 allocated to the LA.
- 4.3 Each year, the centrally retained element of the funding has remained fixed based on the budget estimate – there has been no adjustment to reflect any increased funding received from the DfE where actual hours funded by the DfE have exceeded the projected income. This has contributed to the overall underspend on the Early Years block in previous years.
- 4.4 Under Proposal A the projected increase in the number of hours funded by the DfE would increase the centrally retained funding by £157k despite the per pupil retention remaining at £0.18 per pupil per hour. Table 2 details the proposed expenditure on this centrally retained funding if this were agreed.
- 4.5 The Early Years Action Plan has identified £65k of costs for 2020-21 to support the improvement of outcomes across all providers. As £35k of this relates to improving outcomes for 3 & 4 year olds, this would be allocated from the FEEE central retention.

4.6 Proposal B (reduced central retention to £0.17) would provide a £60k increase on the central retention budget but the additional cost identified in the Early Years Action plan would mean a reduced contingency of less than £17k.

		19/20	20/21 Proposal A (central retention £0.18)	20/21 Proposal B (central retention £0.17)
		£	£	£
1	Special Educational Needs Inclusion Team (SENIT)	460,000	460,000	460,000
2	Commissioned Service - Portage	140,000	140,000	140,000
3	Sensory Services	160,000	160,000	160,000
4	Education Psychology	70,000	70,000	70,000
5	Early Years Funding for Inclusion team. 3&4 YO Assessments.	30,000	30,000	30,000
6	Family Information Service	100,000	110,000	110,000
7	Family Services	500,000	500,000	500,000
8	Sufficiency	40,000	40,000	40,000
9	Commissioned Services - Northpoint Wellbeing (Leeds Counselling)	60,000	60,000	60,000
10	Learning Improvement	200,000	200,000	200,000
11	Early Years Action plan	0	35,000	35,000
12	Contingency	32,500	156,800	47,785
	Total	1,792,500	1,961,800	1,852,785

- 4.6.1 **SENIT** This funding is allocated to support all settings to include children with SEN and / or disabilities. All providers can request support from the service.
- 4.6.2 **Portage** This is a contribution towards the commissioned service for parents and families of children with identified SEN delivering home visits, information and support.
- 4.6.3 **Sensory Services** The Sensory Services support settings and families to meet the additional educational and developmental needs of children with visual and/or hearing impairment
- 4.6.4 **Education Psychology.** Supporting Educational Psychology consultations and input to EHC assessments.
- 4.6.5 **Early Support & Inclusion.** This is a contribution towards the Early Years Funding for Inclusion Team who manage the EY FFI and SENDIF processes.
- 4.6.6 **Family Information Service** This contributes to the costs of eligibility checks, advice and support to all childcare providers, promotion of the 3&4 year old offer and audit checks by the Family Information Service for all providers.
- 4.6.7 **Family Services** Contribution towards the costs of family outreach workers and the GRT outreach team who promote the take up of FEEE for all settings, supporting 3&4 year old take up of the early education entitlement and attendance at early years provision, improving readiness for learning at 4/5 years old.

- 4.6.8 **Sufficiency** Contribution to the costs of the sufficiency team managing the childcare sufficiency audit and supporting the establishment of early years provision
 - 4.6.9 **Northpoint Wellbeing Counselling** – contribution towards the cost of a citywide parents counselling service.
 - 4.6.10 **Learning Improvement** – contribution towards the cost of the Early Years Learning Improvement Team and the support they offer to settings in relation to improving outcomes for children.
 - 4.6.11 **EY Action plan** – New cost for 2020/21 prioritising the Early Years Action plan and offering support for all settings to support them to improve outcomes for all children
 - 4.6.12 **Contingency** – This allows for some exceptions or discretionary payments to be made where there have been issues with eligibility codes being issued but the family were otherwise eligible for funded early education places. This contingency would be requested
- 4.7 Throughout 2020/21 a review of this expenditure will be undertaken to ensure that this centrally retained funding continues to provide value for money and is in line with the Early Years Action Plan being implemented.
- 4.8 No comments have yet been received from providers relating to the centrally retained funding.

5. Local Universal Base Rate (3&4 year olds)

- 5.1 Currently the base rate for FEEE is £4.30 per hour. Under the proposal circulated to providers it was proposed that we increase this to £4.35 per hour from April 2020. This will be an increase since the 2016/17 financial year of £0.55 per hour. Proposal B suggests an increase to the base rate of £0.08 per hour, taking the base rate to £4.38.
- 5.2 Initial responses to the proposal to increase the base rate in Leeds are positive, although providers continue to share their concerns that the increase offered by the DfE to the LA is insufficient, hence proposal B being introduced.

6. Supplements

- 6.1 There are some discretionary supplements permitted within the funding guidance, however in Leeds we have only previously used the mandatory supplements, in order to ensure that all providers receive as much funding through the base rate as possible.

6.2 Deprivation

There is a mandatory requirement for a supplement over the base rate for deprivation. Under proposal A the allocation to deprivation is £0.30, and £0.29 under proposal B.

The supplement for deprivation will continue to be calculated using the Income Deprivation Affecting Children Index (IDACI) with all children receiving support if they are outside the 20% most affluent areas of the city.

The funding is banded so that children from areas of higher deprivation receive more support ranging from payments of £0.39 per hour per child to £0.89 per hour per child depending on the IDACI banding the child's address falls into.

Examples:

For children living in the most deprived areas of the city, their providers would receive a rate of **£5.27 per hour** (£4.38 base + £0.89 highest dep uplift)

For children in the lowest paid IDACI banding, their providers will receive an allocation of **£4.77 per hour** (£4.38 base + £0.39 lowest dep uplift)

Where a child lives in the 20% most affluent postcode areas of the city, the provider will receive the base rate of **£4.38 per hour**.

6.3 SEND Inclusion Fund (SENDIF)

This is a mandatory supplement to be paid to providers where 3 and 4 year olds take up any number of hours of their free entitlement where the children have lower level or emerging SEND.

Providers apply to the Funding For Inclusion (FFI) Team, who assess the application and then award funding to support settings to meet children's emerging SEN needs. The funding is paid to providers at a rate of £3,600 per year where the child attends for 30 hours per week, or £1,800 per year where the child attends for 15 hours. This is the equivalent of an hourly supplement of **£3.15 per hour**. This funding rate is targeted at those children who do not yet need the support offered from the Funding For Inclusion offer (EYFFI).

In 2019/20, there was a significantly increased demand for this funding – with an overspend on the initial budget of £241k and over 330 children receiving SENDIF supplements.

None of the providers responding to the consultation have made reference to this element of the funding.

7. Other

7.1 The Disability Access Fund is a fixed amount of £615 per year per child paid in accordance with national regulations to those children in receipt of Disability Living Allowance, remains with no change. This is funded by the DfE based on DWP data and providers claim this funding when a parent identifies and can evidence that they are in receipt of Disability Living Allowance for their child.

Recommendations

Members of Schools forum are asked to:

1. Comment on the funding proposals for the Early Years Funding formula, offering support to either proposal A or proposal B.
2. Approve items 1 to 12 of the centrally retained funding identified in 4.6