

Report of Head of Learning Systems

Report to Director of Children and Families

Date: 16 March 2020

Subject: 2020/21 FEEE rates and contracts



Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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

1. Main issues

- Local authorities will continue to receive funding via the DSG Early Years Block in the financial year 2020/21 to fund the Early Education Entitlement (FEEE) for 2, 3 and 4 year olds
- 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
- The local authority has consulted with providers on the proposed rates for 2020/21 and this report sets out the recommended rates taking into account the consultation outcomes
- Schools Forum have agreed the proposed allocation of the centrally retained element of the 3&4 Year Old funding

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- 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.

- 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.

3. Resource Implications

- The EY DSG allocation for Leeds is calculated and paid to the LA 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.
- 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 96.5% of the hourly rate per pupil funding received, with 3.5% allocated to support centrally managed services, as agreed by Schools Forum.

Recommendations

- a) The Director of Children & Families is recommended to approve the breakdown of the Free Early Education Entitlement for 3 and 4 year olds as follows:

£0.17 centrally retained (down £0.01 on 2019-20)
 £0.29 deprivation supplement (same as 2019-20)
 £0.05 SENDIF (up £0.01 on 2019-20)
 £4.38 base rate paid to all providers (up £0.08 on 2019-20)

- b) The Director of Children & Families is recommended to approve that the entire £5.28 per child per hour paid to the Local Authority in the DSG Early Years grant is paid in full to providers (increase of £0.08 per hour per child on 2019-20).

1. Purpose of this report

- 1.1 To outline the recommended rates for the use of the Free Early Education Entitlement (FEEE) grant from the Early Years Block of DSG to be paid to childcare providers across the city for the financial year 2020/21.

2. Background information

- 2.1 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 closed on 21 February 2020. The responses were collated and analysed to inform the recommended funding arrangements.
- 2.2 This paper sets out the proposals for the Early Years funding element of DSG, and the recommended final rates.
- 2.3 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 on the 2019/20 rates.

- 2.4 Feedback from providers on the proposal for the funding indicated that providers would prefer as much money as possible to be paid via the base rate. The recommended rates reflect this.

3. Main issues

- 3.1 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.
- 3.2 The annual allocation for the financial year 2020/21 will be paid to the LA based on 5/12ths of those hours returned by providers on the 2020 spring term census and 7/12ths 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.
- 3.3 Providers will continue to receive payments from the LA monthly, an arrangement successfully implemented since September 2018. During 2019/20, some schools 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.
- 3.4 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.
- 3.5 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 for that term.
- 3.6 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.
- 3.7 All providers will receive the same funding rates, as identified by the formulae set out in this paper.

3.8 Funding for two year olds

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.

- 3.8.1 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.
- 3.8.2 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.

3.8.3 Although providers continue to share their concerns that the DfE is under-funding the early years entitlement, no objections to the LCC rate of £5.28 per hour per child were received.

3.9 Funding for three and four year olds

3.9.1 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.

3.9.2 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.

3.9.3 The full £0.08 increase in the LA allocation from the DfE will be passed through to providers.

3.9.4 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.

3.9.5 Following feedback from providers where it is evident that they put greater emphasis on the base rate funding, the proposal is to maintain the deprivation retention at £0.29 as in 2019/20.

3.9.6 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.

3.9.7 Following feedback from The Schools Forum considered the following proposals where the centrally retained and deprivation elements were reduced and the base rate was 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	£4.89	£0.18	£0.29	£0.06	£4.36
2020/21 – proposal B	£4.89	£0.17	£0.29	£0.04	£4.38

3.9.8 Schools Forum supported Proposal B as they were keen to increase the base rate by the full amount of additional funding received from the DfE.

3.10 3&4 YO Centrally retained funding

The funding regulations dictate that any centrally 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.

3.10.1 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. Under the recommended formula for 2020/21 there be 3.5%

retention of the £4.89 allocated to the LA, which is significantly below the permitted 5%.

3.10.2 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.

3.10.3 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.

3.10.4 The proposal (which reduced central retention to £0.17 per hour per child) would provide a £60k increase on the central retention budget (due to a projected increase in the number of children and hours funded) but the additional cost identified in the Early Years Action plan would mean a contingency of under £48k:

		19/20	20/21 Proposal B (central retention £0.17)
		£	£
1	Special Educational Needs Inclusion Team (SENIT)	460,000	460,000
2	Commissioned Service - Portage	140,000	140,000
3	Sensory Services	160,000	160,000
4	Education Psychology	70,000	70,000
5	Early Years Funding for Inclusion team. 3&4 YO Assessments.	30,000	30,000
6	Family Information Service	100,000	110,000
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	200,000	200,000
11	Early Years Action plan	0	35,000
12	Contingency	32,500	47,785
	Total	1,792,500	1,852,785

1. SENIT This funding is allocated to support settings to include children with SEN and / or disabilities. All providers can request support from the service.
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.

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. Education Psychology. Supporting Educational Psychology consultations and input to EHC assessments.
 5. Early Support & Inclusion. This is a contribution towards the Early Years Funding for Inclusion Team who manage the EY FFI and SENDIF processes.
 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.
 7. Family Services Contribution towards the costs of family outreach workers and the GRT outreach team who promote the take up of FEEE for 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.
 8. Sufficiency Contribution to the costs of the sufficiency team managing the childcare sufficiency audit and supporting the establishment of early years provision
 9. Northpoint Wellbeing Counselling – contribution towards the cost of a citywide parents counselling service.
 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.
 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
 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
- 3.10.5 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.

3.11 Local Universal Base Rate (3&4 year olds)

The base rate for FEEE in 2019/20 was £4.30 per hour. The consultation proposal was to increase the base rate by £0.06 per hour.

- 3.11.1 Responses to the proposed increase to the base rate were positive, although providers continue to share their concerns that the increase offered by the DfE to the LA is insufficient.
- 3.11.2 Providers raised concern that they would like the base rate to increase by the full increase provided by the DfE, rather some being used to increase the amounts available for deprivation and / or SENDIF.
- 3.11.3 It is therefore recommended that the base rate increases to £4.38 per hour per child.

3.12 Supplements

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.

3.12.1 Deprivation

There is a mandatory requirement for a supplement over the base rate for deprivation. Under the proposal the allocation from the £4.89 per hour per child to the deprivation budget is £0.29.

3.12.2 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.

3.12.3 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.

3.12.4 Examples:

Example A: 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 possible dep uplift)

Example B: 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)

Example C: 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**.

3.12.5 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.

3.12.6 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).

3.12.7 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.

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

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 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.
- 4.1.2 Comments were received from 19 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 No identified risks. EDCI screening tool completed.

4.3 Council policies and the 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.

Climate Emergency

- 4.3.3 Funding is paid to all providers throughout the city and families are able to access provision wherever they choose to ensure that they do not need to travel unnecessarily to access provision.

4.4 Resources, procurement 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 96.5% 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. We have been meeting this requirement since 2017.

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 2020/21 have taken into account the full year of 30 hours take up in 2019/20 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 3.5% centrally retained budget, which will be spent in full or rolled over to the following financial year.

5. Conclusions

- 5.1 The Leeds formulae for FEEE provides funding to early years providers in line with the statutory guidance, meeting our requirement for a universal base rate, and retaining centrally less than 3.5% of the funding rather than the 5% permitted.
- 5.2 Providers of the free early entitlement have given feedback to the proposed rates, and these have been considered along with the DfE FEEE guidance, informing the proposals made.
- 5.3 Consultation responses have been taken into consideration, resulting in the universal base rate being increased for all providers.

6. Recommendations

- 6.1 A) The Director of Children & Families is recommended to approve the breakdown of the Free Early Education Entitlement for **3 and 4 year olds** as follows:
- £0.17 centrally retained (down £0.01 on 2019-20)
 - £0.29 deprivation supplement (same as 2019-20)
 - £0.05 SENDIF (up £0.01 on 2019-20)
 - £4.38 base rate paid to all providers (up £0.08 on 2019-20)
- 6.2 B) The Director of Children & Families is recommended to approve that the entire £5.28 per child per hour paid to the Local Authority for **2 year olds** in the DSG Early Years grant is paid in full to providers (increase of £0.08 per hour per child on 2019-20).

7. Background documents¹

- 7.1 None

¹ 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.