



Subject Heading:

Early Years Funding 2020-21

Report Author:

**David Allen – Strategic Finance
Manager**

Eligibility to vote:

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

SUMMARY

This item is to confirm the funding arrangements for early years provision in Havering in financial year 2020-21 following consultation with the Early Years Provider Reference Group and early years providers.

RECOMMENDATIONS

To ratify the funding arrangements for early years provision in Havering as follows:

PART 1

1. (i) Increase the basic hourly rate for 2 year olds from £5.60 to £5.68
(ii) Retain a contingency for in-year provision for 2 year olds not funded by the Government
2. Increase the central retention from £800,000 to £820,000 (a central retention of 4.7%)
3. Retain Deprivation as the only supplementary factor using the same IDACI rates as schools
4. Increase the basic hourly rate for 3 & 4 year olds from £4.80 to £4.90
5. Set the Early Years Inclusion Fund funded from the Early Years Block at £200,000 with an hourly rate of £3.50 for eligible children. An additional £3.20 per hour top up for children with EHCPs is to be funded from the High Needs Block.

PART 2

To further increase for financial year 2020-21 the hourly rate for 3 & 4 year olds to £5.00.

REPORT DETAIL

PART 1 – INITIAL CONSULTATION

At the meeting of the Schools Funding Forum held on 16th January 2020 the consultation paper on funding arrangements for financial year 2020-21 was received. The paper set out the LA's proposals following an 8p per increase in the hourly rates of funding from the Government and options on increases to the SEN Inclusion Fund.

A summary of the responses to the consultation were presented to the Early Years Provider Reference Group on 28th January and agreement was reached on the funding arrangements.

To ensure the revised hourly rates were included in schools' funding statements, Schools Funding Forum approval was required by mid-February and this was obtained by Forum members agreeing to the arrangements by email and by discussion with the Chair and Vice Chair.

The responses to the consultation were presented to the Early Years Provider Reference Group (EYPRG) at their meeting on 28th January as below:

Provider Type	No. of responses
Childminder	4
Preschool	20
Day Nursery	19
Mainstream Schools	3
Total	46

Consultation Question	Yes %	No %	Not answered %	A %	B %	C %
1) (i) 2 year old : the hourly rate is increased from £5.60 to £5.68	93.5%	6.5%	0.0%			
1) (ii) 2 year old : a contingency is set at 1% of the number of places on which the LA is funded (initially £17,000)	84.6%	15.4%	0.0%			

2) Do you agree to an increase of £20,000 to the amount that is centrally retained?	52.2%	41.3%	6.5%	
3) 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?	95.7%	4.3%	0.0%	
4) Do you agree that the SEN Inclusion Fund should be increased to target funding to the providers who support children with special educational needs?	88.9%	11.1%	0.0%	
If answering yes to the above question, which option do you favour?				46.2% 23.1% 30.8%

The LA's financial modelling has shown that the maximum increase to the basic hourly rate (currently £4.80) could be 10p (including the 8p from the Government increase) and Question 4 gave providers choices on whether the full 10p should be added to the base rate or used to increase the size of the SEN Inclusion Fund to support children with additional needs. An increase of 9p to the basic rate (rather than 10p) would increase the Inclusion Fund by £50,000 and the top up rate to providers from the current £3.50 to £4.20 (option B) or an 8p increase to the basic rate (rather than 10p) would increase the Inclusion Fund by a further £25,000 and the top up rate to £4.90 (option C).

Although the responses showed that the majority of providers would like an increase in the SEN Inclusion, the most popular option was A which keeps the Inclusion Fund hourly rate at £3.50 and allows the full 10p to be added to the basic hourly rate increasing it from £4.80 to £4.90.

Although in their responses providers agreed to an increase in the fund, they wanted to maximise the funding through the basic hourly rate which many use to meet the costs of supporting children with additional needs. There were also comments about the impact on early years providers of the Government's increase to the Minimum Living Wage.

There were further discussions at the EYPRG meeting about children with complex needs, the processes for providers to be supported and the sources of funding. There were also requests for greater transparency on the use of the Early Years Block and the LA's 5% retention for central services. These will be followed up at future meetings.

The LA is therefore proposing that the funding of Early Years provision in 2020-21 will be as set out in the recommendations above.

PART 2 – ADDITIONAL INCREASE

Proposal to further increase the basic hourly rate for 3 & 4 year old early years provision in financial year 2020-21 from the balance carried forward

The agreed funding arrangements for 2020-21 are currently as follows:

Hourly rate for 2 year olds	£5.36
Hourly rate for 3 & 4 year olds	£4.90
IDACI hourly rates	
Band A	£0.68
Band B	£0.50
Band C	£0.46
Band D	£0.43
Band E	£0.28
Band F	£0.24
SEN Inclusion Fund	£200,000
SEN Inclusion Fund hourly rate	£3.20
Central retention	£820,000

These arrangements were based on the latest notification of the DSG Early Years Block from the DfE which for 3 and 4 year old funding was as follows:

DfE hourly rate	PTE		Funding
£5.36	5,695.98	x 15 hrs per week x 38 weeks	£17,402,373

If agreed by the Schools Funding Forum £1.045m of early years funding will be carried forward into financial year 2020-21. This can be used to fund a further increase in the basic hourly rate for 3 and 4 year olds.

The increase affordable will depend on the number of places that are to be funded which is estimated at 5,888 PTE.

Based on these projections, the funding arrangements that have been agreed previously can be revised to:

- (i) increase the basic hourly rate for 3 & 4 years olds from £4.90 to £5.00
- (ii) increase the SEN Inclusion Fund from £200,000 to £300,000
- (iii) increase the hourly rate payable from the SEN Inclusion Fund from £3.50 to £4.90

Changes from the previously agreed funding arrangements will therefore be as follows:

DfE Funding	
DfE Hourly Rate	£5.36
PTE provision	5,695.98
Early Years Block	£17,402,373
Grant b/fwd	£1,045,000
Total funding	£18,447,373

LA Funding	
PTE to fund	5,888.29
LA Hourly Rate	£5.00
Cost (x 15 hrs x 38 wks)	£16,781,627
IDACI supplement	£500,000
SEN Inclusion Fund	£200,000
Central retention	£820,000
Total cost	£18,301,627
Balance (contingency)	£145,746