**DERBYSHIRE COUNTY COUNCIL**

Agenda item 8

Rep 755

**SCHOOLS FORUM**

**22nd November 2018**

**Report of the Strategic Director for Children’s Services**

**Early Years Block budgets 2019-20**

1. **Purpose of the Report**

To update the Schools Forum on the key Early Years Block issues for 2019-20.

**2. Information and Analysis**

**2.1 DSG Income**

The indicative Early Years Dedicated Schools Grant (DSG) allocations for 2019-20 will be announced by the DfE in December. This report looks at the potential allocations and the implications for both providers and the Authority next year.

N.B. A further report will be brought to the January meeting of the Forum to look at the actual 2019-20 settlement and seek Forum approval to the level of central spend.

A summary of the estimated Early Years DSG allocations is provided in Table 1 below:

**Table 1 – Early Years Indicative Settlement 2019-20**

|  |  |  |
| --- | --- | --- |
| **Item** | **2019-20** | ***2018-19*** |
| **Early Years Block:** |  |  |
| No. 3 & 4 year olds – universal prov’n (PTE – part time equiv) | 10,149.37 | *10,590.53* |
| Universal entitlement - 3 & 4 year old hourly rate | £4.400 | *£4.400* |
| **Sub total (£m)** | **25.455** | ***26.561*** |
| Maintained Nursery School (MNS) Grant (£m) | 1.178 | *1.178* | a |
| **Total universal 3 & 4 year old funding (£m)** | **26.633** | ***27.739*** |
|  |  |  |
| No. 3 &4 year olds – add’l 15 hours for working parents (PTE) | 3,730.66 | *4,341.60* |
| Additional entitlement - 3 & 4 year old hourly rate | £4.400 | *£4.400* |
| **Total additional hours funding (£m)** | **9.356** | ***10.889*** |
|  |  |  |
| Other Early Years allocations (assumed as per 2018-19): |  |  |
| Funding for disadvantaged 2 year olds (£m) | 4.840 | *4.840* |
| Early Years Pupil Premium (£m) | 0.326 | *0.326* |
| Early Years Disability Access Fund (£m) | 0.157 | *0.157* |
| **Sub total – Other EY allocations** | **5.323** | *5.323* | b |
|  |  |  |
| **TOTAL EARLY YEARS BLOCK (£m)** | **41.312** | *43.951* | c |
| **TOTAL ex. Other EY allocations/MNS (for pass-porting test)** | **34.811** | *37.450* | =c-b-a |

The following points/assumptions regarding Table 1 are worth noting:

1. The estimated year on year reduction in total funding (£2.639m) is due to the lower number of universal and additional hours of provision. N.B. The actual allocations will be based on a combination of January 2019 (5/12ths) and January 2020 (7/12ths) census information.
2. Derbyshire’s funding rate per hour for the both the universal and additional hours provision for 3 and 4 year olds is unchanged at £4.40;
3. Derbyshire’s rate is still protected, the “pure” national funding rate is ~£4.17 per hour;
4. The estimated 2019-20 quantum is based on January 2018 census data – which the DfE will use when they make their announcements in December.
5. Derbyshire receives ~£1.178m as a Maintained Nursery Schools (MNS) grant to support its nursery schools; and
6. The 2019-20 figures assume that the settlements for Disability Access Funding, disadvantaged two year olds and Pupil Premium Grant allocations remain the same as for 2018-19.

**2.2 Issues to consider**

In determining how to distribute the universal and additional hours funding the DfE:

1. Require LAs to delegate 95% of relevant funding to providers in 2019-20;
2. Require local authorities to have a single universal base rate for all providers by 2019-20;
3. Allow local authorities to continue to provide a higher level of funding to maintained nursery schools; and
4. Require local early years’ formulae to have a basic hourly rate and a deprivation indicator. In addition LAs can include indicators for rurality/ sparsity, flexibility, quality and a lump sum for nursery schools.

**2.3 Issues for 2019-20**

When the original 2018-19 Early Years budgets were approved the total proposed spend exceeded the grant allocation by £0.491m. Given the reduced DSG reserves held by the Authority, and the continuing High Needs Block pressures, this gap needs to be reduced, and preferably closed, in 2019-20.

**2.3.1 Passporting test**

The DfE requires that at least 95% of relevant funding has to be delegated to providers, leaving a maximum of 5% to be used for centrally funded services. The passporting calculation for 2019-20 based on the funding levels in Table 1 is set out overleaf.



**2.3.2 Delegated allocations**

The above delegated quantum would fund the hours and multipliers for 2019-20 set out in Table 3 below.

**Table 3 – Proposed Early Years Delegated Allocations 2018-19**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Nursery schools | Nursery units | PVI | Total |
| Proposed Universal hourly rate | £4.08 | £4.08 | £4.08 | - |
| Proposed Enhanced hourly rate | £0.54 | £0.00 | £0.00 | - |
| **Proposed Overall hourly rate** | **£4.62** | **£4.08** | **£4.08** | **-** | A |
|  |  |  |  |  |
| No. 3&4 year olds accessing universal hrs | 638.86 | 3,580.05 | 5,930.45 | 10,149.37 | B |
| No. 3&4 year olds accessing additional hrs | 221.60 | 599.14 | 2,909.91 | 3,730.66 | C |
|  |  |  |  |  |
| **Delegated funding** | £m | £m | £m | £m |
| Universal allocation | 1.682 | 8.326 | 13.792 | 23.800 | = AxBx570hrs |
| Additional hours allocation | 0.584 | 1.393 | 6.767 | 8.744 | = AxCx570 hrs |
| Sub total - hourly rate allocations | 2.266 | 9.719 | 20.559 | 32.544 |
|  |  |  |  |  |
| Formula supplements: |  |  |  |  |
| Lump sum | 0.719 | 0.000 | 0.000 | 0.719 |
| Deprivation | 0.054 | 0.508 | 0.325 | 0.887 |
| Rates | 0.058 | 0.000 | 0.000 | 0.058 |
| Sub total - formula supplements | 0.831 | 0.508 | 0.325 | 1.664 |
|  |  |  |  |  |
| Contingency – treated as delegated | 0.040 | 0.000 | 0.000 | 0.040 |
|  |  |  |  |  |
| **Total delegated funding** | **3.137** | **10.227** | **20.884** | **34.248** |

The allocations for 2019-20 in Table 3 reflect the following:

1. An increase in the basic hourly rate to all providers from £4.03 to £4.08;
2. Removal of the current £0.27 per hour nursery unit supplement;
3. The nursery school enhanced rate would be set at £0.54 per hour, thereby maintaining the overall £4.62 per hour funding rate.
4. Nursery schools’ rates – an allowance has been made to cover inflation;
5. All other formula multipliers have been kept at 2018-19 levels.

The universal rate of £4.08 per hour is very slightly (£0.01) lower than previous planning estimates due to the reduction in expected income. Any increase to the rate over above the £4.08 per hour could only be achieved by one or more of the following:

1. Additional funding in the December 2018 government settlement;
2. A reduction in one or more early years multipliers;
3. A reduction in central Early Years budgets and services;
4. A transfers from other DSG Blocks; and/or
5. Use of DSG balances.

To provide some context, an additional £0.01 per hour on the universal rate would cost around £0.074m, assuming the nursery school rate stays at £4.62.

No changes to the Early Years Single Funding Formula are planned for 2019-20.

**2.3.3 Central allocations**

The approved central Early Years budgets for 2018-19 are shown in Table 4 below.

**Table 4 – Early Years Central Budgets 2018-19**

|  |  |  |
| --- | --- | --- |
|  | 2018-19 |  |
| Service | £k | **Service** |
| Early Years Improvement Service | 1,504 | Provides support & quality review of PVI settings |
| Early Years SEN service | 415 | Assessment of EY children |
| Every Child a Talker | 55 | To meet the costs of the initiative |
| Early Help Offer | 50 | Contribution to reflect Early Help support to children in EY settings |
| Catering – nursery schools | 63 | Cost of provision of service to nursery schools |
| Broadband – nursery schools | 25 | Nursery schools share of central subsidy |
| Capital Mtce – nursery schools | 30 | Estimated share based on pupil numbers |
| Licensing – nursery schools | 2 | Estimated cost for sector |
| Total | 2,144 |  |

If the Authority were to hold the maximum 5% of annual income permitted by the regulations this would equate to £1.741m in 2019-20, £0.403m less than the budgets in Table 4. Any spend in excess of this sum would have to be met from DSG reserves.

It is proposed that £0.118m of the gap is closed by requiring nursery schools to pay for their own catering, broadband and capital maintenance costs from next April. This equates to a real terms cost pressure of around 3.8% and would still leave a shortfall of £0.285m, equivalent to ~14% of the remaining central budgets. It is likely that Derbyshire will be seeking permission to hold the maximum 5% allowed by the regulations in 2019-20.

The overall level of central early years spend is a matter for the Schools Forum. If agreement cannot be reached then the matter could be referred to the Secretary of State for a decision.

An updated report on the Early Years budget will be brought to the January Schools Forum meeting which will incorporate any implications from the December 2018 settlement. However, the initial views of the Forum on the issues raised in this report would be welcomed.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, social value, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**4. Background Papers**

Papers held in Children’s Services Finance.

**5. Officer’s Recommendations**

Schools Forum is asked to note:

1. the report and give its views; and
2. that an updated report will be provided to the January 2019 meeting.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**