



Consultation with Early Years Providers on Funding for Financial Year 2020-21

Introduction

This consultation document proposes options for the allocation of funding to early years providers for the financial year 2020-21. Providers are asked to consider the proposals and respond back to the Local Authority for further consideration by the Early Years Provider Reference Group (EYPRG) and Schools Funding Forum.

Process

The consultation period will run until 24th January 2020.

A summary of responses to the consultation will be reported to the meeting of the EYPRG on 28th January and final decisions taken by the Local Authority before funding statements are issued for the 2020-21 financial year.

Responding to the Consultation

This consultation paper is sent to all private, voluntary and independent early years providers and head teachers of schools with nurseries.

Any responses should be sent to:

Schools Finance Team
Education Services
London Borough of Havering
Mercury House
Mercury Gardens
Romford
RM1 3DW

E-mail: education.finance@haverling.gov.uk

All responses should be returned by 24th January 2020.

If you require clarification on any point please email:

Education Finance at: education.finance@haverling.gov.uk

Early Years Funding 2020-21

1. Additional Funding for Early Years 2020-21

Included in the Government's announcements of additional funding for schools in 2020-21 was an extra £66 million for Early Years. This has been applied as an increase of 8p to the hourly rate for every local authority.

	2 year olds	3 & 4 year olds
2019-20	£5.66	£5.28
2020-21	£5.74	£5.36
Increase	£0.08	£0.08

2. Havering's Early Years Block funding 2020-21

Local authorities receive an initial allocation of Early Years funding for financial year 2020-21 based on the latest data available which was January 2019. This will be updated from the January 2020 Early Years census although the funding that a local authority's grant allocation based on that census is not adjusted until June or July.

Local authorities must therefore estimate the funding that is likely to be received based on projections of children accessing their free entitlement. A local authority's initial allocation could therefore either increase for higher numbers of participation or reduce if lower.

Based on January 2019 data, Havering's allocation for 2020-21 is as below.

2 Year Olds			3 & 4 Year Olds			Total Funding for distribution to providers
Cohort (PTE)	Unit of funding	Allocation	Cohort (PTE)	Unit of funding	Allocation	
526.95	£5.74	£1,724,064	5,695.98	£5.36	£17,402,373	£19,126,437

3. Distribution to Providers

3.1 **2 Year Olds Funding**

The funding arrangements are straightforward as, unlike with 3 & 4 year olds, the grant is passed on fully to providers after the setting of a small contingency.

3.2 **3 & 4 Year Olds Funding**

Local authorities are required to allocate at least 95% of the grant to providers, up to 5% being retained centrally for support services and administration costs.

Local authorities are also required to set an SEN Inclusion Fund to meet low level or emerging special needs.

The remaining grant is to be allocated to providers through a formula. At least 90% of the funding must be distributed through a basic hourly rate and up to 10% through supplementary factors which can be as follows:

- deprivation (mandatory supplement); local authorities must use this supplement to recognise deprivation in their areas
- rurality or sparsity (discretionary supplement); to support providers serving rural areas less likely to benefit from economies of scale
- flexibility (discretionary supplement); to support providers in offering flexible provision for parents; this could, for example, childcare wraparound care, out-of-hours provision, or to encourage a particular type of provider in an area (such as to meet a need for childminders in an area)
- quality (discretionary supplement); to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area)
- English as an additional language (EAL) (discretionary supplement)

In Havering, following consultation with providers, only the mandatory deprivation supplement is used as the quality of the data required for other supplements cannot yet be confirmed as sufficiently reliable.

4. Proposals for 2020-21

4.1 2 Year Olds Funding

- (i) It is proposed to increase the base rate by 8p per hour from £5.60 to £5.68.
- (ii) It is proposed to set a contingency of £17,000 for a 1% growth in provision to be funded.

Q.1	<p><i>Do you agree that for 2 year olds:</i></p> <ul style="list-style-type: none">(i) <i>the hourly rate is increased from £5.60 to £5.68</i>(ii) <i>a contingency is set at 1% of the number of places on which the LA is funded</i>
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4.2 3 & 4 Year Olds Funding

(i) Central Retention

As explained at 3.2 above, LAs may retain up to 5% of the total funding for central services and administration including quality assurance, business support, data management, ICT systems and finance and accounting.

It is proposed to increase the amount retained centrally by £20,000 from £800,000 to £820,000, a 2.5% increase. This equates to approximately 4.6% of the total allocation from the DfE.

Q.2	<i>Do you agree to an increase of £20,000 to the amount that is centrally retained?</i>
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(ii) SEN Inclusion Fund

From the 95% to be allocated to providers, the LA must set an SEN Inclusion Fund. The LA has recognised that some EHCP plans do not commence quickly enough for support to be in place prior to children starting in Reception and have amended current practice so that, once approved, EHCPs are issued while the children are still attending the setting that made the application and the additional funding is allocated without delay.

The hourly rate for SEN support following application to the Panel is £3.50 per hour. This is on top of the basic hourly rate that is allocated for all provision. Once the EHCP has been issued, a further £3.20 per hour (increased from £2.61) is allocated to the provider. The SEN Inclusion Fund also meets the costs of training and some equipment.

The LA considers that the higher level funding of £3.20 per hour is more appropriate to be met from a separate High Needs budget rather than the SEN Inclusion Fund. In view of this, the current SEN Inclusion Fund of £200,000 will be separated back into its component parts with cost charged appropriately i.e. the £3.50 per hour to Early Years and the £3.20 per hour to the High Needs budget.

This provides an opportunity to earmark a higher amount from the Early Years funding to increase the hourly rate for those settings with children requiring additional support. An increase in the SEN Inclusion Fund could mean an increase to the hourly rate of £3.50 which would increase the funding available to providers to support the children's additional needs.

The higher the amount of Early Years funding that is added to the current SEN Inclusion Fund of £150,000, the lower the amount that can be funded through the base rate. Following consultation with the Early Years Provider Reference Group (EYPRG) the LA considers that the starting point should be £200,000 which maintains the SEN Inclusion Fund at the current level once the £50,000 contribution from the High Needs budget has been removed (along with the costs of the £3.20 per hour for EHCPs).

The options are set out at 3 (iv) below.

(iii) Supplementary factors

As explained in 3.2 above, as well as the basic hourly rate, local authorities can also allocate funding through a limited range of supplementary factors. Following past consultations, in Havering only the mandatory deprivation is used with funding allocated through the income deprivation affecting children index (IDACI). It has also been agreed previously that the funding rates align with those of schools. School IDACI rates have changed for 2020-21 which will change the rates for early years as follows:

IDACI Bands	2019-20 Hourly rate	2020-21 Hourly rate	Change
IDACI Band G (0.00-0.20)	£0.00	£0.00	£0.00
IDACI Band F (0.20-0.25)	£0.23	£0.24	£0.01
IDACI Band E (0.25-0.30)	£0.27	£0.28	£0.01
IDACI Band D (0.30-0.35)	£0.41	£0.43	£0.02
IDACI Band C (0.35-0.40)	£0.44	£0.46	£0.02
IDACI Band B (0.40-0.50)	£0.48	£0.50	£0.02
IDACI Band A (0.50-1.00)	£0.65	£0.68	£0.03

Additionally, there has been an increase in the number of children in the Census of 2019, in comparison to the previous year's Census of 2018, with an additional 289 children extra. The increase is predominately in the lower funded IDACI bands of E and F.

IDACI Bands	2019-20 data	PTE equivalent (570 hrs)	2020-21 data	PTE equivalent (570 hrs)	PTE Change
Band G (0.00-0.20)	1,297,416	2,276	1,261,068	2,212	-64
Band F (0.20-0.25)	280,686	492	391,380	687	194
Band E (0.25-0.30)	294,055	515	353,674	620	105
Band D (0.30-0.35)	223,038	391	235,809	414	23
Band C (0.35-0.40)	202,684	356	213,663	375	19
Band B (0.40-0.50)	142,698	250	149,589	262	12
Band A (0.50-1.00)	1,140	2	1,401	2	0
	2,441,717	4,284	2,606,584	4,573	289

There will therefore be an increase of approximately £75,000 in the cost of deprivation.

Q.3	<i>Do you agree that deprivation remains the only supplementary factor used in Havering's formula and the rates of funding continue to be aligned with the rates used in the schools national funding formula?</i>
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(iv) 3 & 4 Year Olds Base Rate

The LA's financial modelling calculates that the maximum increase on hourly base rates that is affordable is 10p. This would increase the hourly rate from £4.80 to £4.90.

This has been calculated on January 2019 census data but the LA is confident that the increased rate can be sustained once the funding is revised for January 2020 census.

It is also on the basis that the Early Years SEN Inclusion Fund is £200,000 and there is no contingency. The LA has calculated that a contingency of approximately £82,000 could be set on the basis of an increase of 300 children, an amount that would be adjusted proportionately depending on the actual increase in numbers.

An increase of 10p per hour would reduce by approximately 1p for every £50,000 that is added to the SEN Inclusion Fund. Targeting of the resources available to support inclusion is likely to be supported by providers who consider that a greater level of funding should be allocated to those settings that support children with SEN even if those children are not in their own provision. The LA would like every provider to be inclusive and recognises that the costs are higher and would not wish inclusion to be a financial disincentive.

Options are as follows:

Option A

Increase in base rate	SEN Inclusion Fund	Hourly rate for SEN support	Increase to hourly rate
10p	£200,000	£3.50	no change

Option B

Increase in base rate	SEN Inclusion Fund	Hourly rate for SEN support	Increase to hourly rate
9p	£250,000	£4.20	70p

Option C

Increase in base rate	SEN Inclusion Fund	Hourly rate for SEN support	Increase to hourly rate
8p	£275,000	£4.90	£1.40

Q.4	<i>Do you agree that the SEN Inclusion Fund should be increased to target funding to the providers who support children with special educational needs? If yes, this would affect the amount of increase to hourly base rates so which option do you favour?</i>
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