

DERBYSHIRE COUNTY COUNCIL

CABINET

21 March 2019

Report of the Strategic Director for Children’s Services

**EARLY YEARS FUNDING SETTLEMENT 2019-20
(YOUNG PEOPLE)**

1. **Purpose of the Report** - To seek Cabinet approval to the Early Years Block funded budgets within the Dedicated Schools Grant (DSG) for 2019-20.

2. **Information and Analysis**

2.1 **DSG income**

The indicative Early Years Dedicated Schools Grant (DSG) allocations for 2019-20 were announced by the DfE on 17 December 2018. This report looks at the potential allocations and the implications for both providers and the Authority next year. A summary of the published allocation is provided in Table 1 below:

Table 1 – Early Years 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	£4.39	£4.40	
Sub-total (£m)	25.397	26.561	
Maintained Nursery School (MNS) Grant (£m)	1.086	1.178	a
Total universal 3 & 4 year-old funding (£m)	26.483	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	£4.39	£4.40	
Total additional hours funding (£m)	9.335	10.889	
Other Early Years allocations:			
Funding for disadvantaged 2 year-olds (£m)	4.630	4.840	
Early Years Pupil Premium (£m)	0.284	0.326	
Early Years Disability Access Fund (£m)	0.145	0.157	
Sub-total – Other EY allocations	5.059	5.323	b

TOTAL EARLY YEARS BLOCK (£m)	40.877	43.951	c
TOTAL for pass-porting test	34.732	37.450	=c-b-a

The following points regarding Table 1 are worth noting:

- (i) The year-on-year reduction in funding is due largely to the combination of a lower number of universal and additional hours of provision, a slight reduction in the hourly rate received from the Government and a lower level of Maintained Nursery School (MNS) grant.
- (ii) The allocations in the settlement have been based on January 2018 census data. The actual allocations will be based on a combination of January 2019 (5/12ths) and January 2020 (7/12ths) census information.
- (iii) Derbyshire's funding rate per hour for the both the universal and additional hours provision for 3 and 4 year-olds is £4.39, a 0.22% reduction on the £4.40 per hour received in 2018-19;
- (iv) Derbyshire's rate is still protected, the "pure" national funding rate is circa £4.17 per hour; and
- (v) Derbyshire will receive £1.086m as a Maintained Nursery Schools (MNS) grant to support the higher costs of nursery schools. This represents a reduction of £0.092m (7.8%) compared with 2018-19.

2.2 **Issues to consider**

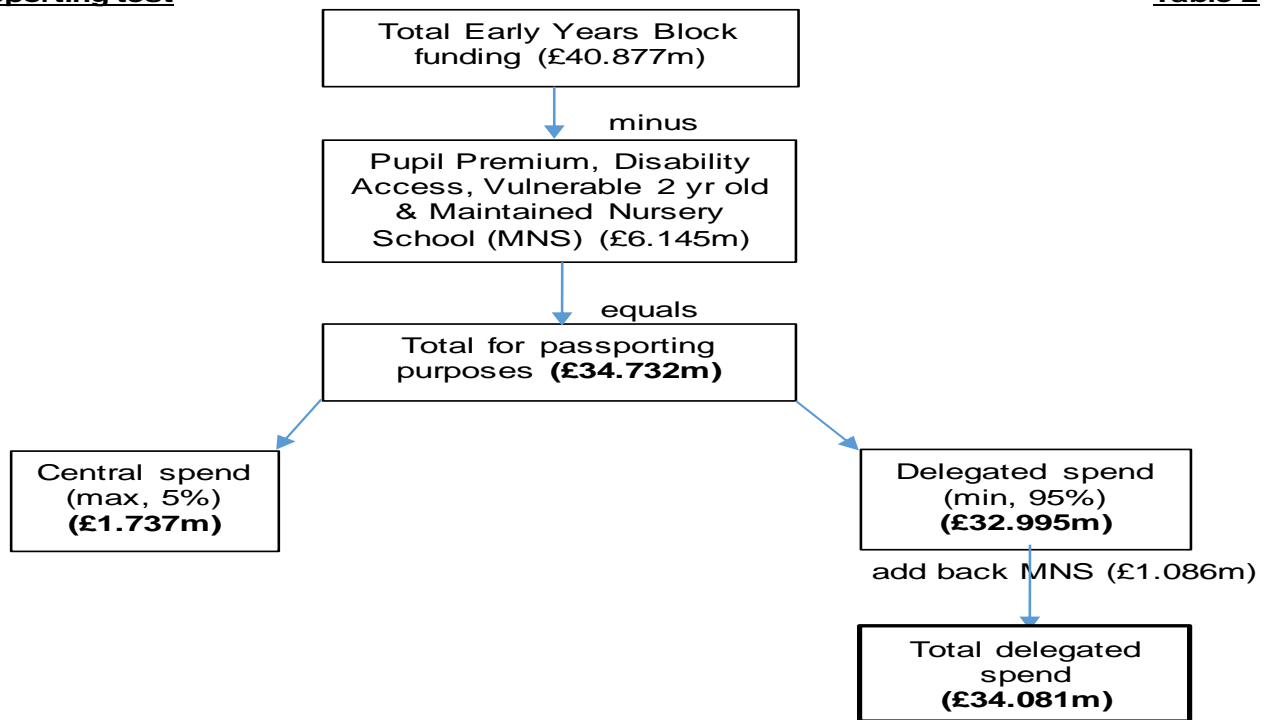
In determining how to distribute the universal and additional hours funding the DfE:

- (i) Require LAs to delegate 95% of relevant funding to providers in 2019-20;
- (ii) Require local authorities to have a single universal base rate for all providers for 2019-20;
- (iii) Allow local authorities to continue to provide a higher level of funding to maintained nursery schools via the MNS grant; and
- (iv) 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. **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.



File Summary MTFP incl 2019-20 budget v5.xls

2.3.1 Delegated allocations

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

Table 3a – Proposed Early Years Delegated Allocations 2019-20

	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	0.005	0.000	0.000	0.005	
Total delegated funding	3.102	10.227	20.884	34.213	

Table 3b–Proposed Early Years Single Funding Formula (EYSFF) multipliers 2019-20

	Nursery schools	Nursery units	PVI
Proposed Universal hourly rate	£4.08	£4.08	£4.08
Proposed Enhanced hourly rate	£0.54	£0.00	£0.00
Lump sum	£89,813.79	-	-
Social deprivation per hour	£1.31	£1.31	£1.31

The allocations and multipliers for 2019-20 in Tables 3a and 3b reflect the following:

- (a) A 1.24% increase in the basic hourly rate from £4.03 to £4.08;
- (b) Removal of the current £0.27 per hour nursery unit enhancement;
- (c) The nursery school enhanced rate would be set at £0.54 per hour, thereby maintaining the overall £4.62 per hour funding rate;
- (d) Nursery schools' rates – an allowance has been made to cover inflation;
- (e) All other formula multipliers have been kept at 2018-19 levels.

The above proposals exceed the amount available to meet the 95% delegation test by £0.132m, with the over-commitment being funded from DSG reserves. The alternative would have been to increase the universal basic rate by a lower amount. However, the use of reserves to support the higher rate is considered reasonable given the need to respond to increases in the national minimum wage which impact more acutely on the PVI sector and for which the basic hourly rate is more significant.

The proposed reliance on DSG reserves of £0.132m for 2019-20 is considerably lower than for 2018-19 (£0.491m). The level of Council-held DSG reserves is expected to be around £3.3m at the end of 2018-19 and so the 2019-20 over-commitment is affordable. However, the current pressures on the DSG, particularly the High Needs Block, means that this position is not sustainable indefinitely. The target will be to keep early years spending within the annual grant from 2020-21 through one or more of the following:

- (i) Additional funding in the next Comprehensive Spending Review settlement;
- (ii) A reduction in one or more Early Years Single Funding Formula multipliers;
- (iii) A reduction in central Early Years budgets and services; and/or
- (iv) A transfers from other DSG Blocks.

2.3.2 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 & 2019-20 indicative spend

	2018-19	2019-20	
Service	£k	£k	Service
Early Years Improvement Service	1,504	1,339	Support & quality review of PVI settings
Early Years SEN service	415	468	Assessment of EY children
Every Child a Talker	55	14	To meet the costs of the initiative
Early Help Offer	50	21	Early Help support to children in EY settings

Catering – nursery schools	63	0	Cost of service to nursery schools
Broadband – nursery schools	25	0	Nursery schools' share of central subsidy
Capital Mtce – nursery schools	30	0	Estimated share based on pupil numbers
Licensing – nursery schools	2	2	Estimated cost for sector
Total	2,144	1,844	

If the Authority were allowed to hold the maximum 5% of annual income permitted by the regulations, as shown in Table 2, this would equate to £1.737m in 2019-20. Table 4 provides a first look at the indicative spend for 2019-20 which gives a budget requirement of £1.844m. The budget requirement reflects:

- The costs of known pay awards;
- The increase in teachers' pensions from September 2019;
- The delegation of the responsibility for catering, broadband and capital maintenance costs to nursery schools;
- Other known factors e.g. staffing changes; and
- The impact of changes to the Council's Early Help offer.

The 2019-20 figures in Table 4 exceed the 5% limit by £0.107m and early years services will be tasked with achieving in year savings to close the gap.

Decisions on the level of central early years spend are a matter for the Schools Forum. Derbyshire's Schools Forum considered the issue for 2019-20 at its meeting on 31st January 2019 and agreed to allow the Authority to hold the maximum 5% (£1.737m) permitted by the regulations.

3. **Other Considerations** - In preparing this report, the relevance of the following factors has been considered: - prevention of crime & disorder, equality of opportunity, and environmental, health, social value, human rights, human resources, property and transport considerations.
4. **Background Papers** - Files held within Children's Services Finance.
5. **Key Decision** - Yes
6. **Call-in** - Is it required that the call-in period be waived in respect of the decisions being proposed within this report? No
7. **Officer's Recommendations** That Cabinet:
 - (i) Notes the Early Years block settlement for 2019-20;
 - (ii) Approves the EYSFF multipliers set out in Table 3b. from April 2019;
 - (iii) Confirms central early years spending will be £1.737m for 2019-20;
 - (iv) Agrees to utilise DSG reserves to cover the anticipated shortfall; and
 - (v) Notes the potential actions that may be required to ensure overall early years spend is contained with the grant level for 2020-21.

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