

## SCHOOLS FORUM – 16<sup>TH</sup> MARCH 2022

### Early Years Centrally Retained funding and 2022-23 EY hourly rates

#### 1. Purpose

At the meeting of the Schools Forum on the 18<sup>th</sup> November 2021 members requested further information on the above particularly around what the spend was used for and the impact of retaining a lesser amount. Information was requested on benchmarking and other market information where this was available. The purpose of this paper is to provide school forum members with this information and context.

#### 2. Background

The current regulations allow Local Authority's to retain up to 5% on their Early Years funding to support and contribute to centrally retained activities and functions. As part of the approval process the amount retained must be approved annually under current regulations by the whole Schools Forum.

#### 3. Financial position

Within NE Lincolnshire the amount allowed to be retained floats around the £475 - £500k mark. The reason for this variation is that Early Years funding is based on hours take up and these vary year on year.

The amount retained is used to fund the following expenditure:

<u>Activity</u>	<u>Cost £'000</u>	<u>Comment</u>
Central Team	250	7 FTE posts
Specialist Teachers	131	2 FTE posts
Contribution to Localities team (not full cost)	113	
<b>Total</b>	<b>494</b>	

The Council currently pay the following hourly rates to providers:

<b>2021-22 Entitlement</b>	<b>LA rate</b>	<b>Provider rate</b>
2 year funding	£5.28	£5.16
3 & 4 year Universal	£4.38	£4.14
3 & 4 year extended	£4.38	£4.14
Deprivation- mandatory and funded via the top slice	N/A	£0.05 on base rate if 50%+ children live in top 30%

		£0.10 on base rate if 70%+ children live in top 30%
EYPP	£0.53	£0.53
Disability Access fund	£615	£615

During the last two financial years the hourly rate paid to LA's has been increased and this has been passed on in full to providers. In respect of 2022-23 it has been confirmed that the hourly funding rates for all local authorities will increase by 21 pence an hour for the two-year-old entitlement and by 17 pence an hour for the three and four-year-old entitlements.

The impact on the DSG position has been modelled and it has been decided that as in the previous 2 years the full amount of hourly increase received by the LA will be passported to providers. Providers have been notified.

The new hourly rates are:

- 2 year old - £5.37
- 3 & 4 year old - £4.31

Deprivation amounts will remain unchanged.

A 1% reduction roughly equates to £100k which if actioned would enable the hourly rates to be increased by up to 5p per hour. In respect of the impact on the providers (based on the January 2021 census data) then as the funding is all based on hours taken up the additional income would range from £19 to £4,570. Of the 126 providers, including school settings 68 would see increases of up to £1,000pa. However, of these 68 providers 20 would receive increases of up to £500 and of these 20 then 9 would receive less than £100.

To put this increase into context one extra 3-year-old child for 15 hours for 38 weeks within a setting would bring in additional funding of £2,360 whilst for a 2-year-old this would be £2,941.

In terms of the service provided further information given below.

#### 4. The service provided

##### **SEND**

The current core funding supports both Portage and the Specialist teachers. With the increase both in terms of complexity of SEND and number of children presenting with potential additional needs any reduction to these services could be detrimental to the support Early Years settings currently receive. To highlight the increase in demand for support, the number of EHCP requests

for children aged 0-5 made to the Local Authority over the last 4 years is below.

### Early Years requests for EHCPs

	TOTAL FOR YEAR	TOTAL number of do not assess	Half term 1	Half term 2	Half term 3	Half term 4	Half term 5	Half term 6	Summer break
2018-18	57	2	4	10	9	6	16	10	
2019-20	69	2	6	8	12	10	12	12	7
2020-21	68	8	0	4	16	15	9	15	1
2021-22	40	0 so far	6	12	13	9 so far			

### Locality Family Hubs offer to Early Years Providers

From October 2021, health and safety guidance provided direction to recommence work in settings due to the relaxation of COVID restrictions. Prior to this date, work within settings could not be delivered due to the pandemic. A task and finish group was established to plan and implement a full menu of activities to support children struggling in their PSED or SAL development.

Since January 2022, 10 FFP's are now providing dedicated work in 14 settings. These settings were selected following a review of data in relation to demand and need. Each setting has identified small groups of children to receive direct support through the provision of such play activities. Each setting has a plan, which will be reviewed and assessed at the end of the spring term to produce quantitative data demonstrating individual children's progression.

Keyworkers are working alongside the FFP's in these sessions to upskill settings staff and allow keyworkers to observe the activities to repeat them with other children in the setting.

Alongside the direct work with children, the FFP's are also offering advice, guidance and support to setting leads in safeguarding processes such as the completion of the MARF form and EHA's, after leads have expressed their struggles in keeping up with current processes and the request for a direct contact person from the hubs. Advice to support specific children's needs is also offered including signposting to partners wherever necessary.

#### Activities within the Locality and Family Hubs

The impact of the pandemic has affected service delivery within hubs. Groups recommenced in September 2021 made up of an offer of:

- baby massage,
- mini rhyme time
- learning through play

Families attending are currently through invite only, considering the needs of the parent and child, primarily due to room capacity only allowing small numbers of families per session. As health and safety regulations are relaxed in the future, larger groups will be delivered to address primary targets of bonding and attachment, school readiness and social and emotional skills.

### **5. The provider market**

Intelligence has been received that the private provider market is financially challenging and that as such an increase in the hourly rate by reducing as far as possible the amount centrally retained would assist in relieving this pressure. This situation is not new, and some settings have always had to be careful with budgets. The impact of the pandemic has further increased the pressure and whilst the Local Authority followed guidance in respect of funding on previous headcounts and the activation of a minimum funding guarantee the slower return take up has also played a part in the funding position

This last point is relevant in the wider sense in respect of EY funding in that it solely depends on hours taken up both through national entitlement funding and self-funders. Given this, then other key factors around sufficiency of provision, projected children numbers and financial sustainability in the market need to be considered

#### **Sufficiency**

Projections for the next 3 years show that there are more than enough funded places available in NEL. Based on the current data available the number of 2, 3 and 4 year olds in NEL are expected to fall by 4-5% each year. However the

impact of new housing developments, should these occur, could change this situation but at this point in time this is what the basic data is saying

### **Eligibility**

Over the last 3 years, the number of eligible 2 year olds has fallen but it has started to increase again. Projections show that 43% of all 2 year olds could be potentially eligible for a funded place

During the pandemic, take up of both the universal and extended offer (30 hours) decreased but has now picked up again. Actual take up in autumn 2021 was 100% for the universal offer and 38% of those accessed an extended funded place.

### **Sustainability and the market**

Each year, all funded settings are provided with an indicative budget for the next financial year. This budget is a projection based on the numbers of children that they have claimed for during the spring term and the data that has been submitted via the early years and school's census. At the end of the last autumn term only 12.8% of providers were on track to meet the projections, 45.6% of settings are now above their projected budget but 41.6% are below the funded expected at this point in the year.

41.6% is a significant number of providers who are not meeting expected funded levels and this could be for a variety of reasons, such as their offer, over supply in the area or other factors which are affecting take up.

## **6. Benchmarking**

In respect of the 5% central retention regional data has been obtained as to what other LA's in the Yorkshire and Humber region hold back. Of the 13 LA's contacted 8 LA's top sliced 5% in respect of the 3 & 4 year old funding with a further 3 LA's top slicing 4%. Of the remaining two, one top sliced 2% and the other didn't top slice.

In respect of 2 year old funding then the picture is more mixed. Of the 13 LA's, 4 top slice and 9 do not apply a top slice.

## **7. Recommendation**

Officers recommend that the Schools Forum allow full retention of the 5%. Whilst the financially situation is challenging the impact of a 1% reduction in the centrally retained rate is minimal and the financial position of providers will be better improved by increasing take up and reducing capacity.

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16<sup>th</sup> March 2022