

DERBYSHIRE COUNTY COUNCIL**CABINET****14 March 2017****Report of the Strategic Director for Children's Services****Early Years Block Budgets 2017-18 – (Children's Services)****1. Purpose of the Report**

To seek Cabinet approval to the Early Years Block funded budgets within the Dedicated Schools Grant (DSG) for 2017-18.

2. Information and Analysis**2.1 DSG Income**

The indicative DSG allocations for 2017-18 were announced by the DfE on 20 December 2016. The Schools Block allocations were approved by Cabinet at its meeting on 31 January 2017 and the Early Years and High Needs budgets now need to be determined: this report deals with the Early Years budgets, the High Needs Block is covered in a separate report to this meeting. A summary of the Early Years DSG allocations are provided in Table 1 below:

Table 1 – Early Years Indicative Settlement 2017-18

Item	2017-18
Early Years Block:	
No. 3 & 4 year olds – universal provision	10,904.50
Universal entitlement - 3 & 4 year old hourly rate	£4.630
Sub total (£m)	28.778
Maintained Nursery School Grant (£m)	1.145
Total universal 3 & 4 year old funding (£m)	29.923
No. 3 & 4 year olds - additional 15 hours for eligible working parents	2,441.13
Additional entitlement - 3 & 4 year old hourly rate	£4.630
Total additional hours funding (£m)	6.442
Other Early Years allocations:	
Funding for disadvantaged 2 year olds (£m)	4.644
Early Years Pupil Premium (£m)	0.337
Early Years Disability Access Fund (£m)	0.160
Sub total – Other EY allocations	5.141

TOTAL EARLY YEARS BLOCK (£m)	41.506
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The DSG settlement itself is cash-flat with no allowance for pay and prices inflation. The indicative allocations are largely based on 2016-17 data e.g. the number of funded hours and will be updated in 2017-18 and 2018-19 to reflect actual levels of provision. The following points regarding the 2017-18 settlement are worth noting:

- (i) Derbyshire's funding rate per hour for the 15 hours of universal provision for 3 and 4 year olds has fallen from £4.87 to £4.63, a 5% reduction which is the maximum allowed: the loss equates to around £1.5m;
- (ii) A further 5% reduction to £4.39 will take place from April 2018 and will result in a further £1.5m reduction in funding;
- (iii) Derbyshire's "pure" national funding rate is £4.17 per hour;
- (iv) Derbyshire will receive £1.145m as a Maintained Nursery Schools (MNS) grant to support its nursery schools: this sum has been guaranteed by the Government until 2019-20;
- (v) Derbyshire will receive the same hourly funding rate (£4.63) to support the roll-out of the additional 15 hours of early years provision for eligible working parents of 3 and 4 year olds. This is a new responsibility which will be introduced from September 2017;
- (vi) The settlement includes £0.160m for Disability Access Funding which will support disabled children to access the free entitlement. Targeted funding will be made available (£12.5m nationally) to support providers to make initial reasonable adjustments and build capacity to support disabled children. The funding is ring-fenced and will be paid to settings via the existing Early Years Pupil Premium framework for each child in receipt of Disability Living Allowance;
- (vii) The national hourly funding rate for disadvantaged two year-olds has increased from £5.09 to £5.39 and will continue to be allocated on the same basis. LAs' allocations have been increased by 7.14% which means that Derbyshire's rate will increase from £4.85 to £5.20 per hour.
- (viii) The Pupil Premium Grant –funding allocations will remain as for 2016-17, allocations will be based on a maximum of 570 hours per annum (38 weeks @ 15 hours) and will be funded at £0.53 per hour. The maximum that a pupil can attract is therefore £302.10

2.2 Issues to consider

The DfE undertook a consultation with local authorities and other stakeholders in the autumn. As a result the DfE published their final proposals which included the following:

- (i) 93% of relevant funding must be delegated (passed-through) to providers in 2017-18, rising to 95% from 2018-19 onwards:
- (ii) Local authorities must have a single universal base rate for all providers by 2019-20. However, following representations made in response to the national consultation, the DfE have agreed that local authorities will be allowed to continue to provide a higher level of funding to maintained nursery schools.
- (iii) Local early years formulae must include a basic hourly rate and a deprivation indicator. In addition, LAs can include indicators for rurality/sparsity, flexibility, quality and English as an additional language. Although not explicit in the guidance, Derbyshire has confirmed with the DfE that a lump sum can also be used to fund nursery schools.

Key to the allocation of funding will be the basic hourly rate; the current hourly rates to providers are shown in Table 2 below:

Table 2 – 2016-17 Hourly Rates

	Nursery Schools	Nursery Units	PVI Providers
Basic rate	£3.92	£3.92	£3.92
Enhanced rate	£0.70	£0.61	£0.00
Total rate per hour	£4.62	£4.53	£3.92

The creation of a universal funding rate by 2019-20 will require reductions in the rates paid to nursery units and an increase in the rate paid to PVI providers. However, the universal funding rate in 2019-20 will also have to reflect the fact that Derbyshire's current (2016-17) funding rate per hour from the Government (£4.87) will fall by 5% in 2017-18 to £4.63 and will reduce by a further 5% to £4.39 for 2018-19. The LA's provider rates need to take into account these reductions and ensure that whatever rates are set now remains affordable in 2018-19 and beyond.

The consultation undertaken by the Authority with its providers in the autumn also committed to deferring any reduction in the rate paid to primary schools with a nursery unit until 2018-19. This would both give affected schools time to respond to the loss of funding and, for some at least, allow any gains from the mainstream funding formula to be taken into account.

2.3 Delegated funding proposals

Appendix 1 to this report sets out a proposed schedule of rates and their impact for 2017-18 through to 2019-20. The key points to note are as follows:

- Over the next three years the PVI rate is planned to rise to £4.07, the likely universal hourly rate

- The rate for nursery units would be protected in 2017-18 at £4.53 per hour and would then fall to £4.30 in 2018-19 and £4.07 in 2019-20
- Nursery schools would continue to be funded at their current rate of £4.62 per hour over the period
- In the future nursery schools are likely to be required to meet some costs previously met centrally.

The proposed rates and implied allocations should enable Derbyshire to meet the delegation pass-through requirements as shown in Table 3 below

Table 3 – Estimated Delegation/Pass-through requirement

Item	2017-18	2018-19	2019-20
	£m	£m	£m
Delegated funding as per Appendix 1	33.886	37.470	36.917
Less Maintained Nursery Schools Grant	(1.145)	(1.145)	(1.145)
Adjusted delegated total – (A)	32.741	36.325	35.772
3 & 4 year olds universal 15 hours	6,215,565	6,215,565	6,215,565
Funding rate from Government	£4.63	£4.39	£4.39
Funding for universal 15 hours (£m) (B)	28.778	27.286	27.286
3 & 4 year olds additional 15 hours – per DfE	1,391,446	2,385,336	2,385,336
Funding rate from Government	£4.63	£4.39	£4.39
Funding for additional 15 hours (£m) (C)	6.442	10.472	10.472
Total Income excl. MNS grant (£m) (D=B+C)	35.220	37.758	37.758
Delegation/pass-through % (A/D)	92.96%	96.21%	94.74%
Required percentage	93.00%	95.00%	95.00%
Margin for error (£m)	-0.014	0.455	-0.098

The above analysis, including for 2018-19 and 2019-20, is based on the 2017-18 settlement data used by the DfE. It is expected that the actual take up of the additional 15 hours will significantly exceed the DfE's assumptions which should ensure that the pass-through percentage is met.

The proposed Early Years formula multipliers for next year are as follows:

Table 4 - Proposed 2017-18 Early Years formula multipliers

	Nursery Schools	Nursery Units	PVI Settings
Basic Hourly Rate	£4.00	£4.00	£4.00
Enhanced Hourly Rate	£0.62	£0.53	-
Lump Sum	£89,813.79	-	-
Social Deprivation (IMD)	£25.29	£25.29	£25.29

ER School SENTA	£692.96	-	-
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The basic hourly rate has increased from £3.92 to £4.00 per hour. The increase for nursery schools and units will be offset by an equivalent reduction in their enhanced hourly rate, meaning no overall change in their funding rates. PVI providers will receive the full benefit of the £0.08 (+2.04%) per hour increase. The rates in Table 4 would be used to fund both the universal and additional hours.

The lump sum, deprivation and ER SENTA multipliers would be retained at 2016-17 levels, the ER SENTA allocations for 2017-18 will be resourced from the High Needs Block as this is more consistent with the nature and purpose of the funding.

2.4 Central Early Years Limits

As a result of the proposals in section 2.3 the amount that Derbyshire is able to retain centrally from core EY funding is shown in Table 5.

Table 5 – Central Spending limit –core funding

Item	2017-18	2018-19	2019-20
	£m	£m	£m
Total Income excl. MNS grant (£m) (D=B+C)	35.220	37.758	37.758
Less delegated to providers	(32.741)	(36.325)	(35.772)
Core funding available to support central costs	2.479	1.433	1.986

The level of central Early Years Block spend is a matter for the Schools Forum to determine on an annual basis. The Authority's proposals for 2017-18 are set out in Appendix 2 and these were considered and agreed at the Forum's meeting on 9th February 2017.

The proposals include the creation of a central budget to contribute to those services formerly funded by the Education Services Grant – General Duties, specifically school improvement. There is also a proposed small budget for early help to contribute to the cost of the work done within Multi Agency Teams to support children in early years settings and funding to support the administration of the additional 15 hours entitlement.

These increases are offset by a reduction in the costs of the Early Years SEN Service, a proportion of this service's costs will instead be funded from the High Needs Block. This recognises that a significant proportion of the team's work is with children who are ultimately assessed as having high needs, as evidenced by the proportion who go on to receive high needs funding following a Graduated Response for an Individual Pupil (GRIP) or Education Health and Care Plan review.

Based on the proposals in this report the planned spend for 2017-18 would be as follows:

Table 6 – Summary of planned spending 2017-18

Item	2017-18
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	£m
Universal/Additional Hours funding	35.220
MNS Grant	1.145
Total income	36.365
Delegated spending per Appendix 1	33.886
Central Spending per Appendix 2	2.308
Total planned spend	36.194
Residual EY Block funding	0.171

The proposals allocate slightly less than the grant income for 2017-18, however, this surplus is likely to be needed in 2018-19 as the analysis in Table 7 shows:

Table 7 – Indicative Early Years income and expenditure 2017-18 to 2019-20

	2017-18	2018-19	2019-20
Income:	£m	£m	£m
Universal entitlement – 3 & 4 year olds	28.778	27.286	27.286
Additional 15 hours entitlement – 3 & 4 year olds	6.442	10.472	10.472
Maintained Nursery School Grant	1.145	1.145	1.145
Total income ex PPG/2 year old funding	36.365	38.903	38.903
Expenditure:			
Nursery schools – universal/additional hours	2.669	2.669	2.669
Nursery units – universal/additional hours	13.498	14.548	13.798
PVI – universal/additional hours	17.719	20.253	20.451
Central spend	2.308	2.146	1.966
Total forecast spend ex PPG/2 year old funding	36.194	39.616	38.884
Surplus/(deficit)	0.171	(0.713)	0.019

The reliance on DSG reserves in 2018-19 will have to be reviewed to ensure the planned spend remains affordable.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, 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

Cabinet is asked to:

- 9.1 note the increase in the funding rate for disadvantaged two year olds to £5.20 per hour;

- 9.2 approve the proposed Early Years formula multipliers for 2017-18 as set out in Table 4;
- 9.3 note the support from the Schools Forum to the central budgets set out in Appendix 2 and confirm these budgets for 2017-18; and
- 9.4 Note the updated position with regard to likely funding and spending levels and provider rates as set out in Appendix 1 and Table 7.

JANE PARFREMENT
Strategic Director for Children's Services

Summary of indicative Early Years delegated funding 2017-18 to 2019-20

Appendix 1

	2017-18	2017-18	2017-18	2017-18		2018-19	2018-19	2018-19	2018-19		2019-20	2019-20	2019-20	2019-20
	Nurs schl	Nurs units	PVI	Total		Nurs schl	Nurs units	PVI	Total		Nurs schl	Nurs units	PVI	Total
<u>Core data</u>														
FTE - 3 and 4 year olds	685	4,051	6,168	10,905		685	4,051	6,168	10,905		685	4,051	6,168	10,905
Universal hourly rate	£4.000	£4.000	£4.000	-		£4.030	£4.030	£4.030	-		£4.070	£4.070	£4.070	-
Enhanced hourly rate	£0.620	£0.530	£0.000	-		£0.590	£0.270	£0.000	-		£0.550	£0.000	£0.000	-
Overall hourly rate	£4.620	£4.530	£4.000	-		£4.620	£4.300	£4.030	-		£4.620	£4.070	£4.070	-
Addn'l 15 hours per DfE (not'l split)	0	976	1,465	2,441		0.00	1,674	2,511	4,185		0	1,674	2,511	4,185
<u>Delegated funding</u>	£m	£m	£m	£m		£m	£m	£m	£m		£m	£m	£m	£m
Proposed universal allocation	1.562	9.237	14.064	24.862		1.574	9.306	14.169	25.049		1.589	9.398	14.310	25.297
Proposed enhanced allocation	0.242	1.224	0.000	1.466		0.230	0.623	0.000	0.854		0.215	0.000	0.000	0.215
Sub tot - hourly rate allocations	1.804	10.461	14.064	26.328		1.804	9.930	14.169	25.903		1.804	9.398	14.310	25.512
Formula supplements:														
Lump sum	0.718	0.000	0.000	0.718		0.718	0.000	0.000	0.718		0.718	0.000	0.000	0.718
Deprivation	0.073	0.516	0.316	0.905		0.073	0.516	0.316	0.905		0.073	0.516	0.316	0.905
Rates	0.054	0.000	0.000	0.054		0.054	0.000	0.000	0.054		0.054	0.000	0.000	0.054
Sub tot - formula supplements	0.845	0.516	0.316	1.677		0.845	0.516	0.316	1.677		0.845	0.516	0.316	1.677
Other delegated allocations:														
Additional 15 hours	0.000	2.521	3.339	5.861		0.000	4.103	5.768	9.871		0.000	3.883	5.825	9.708
Contingency	0.020	0.000	0.000	0.020		0.020	0.000	0.000	0.020		0.020	0.000	0.000	0.020
Sub tot - other delegated funding	0.020	2.521	3.339	5.881		0.020	4.103	5.768	9.891		0.020	3.883	5.825	9.728
Total delegated funding	2.669	13.498	17.719	33.886		2.669	14.548	20.253	37.470		2.669	13.798	20.451	36.917

Summary of retained Early Years Block funding 2017-18

Appendix 2

		16-17	17-18	
	Service	£k	£k	
1	Early Years Improvement Service	1,454	1,504	Provides support & quality review of PVI settings, the £50k increase is a contribution to the costs of administering the additional 15 hours
2	Early Years SEN service	593	415	Assessment of EY children – lower recharge as a proportion of the team's costs will now be charged to the high needs block
3	Every Child a Talker	155	155	To meet the costs of the initiative
4	Early Help Offer	-	50	Contribution to reflect Early Help support to children in EY settings
5	Behaviour Support Service	15	15	Provision of service to nursery schools
6	Staffing costs (Maternity/TU/Public Duties) – nursery schools	14	14	Backfill of staff absent for these reasons
7	Catering – nursery schools	63	63	Cost of provision of service to nursery schools
8	Broadband – nursery schools	25	25	Nursery schools share of central subsidy
9	CRB checks – nursery schools	3	3	Estimated costs based on pupil numbers
10	Sports – nursery schools	2	2	Share of Sports Service costs
11	Capital Mtce – nursery schools	30	30	Estimated share based on pupil numbers
12	Contingency – nursery schools	115	20	Much reduced allocation, forecast 2016-17 underspend will be retained in an earmarked reserve to cover any shortfall in 2017-18
13	Licensing – nursery schools	2	2	Estimated cost for sector
14	Insurance – nursery schools	10	10	Notional share of corporate premiums
15	School Improvement	0	20	To cover nursery schools costs formerly funded by ESG General Duties
16	School redundancy costs	0	0	Regulations unclear but seem to suggest we can't hold funding for this
	Total	2,481	2,328	
	Total relevant to central limit	N/A	2,308	Contingency fund regarded as delegated in % pass-through calculation

