



**Subject Heading:**

**Early Years Funding 2019-20**

**Report Author:**

**David Allen – Strategic Finance  
Manager**

**Eligibility to vote:**

**All school and academy members and  
the PVI representative**

### SUMMARY

This item is to consider the LA proposals for the funding of providers of early years education in financial year 2019-20 following notification by the DfE of indicative funding allocations and consultation with providers.

### RECOMMENDATIONS

That the Schools Funding Forum agrees the proposals as follows:

- i) to increase the basic hourly rate to providers to £4.65 (from £4.53) for 3 and 4 year olds
- ii) to continue to use Deprivation as the only supplement to the basic rate
- iii) to continue to set the hourly IDACI rates so they are in line with those used for the schools national funding formula
- iv) to increase the basic hourly rate to providers to £5.40 (from £5.35) for 2 year olds
- v) to retain contingencies of £572,057 (from £803k) and £100,100 (from £85k) for 3 & 4 and 2 year olds respectively to fund in-year provision
- vi) to retain £800k (5%) for LA statutory and quality assurance functions
- vii) to retain the Inclusion Fund at £200k but reduce the contribution from the DSG high needs block from £100k to £50k.

## REPORT DETAIL

### Background

Early years education is funded through the Early Years Block of the DSG. Local authorities receive indicative allocations of funding which are updated during the year based on the January census. LAs therefore need to estimate the total grant that will be received during the financial year to determine the funding that can be allocated to early years providers and retained to meet the costs of the LA. The proposed funding arrangements are then subject to consultation with providers.

### Estimated funding through the DSG Early Years Block

The funding rates for local authorities were announced by the DfE on 22<sup>nd</sup> November 2018. Havering's rate is £5.28 for 3 and 4 year olds and £5.66 for 2 year olds, the same as in 2018-19.

Unlike the DSG Schools Block which is calculated on the basis of the preceding October census, the Early Years Block is calculated on the January census prior to the start of the financial year and updated on the following January census to allow for growth between the two counts.

LAs must therefore budget for a contingency for funding provision that is not picked up in either census.

On the basis of current participation and anticipated growth, the LA has estimated that it will receive the following funding in financial year 2019-20:

#### 3 and 4 year olds

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £5.28 per hr £
15 hours entitlement	4,200.00	2,394,000	12,640,320
Additional 15 hours	1,430.90	815,613	4,306,434
<b>Total</b>			<b>16,946,754</b>

#### 2 year olds

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £5.66 per hr £
15 hours entitlement	675.45	385,006	2,179,151

## Proposals

From the estimated funding above, decisions need to be made on funding to be held centrally, supplements to be used and the basic hourly rate that will be applied to the funding of provision in 2019-20.

- i) As in 2018-19, the required pass through rate of grant to providers is 95%. 5% may be retained by LAs for statutory duties on quality assurance, sufficiency planning, business support, data collection and analysis, finance etc.

In 2018-19 the amount retained centrally was £730k. With increased participation in 2019-20 the financial value of the 5% has also increased. During 2019-20 it is intended to review the software that supports the submission and management of data which will increase the central costs. An additional £70k is therefore requested for central retention.

**Proposal: To retain £800k (4.7%) centrally.**

- ii) Because the DSG Early Years Block is allocated on the basis of a January census, estimates need to be made on the hours of provision to be funded that is not captured in the census. This is estimated as follows:

### 3 and 4 year olds

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £4.65 per hr £
15 hours entitlement	215.83	123,023	572,057

### 2 year olds

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £5.40 per hr £
15 hours entitlement	32.52	18,536	100,100

**Proposal: To retain £572,057 contingency for 3 & 4 year olds and £100,100 for 2 year olds provision**

- iii) An Inclusion Fund of £200,000 has been established to allocate to providers in support of children with special educational needs and disabilities. In 2018-19 this was funded 50/50 from the Early Years and High Needs Blocks. Because of increasing pressures on the High Needs Block it is proposed to reduce the contribution from £100k to £50k and increase the contribution from the Early Years Block from £50k to £100k.

**Proposal: To retain the Inclusion Fund at £200k funded by £150k from the Early Years Block and £50k from the High Needs Block.**

- iv) LAs are limited in the supplementary factors they may use to allocate funding to providers other than through the basic rate. The permitted factors are deprivation, English as an additional language, quality, flexibility and rurality/sparsity (not applicable to Havering). In the last two years Deprivation has been the only supplement used for Havering providers and there continue to be issues with the robustness of the data for the other factors. The same IDACI rates as used in the funding of schools provides consistency.

It is estimated that £500k (3%) of funding will be allocated through the deprivation factors, well within the 10% permitted through supplements.

**Proposal: To continue to use deprivation as the only supplement using IDACI hourly rates based on school rates.**

- v) Having deducted contingencies, inclusion fund contributions and estimated sums to be allocated through a deprivation supplement, the balance of funding is allocated to providers through a basic hourly rate. Because of the increase in the hourly rate used to allocate funding to the LA, this can increase to £4.65 (from £4.53) for 3 and 4 year olds and to £5.40 (from £5.35) for 2 year olds.

Estimated costs

**3 and 4 year olds**

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £4.65 per hr £
15 hours entitlement	4,200.00	2,394,000	11,132,100
Additional 15 hours	1,430.90	815,613	3,792,600
Total			14,924,700

**2 year olds**

	Part time equivalent	Hours (PTE x 15 hrs x 38 weeks)	@ £5.40 per hr £
15 hours entitlement	675.45	385,006	2,079,035

**Proposal: To apply basic hourly rates of £4.65 for 3 and 4 year olds and £5.40 for 2 year olds for 2019-20.**

## Consultation

These proposals were presented to the Early Years Provider Reference Group at the meeting held on 4<sup>th</sup> November, to PVI managers at the termly briefing meeting on 10<sup>th</sup> December and to PVI providers at the termly preparation session on 8<sup>th</sup> January. A consultation paper was also sent to all providers.

Responses are as follows:

Number of responses	72
---------------------	----

Type of Provision responding	
Pre-school	31
Day Nursery	21
Childminder	17
LA Maintained School/Academy/College	2
Voluntary sector	1
Other (please specify)	0
<b>Total</b>	<b>72</b>

Proposal	No View			No View		
	Yes	No View	No	Yes %	%	No %
(i) 2 year olds – an increase of 5p from £5.35 to £5.40	61	6	5	85%	8%	7%
(ii) retain a contingency of £100,102 to fund participation that is not picked up in Census	49	17	6	68%	24%	8%
(i) 3 & 4 year olds – an increase of 12p from £4.53 to £4.65	64	1	7	89%	1%	10%
(ii) retain deprivation as the sole supplement using IDACI data	51	14	7	71%	19%	10%
(iii) retain a contingency of £572,057 to fund participation that is not picked up in Census	51	16	5	71%	22%	7%
(iv) increase the central retention to £800,000 (from £730,000), which is within the 5% central retention permitted	37	22	13	51%	31%	18%
(v) increase the contribution from Early Years Block from £100,000 to £150,000 to compensate for the reduction in the contribution from the High Needs Block	36	23	13	50%	32%	18%