**Report to Hartlepool Schools’ Forum 26 November 2019**

**From Penny Thompson – Head of Service: The Children’s Hub and Partnerships**

# Item 6 : Dedicated Schools Grant – Early Years Block 2020/21

1. **Introduction**

1.1 The purpose of the report is to consult on the 2020/21 Early Years National Funding Formula (EYNFF).

1.2 Schools’ Forum has already approved the central element of spending at an earlier meeting on 13 September 2019.

1.3 This report presents a summary of the consultation responses for consideration by Schools’ Forum.

**2. Background**

2.1 Since its introduction in April 2017, the EYNFF has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for three and four year olds, along with entitlements for 2 year olds.

2.2 For three and four year old provision, local authorities are required to consult providers on proposed annual changes to local early year’s funding formulas, although the final decision rests with the local authority.

**3. 2020/21 Block Funding**

3.1 The authority’s estimate of the 2020/21 initial funding allocation for the early years block is provided in the following table. The 2020/21 initial allocations for the early years block will be announced by government in the dedicated school grant allocations table in December 2019. Initial allocations will remain subject to census volume changes.

|  |  |  |
| --- | --- | --- |
| **Early Years Block** | **Rate** | **2020/21 Indicative Funding (£)** |
| 3/4 Year Old Funding | £4.57 per hour | 4,729,196 |
| Disability Access Fund (DAF) | £615 per pupil | 31,365 |
| Pupil Premium | £0.53 per hour | 141,685 |
| Total 3/4 Funding |  | 4,902,246 |
| 2 Year Old Funding | £5.28 per pupil | 1,339,272 |
| **Total Indicative Early Years Block** |  | **6,241,518** |

3.2 Hourly rate funding increases for 2020/21 have been announced and are included in the table above. The increases are from £4.49 to £4.57 for three to four year old provision and from £5.20 to £5.28 for two year old provision.

3.3 The funding increase for three to four year olds is subject to the 95% pass-through rate regulation so should be reflected in a revised hourly rate calculation for provider payments.

3.4 Provider payments relating to two year old provision are not subject to a pass-through rate requirement. This means that the 8p per hour increase does not necessarily have to be passed in full to providers.

**4. Proposed Hourly Rate Structure 2020/21 – Three to Four Year Old Provision**

4.1 Forum will recall that a key aspect of the consultation for 2019/20 related to a restructure of the supplement element of the hourly rate. Review of 2019/20 spending to date is showing that the restructure appears successful in reaching the required pass-through rate to providers of 95%.

4.2 Forum will also recall that the basis on which providers attract a supplement for deprivation was improved in 2019/20. Rather than making payments on the basis of provider postcode, the deprivation supplement is now based on the proportion of three to four year olds that attract pupil premium.

4.3 For these reasons, the local authority is proposing to retain the current hourly rate funding structure for 2020/21.

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4.4 The table below shows the proposed hourly rate structure for 2020/21, taking into account the increase of 8p per hour outlined at paragraph 3.2 of this report.

|  |  |  |  |
| --- | --- | --- | --- |
| **Proposed three & four year old formula** | **Hourly Rate (£)** | **% Allocated** | **Total Funding (£)** |
| **DFE allocation** | **4.57** | **100.0%** | **4,729,196** |
| **Proposed Hartlepool Formula:** |  |  |  |
| Base Rate | 4.28 | 93.8% | 4,435,986 |
| Mandatory Deprivation Supplement | 0.01 | 0.2% | 9,458 |
| Contingency | 0.02 | 0.4% | 18,917 |
| SEN Inclusion Fund | 0.03 | 0.6% | 28,375 |
| **Pass- through rate to providers** | **4.34** | **95.0%** | **4,492,736** |
| **Centrally retained funding** | **0.23** | **5.0%** | **236,460** |
| **Total** | **4.57** | **100.0%** | **4,729,196** |

4.5 Pass-through rate – 95%

The pass-through rate includes the base rate, the funding of the deprivation supplement, the proposed contingency fund and an allocation for the SEN inclusion fund. These elements are described in more detail below.

4.6 Base rate– 93.8%

The base rate proposed would represent an increase of 7p per hour from the existing base rate of £4.21. The base rate is payable to all providers of three to four year old provision.

4.7 Mandatory Deprivation Supplement – 0.2%

Deprivation is a mandated supplement within the early year’s hourly rate. This is proposed at the same rate as 2020/21. Payments would continue to be allocated on the basis of those three to four year olds attracting pupil premium.

4.8 Contingency Fund – 0.4%

Although there is a duty to ensure that 95% of 3-4 year old funding is passed to providers, it is important to understand and manage the risk of exceeding the 95%, resulting in a new financial pressure on the early years block. A contingency fund of 0.5% is proposed in order to mitigate this risk. Such a risk could materialise through unexpected volatility in census volumes during the funding year. The contingency fund would provide for circa 7 full time places for a complete year and is considered a reasonable provision based on previous year census variations.

4.9 SEN Inclusion Fund – 0.6%

The SEN Inclusion Fund is proposed to be maintained at 0.6%. This £30k fund can be accessed by all providers in accordance with the agreed policy.

4.10 The pass-through rate position will continue to be carefully monitored in-year to assess any risk and respond appropriately.

4.11 Centrally Retained Funding

In accordance with ESFA guidance, centrally retained funding of 5% of the EYNFF, is proposed to be retained. Schools’ Forum has already approved that the retention of 5% be recommended to Children’s Services Committee for approval.

4.12 Other Specific Funding

The local authority also receives specific funding for eligible three and four year olds relating to the Disability Access Fund (DAF) and Pupil Premium; this is pass ported to eligible providers. The rates per pupil for 2020/21 are DAF £615.00 per pupil and pupil premium of £0.53p per hour. These rates are unchanged from 2019/20.

**5. Proposed Hourly Rate 2020/21 – Two Year Old Provision**

5.1 The government has announced an increase of 8p per hour for two year old funding in 2020/21.

5.2 In recent years, the hourly rate paid to providers for two year old provision in Hartlepool has matched the hourly rate funding from government. However, this has not always been the case historically.

5.3 There is no requirement within the regulations to pass through the full 100% of hourly rate funding for two year old provision, although the guidance does state “…there is no pass through requirement for two year olds as s251 data demonstrates that the vast majority of such funding is already passed through to providers. We expect this to continue, as it is important that this funding reaches providers in order to deliver two year old places, and we will continue to monitor any two year old central spend in future years”.

5.4 Schools’ Forum are aware of the initial findings of the Task and Finish Group from their review of two year old provision and the associated financial pressure within the early years block.

5.5 Overspending against two year old provision in 2018/19 was £0.105m.

5.6 The 8p per hour increase could be retained to partially offset the current financial pressure against two year old provision whilst options for mitigation in future years are explored. This would result in a saving of circa £20k per annum.

5.7 As there is currently no agreed approach to deal with the known financial pressure relating to two year old provision, the local authority preferred option would be to retain the saving and not pass the 8p per hour increase on to providers in 2020/21.

**6. Consultation Responses**

6.1 The consultation with providers of three to four year old provision in Hartlepool ended on 18 November 2019. A summary of the responses is provided in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Early Years Consultation 2020/21 - Responses** | **Yes** | **No** | **Not Sure** | **Total** | **% Agreed** |
| 1: Do you wish to retain the current base rate of £4.21 payable to all providers? | 8 | 1 | 1 | 10 | 80% |
| 2: Do you wish to retain the current deprivation supplement of £0.01 of the hourly rate? Please note that deprivation is a mandatory supplement so we are not able to remove it from our hourly rate to providers. | 8 | 0 | 2 | 10 | 80% |
| 3: Do you support continued funding at £30,095 for an SEN Inclusion Fund using 0.6% of the hourly rate funding for 3-4 year olds with low level and emerging needs? | 7 | 1 | 2 | 10 | 70% |

6.2 The response rate is disappointing at 12%. However, this may reflect the lack of change proposed in the hourly rate structure for 2020/21.

**7. Recommendations**

a) To note the contents of the report and the consultation responses included;

b) To agree that the proposed three and four year old hourly rate formula shown at the table in paragraph 4.4 above should be recommended to Children’s Services Committee for implementation from April 2020;

c) To recommend to Children’s Services Committee that the hourly rate for two year old provision remains at £5.20 in 2020/21 without the 8p funding increase being applied.

d) To review the hourly rate for two year old provision in 2021/22 upon completion of the work by the Early Years Task and Finish Group.

**A vote is required and ALL Schools’ Forum members are eligible to vote.**