

Report of Head of Learning Systems
Report to Director of Children and Families
Date: 3 March 2021
Subject: 2021/22 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 2021/22 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 2 year olds and £0.06 per hour for 3&4 year olds
- The local authority has consulted with providers and Schools Forum on the proposed rates for 2021/22 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 Funded Early Education Entitlement (FEEE) 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 2021/22 Leeds will receive an £0.08 increase on it's per pupil funding allocation for 2 Year Olds (2YO) and £0.06 per hour pupil funding for 3&4 Year olds (3/4YOs) FEEE.
- 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, with 3.7% 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:

£0.18 centrally retained (up £0.01 on 2020-21)
 £0.26 deprivation supplement (down by £0.03 on 2020-21)
 £0.05 SENDIF (same as 2020-21)
 £4.46 base rate paid to all providers (up £0.08 on 2020-21)

- b) The Director of Children & Families is recommended to approve that the entire £5.36 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 2020-21).

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 2021/22.

2. Background information

- 2.1 A consultation with providers commenced 25 January 2021. The consultation was sent to all early years providers in Leeds setting out proposals for the rates that were proposed to come into force from April 2021. This consultation closed on 19 February 2021. The responses were collated and analysed to inform the recommended funding arrangements.
- 2.2 The EY DSG allocation for Leeds is calculated by the DfE under the EY National Funding Formula. In 2021/22 Leeds will receive an £0.08 increase on our per pupil funding allocation for 2YOs and £0.06 increase on our per pupil funding allocation for 3&4 Year old FEEE compared to the 2020/21 rates.
- 2.3 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.

- 2.4 Nationally the Early Years funding is known as the Free Early Education Entitlement. In Leeds, a commitment was made in 2019 to all providers that we would refer to this funding as the Funded Early Education Entitlement, due to local and national concerns that the funding allocated by the DfE does not meet the full cost of the delivery of early education provision.

3. Main issues

- 3.1 As in previous years, the allocation for FEEE in 2021/22 will be paid to Leeds City Council by the DfE based on the per pupil per hour rates confirmed in December 2020, allocated to the authority according to January census returns.
- 3.2 There is some uncertainty due to Covid-19 about how the DfE will calculate the LAs allocation for the year. However, as no other confirmation has been received, it is assumed that the annual allocation for the financial year 2021/22 will be paid to the LA based on 5/12ths of those hours returned by providers on the 2021 spring term census and 7/12ths of those hours returned on the 2022 spring term census.
- 3.3 The DSG grant income is currently projected based on previous allocations, and patterns of take-up, however there are some unknowns due to the impact of Covid on take up and attendance and possible adjustments to the allocation formula by the DfE.
- 3.4 Providers will continue to receive payments from the LA monthly. During 2020/21, all schools have been transitioned over to use the provider portal (Synergy) so are also able to receive monthly payments where they submit termly estimates.
- 3.5 All settings receive the base rate funding each month according to the number of children the provider records as expected to attend the setting using the provider portal termly estimates. In the final payment of the term, balancing payments are made based on the confirmed termly census headcount.
- 3.6 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.
- 3.7 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.
- 3.8 All types of provider will receive the same funding rates, as identified by the formulae set out in this paper.

3.9 Funding for two year olds

3.9.1 Hourly Rate to be paid to providers: £5.36

- 3.9.2 The 2 year old FEEE funding rate paid to Leeds City Council (the LA) by the DfE has increased from £5.28 to £5.36 for each eligible hour of entitlement.
- 3.9.3 In line with the decision in 2019/20 and 2020/21 to pass through the full 2YO FEEE funding to providers, the funding rate paid for 2021/22 will increase to £5.36 per hour up to a maximum of £3,055.20 per child per annum for 15 hours x 38 weeks of early education.

- 3.9.4 Although providers continue to share their concerns that the DfE is under-funding the early years entitlement, no objections to the LCC rate of £5.36 per hour per child were received.

3.10 Funding for three and four year olds

3.10.1 Hourly rate to be paid to providers: £4.46 (+ Dep Uplift, EYPP, DAF & SENDIF where appropriate).

3.10.2 The 3 and 4 year old FEEE funding rate paid to Leeds City Council by the DfE has increased from £4.89 per eligible hour to £4.95.

3.10.3 Leeds has been able to increase the funding allocated to providers through the base rate year on year, by reflecting on our local formula and the amounts claimed in previous years, and reducing the amount of centrally retained funding for contingency.

3.10.4 It was proposed in the consultation that the full £0.06 increase in the LA allocation from the DfE will be passed through to providers on the base rate (increasing the base rate from £4.38 to £4.44).

3.10.5 Although providers are not able to charge a top up (the difference between their daily rate the amount of funding they receive from the DfE) many settings do charge for extras that they offer over and above the EYFS requirements to ensure the sustainability of the provision.

3.10.6 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, budgeting, planning and charging policies as this is the amount they can rely on each term as it is not affected by individual children's eligibility in the way that EYPP, Deprivation Uplift, SENDIF and DAF are.

3.10.7 In 2020/21 there has been a reduction in payments out under the deprivation formula. This has been affected by a number of factors including the updated IDACI bandings for the city, the profile of children claiming FEEE and where they live, the influence of the 30 hours eligibility and take up in settings and Covid-19 and the impact on take-up. Further information about the deprivation supplement is provided at 3.13.1.

3.10.8 In response to the provider feedback and the deprivation supplement expenditure in 2020/21, it is recommended that the contribution to the deprivation supplement that each hour of funding makes should reduce from £0.28 to £0.26. This £0.02 will then be passed through to all providers for all children as an increase in the base rate. This gives a base rate of £4.46 per child per hour (an increase of £0.08 on the 2020/21 rate).

3.10.9 Schools Forum comments also supported the view that an increase on the base rate would be welcomed by providers.

3.11 3&4 YO Centrally retained funding

3.11.1 The funding regulations dictate that any centrally retained funding can be used for central services or services in-kind. The Local Authority may retain up to 5% of the DfE per pupil allocation, with schools forum approval.

3.11.2 As the per pupil funding received from the DfE has increased over the years, the amount of funding retained centrally has reduced, meaning that in 2020/21 Leeds City Council retained 3.5% of the £4.89 funding allocated. 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 2021/22 there will be an increase to 3.7% retention of the £4.95 allocated to the LA, which although an increase, is significantly below the permitted 5%.

- 3.11.3 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.
- 3.11.4 Due to the projected reduction in the number of hours being claimed / paid to the LA by the DfE, the increase in the central retention to £0.18 does not result in an increase in the amount of funding retained centrally, instead there is a projected reduction of £35k on the central retention, which is offset by the reduction in the contingency.
- 3.11.5 In 2020/21, an Early Years Action Plan was developed and implemented to support the improvement of children’s outcomes across all providers. As £35k of the cost of this action plan related to improving outcomes for 3 & 4 year olds, this was allocated from the FEEE central retention. This work is ongoing and so the commitment is proposed to continue in 2021/22.

3.11.6

		20/21 (central retention £0.17)	21/22 (central retention £0.18)
		£	£
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	110,000	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	35,000	35,000
12	Contingency	47,785	12,974
	Total	1,852,785	1,817,874

1. **SENIT** EY SENIT comprises Early Years Special Educational needs Co-ordinators (EY SENCos) and the EY inclusion workers. This is a City level offer to all

educational settings (school nurseries, Childrens centres, PVI, childminders) for 3 and 4 years olds to support children with special educational needs. SENCOs offer high support and challenge to EY settings to develop their capacity in promoting equality and inclusion, the early identification of need, assessment, securing appropriate provision and improving outcomes. Inclusion Officers play a crucial role in supporting the planning of children transitioning from their EY setting to school. This is a contribution towards the overall cost of this 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. This service is currently commissioned to Barnardo's by the Early Help service.
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. This is a contribution towards the overall cost of the service. The support offered depends on the needs of the child and family, it could include support by a teacher of the deaf/visually impaired who will support and advise the family around educational support for the child. Support could also take the form of support for staff in the setting. A city wide training offer is also in place.
4. **Education Psychology.** Supporting Educational Psychology consultations and input to EHC assessments. The team offer a city wide consultation service in children's centres across the city to support early intervention and support for children with complex needs. There is also individual support from the EPT for H-EN cases referred from SENIT on request. This is a contribution towards the cost of the EP support offered.
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 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. This element of spend supports an element of the Leeds approach to whole systems support. The model creates an integrated offer across a health, social care and early education model ensuring a community based universal offer for all children under 5. The main offer for 3-4 year olds is in the city wide play and stay offer where families bring children to play learn and communicate together and develop skills for school readiness. Family Outreach Workers also work intensively with targeted families. These are families who have been referred or refer themselves for short, but intensive support.
8. **Sufficiency** A contribution towards the cost of the Sufficiency and Participation team, who are responsible for ensuring the sufficiency of Early Years places on a citywide level, including 3&4 year old provision. The work undertaken is currently overseen by three members of the team and involves supporting providers,

monitoring places and forecasting future demand, tracking take up of FEEE and assessing the sufficiency of places across a range of provision, which is accessible for families. Advice and support is available to school nurseries and other providers on improving their FEEE offer to ensure it meets the needs of their local families. Limited business advice is also provided to improve take up and in turn income, ensuring a more sustainable business model can be achieved. The outcomes of this support work can result in increased numbers of places in the city, improved access to local places, higher numbers of 3&4s accessing places and assisting provision to be more sustainable therefore ensuring longevity.

9. **Northpoint Wellbeing Counselling** A contribution towards the cost of a citywide parents counselling service. The purpose of the service is to deliver an individual counselling service to parents and carers of children aged 0-5 years. Northpoint Wellbeing delivers an early intervention responsive service which prevents unnecessary escalation to more targeted services. The contract has been in place since 1/7/2014.
10. **Learning Improvement** A 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, working directly in settings with children and offering generic leadership support across all types of settings. The team provide post-Ofsted support to Requires Improvement and Inadequate settings and childminders.
11. **EY Action plan** – Continued commitment to the Early Years Action plan introduced in 2020/21 and offering support for all settings 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.

3.11.7 Schools Forum agreed the use of the centrally retained element as outlined above.

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

- 3.12.1 The base rate for FEEE in 2020/21 was £4.38 per hour. The consultation proposal was to increase the base rate by £0.06 per hour in line with the DfE increase.
- 3.12.2 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 to meet the rising costs of delivering early learning due to the national minimum wage increases and other increased costs.
- 3.12.3 As outlined below (3.13.1) reducing the supplement taken from each hour funded for the deprivation element by £0.02 allows the funding to be passed through to all funded children, by offering it as an increase on the base rate.
- 3.12.4 It is therefore recommended that the base rate increases to £4.46 per hour per child (+£0.08 on 2020/21 rate)

3.13 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.

3.13.1 Deprivation

- 3.13.2 There is a mandatory requirement for a supplement over the base rate for deprivation. Under the proposal the allocation from the £4.95 per hour per child to the deprivation budget is £0.26 – a reduction of £0.03 per hour per child. £0.02 of this will be passed through to providers on the base rate, £0.01 will be added to the central retention.
- 3.13.3 The reduction in the amount taken from each hour of income does not negatively impact the amount of funding each child living in a deprived area will attract as a deprivation uplift, as there have been changes in the profile of children claiming FEEE and the IDACI bands of some addresses. Adjusting the amount contributing to the deprivation supplement ensures that the full projected deprivation funding is paid out, and that providers continue to receive the same deprivation uplift payments under each IDACI banding.
- 3.13.4 Feedback from providers about the deprivation supplement highlights that there are some concerns about being able to appropriately plan and budget for deprivation expenditure, as the approach to funding means settings see termly variances in the deprivation income they receive, as it is based on the postcodes the children live in when they take up a place.
- 3.13.5 We have committed to undertaking a review of the deprivation supplement throughout 21/22 to explore the methodology of deprivation payments to ensure that settings can plan for and use the deprivation funding appropriately to support children's learning and development, with proposals to be agreed before the 22/23 financial year.
- 3.13.6 The supplement for deprivation will continue to be calculated in 2021/22 using the Income Deprivation Affecting Children Index (IDACI) with all children receiving support if they live in a postcode area banded IDACI A-F. In the past year, 45% of children claiming FEEE live in one of these IDACI band areas and their settings have received a deprivation uplift payment.
- 3.13.7 The funding is banded so that children from areas of higher deprivation receive more support ranging from payments of £0.30 per hour per child to £0.85 per hour per child depending on the IDACI banding the child's address falls into as detailed below:

3.13.8

	<i>Base rate paid per hour £</i>	<i>Deprivation Uplift payment £</i>	<i>Total Hourly rate equivalent £</i>
<i>Child lives in IDACI Band A area</i>	4.46	0.85*	5.31*
<i>Child lives in IDACI Band B area</i>	4.46	0.65*	5.11*
<i>Child lives in IDACI Band C area</i>	4.46	0.55*	5.01*
<i>Child lives in IDACI Band D area</i>	4.46	0.55*	5.01*
<i>Child lives in IDACI Band E area</i>	4.46	0.35*	4.81*
<i>Child lives in IDACI Band F area</i>	4.46	0.30*	4.76*
<i>Child lives in IDACI Band G- no dep uplift paid</i>	4.46	0.00	4.46

3.13.9 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.

3.13.10 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).

3.13.11 In 2020/21, there was a reduction in claims from this funding – this is believed to be due to the impact of Covid and parents choosing to keep some children at home rather than enrol them in settings. It is anticipated that the claims on this fund will return to normal levels in 2021/22 and this will be kept under review.

3.13.12 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. The consultation commenced 25 January 2021 and closed on 19 February 2021 with 17 responses. The responses were collated and analysed to inform the recommended funding arrangements.

4.1.2 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 on the amount to be retained.

4.2 Equality and diversity / cohesion and integration

4.2.1 No identified risks.

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.

4.3.2 Positive engagement with quality early education helps provide the best early start for children, to enable them to reach their full potential.

4.3.3 The Funded Early Education Entitlement (FEEE) contributes towards the key objectives in the Best Council Plan of building a child friendly city, supporting communities and tackling poverty.

Climate Emergency

4.3.4 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 96.3% 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.

4.5.2 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 budget for 2021/22 has more uncertainty than other years due to the impact of Covid-19 and the difficulty projecting the number of hours to be claimed over the year compared to the number of hours returned on January 2021 census. In addition we await clarity from the DfE about their approach to the funding formula

given the impact on January 2021 census which was taken during national lockdown.

- 4.6.2 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 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 3.7% of the hourly 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:

£0.18 centrally retained (up £0.01 on 2020-21)
£0.26 deprivation supplement (down by £0.03 on 2020-21)
£0.05 SENDIF (same as 2020-21)
£4.46 base rate paid to all providers (up £0.08 on 2020-21)

- 6.2 B) The Director of Children & Families is recommended to approve that the entire £5.36 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 2020-21).

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.