



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 provide an update on the funding of Havering's providers of early years education in financial year 2019-20 following a review of the data projections and agreement of the Early Years Provider Reference Group to proposals for increased hourly rates. Funding from all providers is met from the Early Years Block of the Dedicated Schools Grant (DSG).

RECOMMENDATIONS

To agree the LA's proposals to increase the hourly rates to be used for the funding of early years providers in financial year 2019-20 as follows:

- (i) To increase the basic hourly rate paid to providers for 2 year old provision to £5.60
- (ii) To increase the basic hourly rate to providers for 3 & 4 year old provision to £4.80

REPORT DETAIL

Background

At the meeting of the Schools Funding Forum held on 17th January 2019 the funding arrangements for financial year 2019-20 were agreed. These included

hourly rates for the funding of early years provision of £5.40 (increased from £5.35 in 2018-19) and £4.65 (increased from £4.53 in 2018-19).

The full agreement was 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.

Since then, the LA has reviewed the data on which Early Years grant is estimated and is clearer on the likely outturn position for financial year 2018-19.

Revised hourly rates

The process for a local authority to agree the funding arrangements for early years provision is not straightforward and relies on local estimates of the hours of provision that will require funding during the financial year. This is because the DfE's initial allocations of the DSG Early Years Block is based on the previous January census data e.g. for financial year 2019-20 the allocation is based on the January 2018 census. The funding is then updated in July based on the next January census e.g. January 2019 for 2019-20. That census is also used to adjust funding for the previous financial year with adjustments being made in the new financial year.

Local authority estimates therefore need to strike a balance between maximising the funding allocated to providers through the hourly rates and caution in not overcommitting the total funding received.

For this reason, some of the funding received for both 2 year olds and 3 and 4 year olds is set as a contingency. This is also used to fund provision that may not be picked up in either of the January censuses. The contingencies agreed for financial year 2019-20 are at (v) in the background section above.

As the end of the 2018-19 financial year draws closer, the forecast of the variance of expenditure against funding becomes clearer and it is estimated that there will be underspends of £136,900 from the funding for 2 year olds and £517,123 for 3 & 4 year olds.

LA officers have also reviewed the data on which the initial hourly rates were calculated and given the increases in population which will be reflected in January census data have increased the estimate of funding to be received through the Early Years Block.

At the meeting of the Early Years Prover Reference Group held on 13th February the following was agreed.

Funding for 2 year olds

DfE hourly rate:	£5.66
Initial hourly rate to providers:	£5.40
Proposal:	£5.60

Basis of increase

- (i) A projected underspend from 2018-19 to be carried forward and used as a contingency in 2019-20 allowing for a higher proportion to be allocated through the hourly rate.
- (ii) Review of estimated grant to be received and provision to be funded as below

Estimated grant from DfE

£5.66 x 543.79 PTE (Jan-18 Census) = £1,754,375

LA Budget

LA hourly rate £5.60 x 543.79 PTE	=	£1,735,777
Contingency	=	<u>£18,598</u>
		£1,754,375

Funding for 3 & 4 year olds

DfE hourly rate:	£5.28
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Agreed hourly rate to providers:	£4.53
Proposal:	£4.80

Basis of increase	
(i)	A projected underspend from 2018-19 to be carried forward and used as a contingency in 2019-20 allowing for a higher proportion to be allocated through the hourly rate.
(ii)	Review of estimated grant to be received and provision to be funded as below

Estimated grant	
Universal/Additional	
£5.28 x 5,630.90 PTE	= £16,946,757
LA Budget	
Universal/Additional	
LA hourly rate £4.80 x 5,660.41 PTE=	£15,486,890
Deprivation supplement (estimated)	£500,000
Contingency	£9,867
SEN Inclusion Fund	£150,000
Central retention	<u>£800,000</u>
	£16,946,757