

Southend-on-Sea Education Board

on

30 October 2018

Report prepared by:

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Report Title: Early Years 2019/20 Early Years Funding - Provider Rates and Deprivation Entitlement Paper – Elaine Hammans/Paul Grout

Agenda Item: 7

1. Purpose of Report

- 1.1 To inform the Education Board on the further review of the deprivation supplement.**
- 1.2 To inform the Education Board on the indicative funding for The Early Years' Service from April 2019.**
- 1.3 To ensure the use of the funding which is centrally retained and administrated through the Dedicated Schools Grant under The School and Early Years Finance (England) Regulations 2017. In order for the Local Authority to meet its statutory duties under the Childcare Act 2006, Sections 6,7 and 7A.**

2. Recommendations

- 2.1 To commence a further review from October 2018 of deprivation supplement criteria proposing to align the supplement with the April 2018 revision of EYPP and FSM criteria**
- 2.2 To confirm indicative provider funding rates for 2019/20 which comply with government funding regulations to have all providers on the same base rate from April 2019.**
- 2.3 To note proposed funding of the Early Years' Service**
- 2.4 To note parents entitlement and access to the Early Years Element of the DSG.**
- 2.5 To note that DfE funding is to support for 38 weeks of the year, to a maximum of 570 hours for 2 year old and Universal 3 & 4 year old funding and 1140 hours for Extended funding. These hours can be stretched across up to 52 weeks per year at proportionally less hours per week up to the maximum allowed.**

3. Background/Context

- 3.1 Local authorities are required by legislation to:**

Apply a deprivation factor to hourly funding rates for children accessing 3 & 4 year old funding for both 15 hours universal entitlement and the additional 15 hours extended for working families.

Ensure all early years providers, including schools, are paid the same rate per hour per child from April 2019.

To calculate and notify initial budgets to providers by 31st March each year.

- 3.2 Local authorities are required to apply a deprivation factor to the hourly funding rate for 3 & 4 year olds accessing a funded place. The amount and criteria for the deprivation fund is left to the local authority's discretion, although there is an upper limit of 10% of the overall funding rate.

Following consultation with all providers in January 2018, it was agreed to amend the deprivation factor to continue to use the postcode of the child's home address linked to the 0-20% deprived SOAs within wards for 2018-19.

- 3.3 Following the revised EYPP and FSM criteria applied from April 2018 Early Years are proposing to undertake a consultation with all providers on the deprivation supplement to commence in October 2018. The consultation will propose to align the deprivation supplement with EYPP and FSM criteria from April 2019. This would target the additional funding to support improving outcomes for our most needy children.

- 3.4 Historically the early years' service has been financially supported by the schools element of the DSG to ensure that children have the best start in life. Due to changes in the National Funding Formula and the academies programme the funding that has been transferred to early years is at risk.

- 3.5 The early years element of the DSG allows councils to retain up to 5% of the overall early years budget for 2019-20. Southend has historically not used this retention power in order to sustain high quality providers including schools. Southend is funded less than Essex per child per hour. The risk of retaining the 5% would mean reducing all providers base rate to £4.14. This would be a considerable drop especially for schools from £4.55 in 2016-17 to £4.14 in 2019-20. This would also mean that some providers would be unsustainable or not accessible for parents due to closures and flexibility

- 3.6 The government has also stated that they will not be increasing the rate of the early years DSG until after the 2020 spending review. We propose to review the power to retain a % of the early years DSG after the 2020 funding review.

- 3.7 Given the inability to sustain the £0.500m transfer from Southend's DSG funding allocation from 2019/20 to support Early years, and in order to maintain the early years' service, an investment bid has been put forward to the council, to continue funding for £350,000. The Council, whilst facing significant savings itself recognises the importance of sustaining a high quality Early Years' Service that supports our children, and is therefore now debating (as part of the Council's wider annual budget setting process) support of this funding. Final council allocations cannot be confirmed until the council's 2019/20 budget is formally set in February 19. It must be noted, as this funding is proposed to be covered through the Council – its use, whilst still supporting early years will now be wider than its previous focus.

3.8 If the option to link deprivation to EYPP is agreed it is estimated that the percentage of children attracting deprivation supplement will reduce from 32% to 20%. Any additional funding resulting from the proposed deprivation changes, estimated to be approximately £135,000, will be used to retain a much needed centrally retained funding budget contained within Early Years DSG. This funding will support the SEN Inclusion fund for 3 & 4 year olds – which is a mandatory requirement, training and professional development for the childcare workforce and promotion of the early year's entitlements to parents.

3.9 Proposed new 3 & 4 year old funding rates from April 2019 – all providers must be paid at the same rate

	Pre-school	Childminder	Independent school	Day Nursery	Maintained school & Academy
Funding Rate 17/18	4.18	4.18	4.18	4.18	4.42
Funding rate 18/19	4.21	4.21	4.21	4.21	4.30
Funding rate 19/20	4.24	4.24	4.24	4.24	4.24

3.10 An alternative option would be to reduce the hourly rate for all providers from April 2019. However school nursery class funding has been reduced from £4.42 in 2017/18 and a further reduction to in the region of £4.14 would raise serious concerns with regard to the sustainability of school nursery provision. The possible reduction would also effect the sustainability of many PVI childcare providers and childminders, leaving them with options to close, increase rates for wrap around care hours or increasing 'charges for additional services' – meals, consumables etc. This would raise the risk of insufficient childcare places locally or the additional charges imposed making childcare unaffordable for our most low income and vulnerable families.

3.11 Local authorities are required by legislation to secure free places offering 570 hours a year over no fewer than 38 weeks of the year and up to 52 weeks of the year for every eligible child in their area.

All Children are entitled to receive the full funding provided for this purpose.

DfE Guidance on School Attendance September 2018 states: 'Schools and local authorities can agree to set different term dates for different year groups – e.g. for 'staggered starts' or 'induction days'. This is only acceptable where the school ensures that those pupils not attending on that day are still offered a full education over the school year.'

Parents have raised with us that staggered entry varies from the beginning of the term up to 4 weeks. This is especially an issue with parents wishing to work as it impacts on their ability for their child to take up the full entitlement.

We do not permit private voluntary or independent providers to have paid staggered entry unless under exceptional circumstances. From April 2019 we are required to be clear and transparent and operate funding protocols on a level platform across all provider types.

4. Summary of benefits of the proposal

4.1 Poverty Agenda

The proposal to review and amend the deprivation factor will enable SBC to:

- ❖ maximise the available budget for Early Years DSG
- ❖ ensure that the deprivation funds target those children living in the most deprived households
- ❖ meet the statutory requirements and guidance on deprivation funding

5. Implications of the report

- 5.1 The proposed deprivation supplement criteria from April 2019 will not require major staff resources due to eligibility data for EYPP being available through the use of the early year's portal.
- 5.2 This will require all providers including schools to fully use the early years provider portal from April 2019.

6. Financial implications

- 6.1 The current position due to the increase in the number of children living in 0-20% deprivation postcodes will not be able to be sustained going forward.
- 6.2 The impact for early years providers and schools would be a reduction in the percentage of children who would attract deprivation supplement funding over and above the hourly base rate, as shown in table 1.

Table 1.

Children eligible for deprivation funding			
Year	Children attending School nursery	Children attending PVI settings	Total of children overall
17/18	64%	38%	45%
18/19	45%	27%	32%
Deprivation rate 19/20*	20%	20%	20%

- ❖ Deprivation rate percentages estimated based on 2018 January Census.

- 6.3 With the new proposed rates for 2019/20, although a small increase, sustainability of providers from all sectors continues to be a local and national concern.

- 6.4 The financial risk of an unsuccessful agreement on the deprivation supplement changes following consultation would include insufficient funding for the mandatory inclusion fund to support all children to access their entitlement.