

SCHOOLS FORUM**31st January 2019****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 Early Years Block allocation for 2019-20 and seek approval to the level of central early years spend.

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 ex. Other EY allocations/MNS (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 (5/12^{ths}) and January 2020 (7/12^{ths}) 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 ~£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.

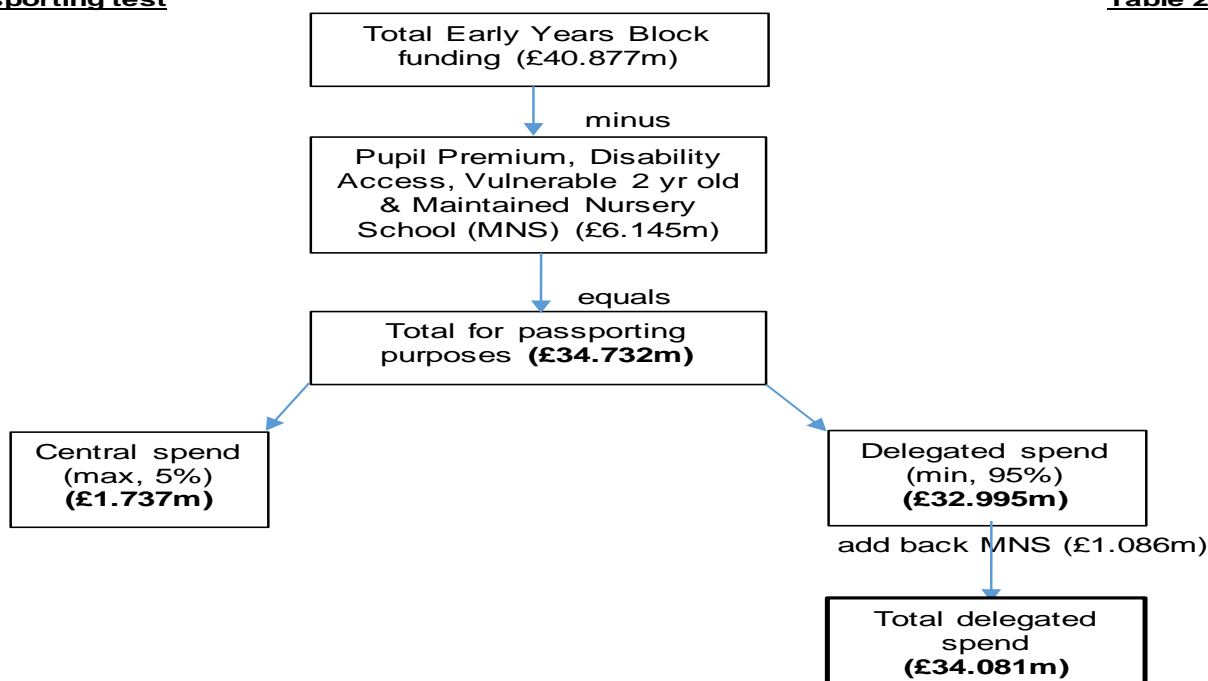
2.2 Issues to consider

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

2.3.2 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 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	

The allocations for 2019-20 in Table 3 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 supplement;
- (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 universal rate of £4.08 per hour is very slightly (£0.01) lower than previous planning estimates due to the reduction in the hourly rate from the DfE. 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.

The above proposals exceed the amount available to meet the 95% delegation test by £0.132m, the over-commitment would have to be 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 recent increases in the national minimum wage which impact more acutely on the PVI sector.

The proposed reliance on DSG reserves of £0.132m for 2019-20 is considerably lower than for 2018-19 (£0.491m). However, if the spending on the Early Years Block is to be kept within grant levels for 2020-21, one or more of the following will have to be considered.

- (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.

No changes to the Early Years Single Funding Formula are planned for 2019-20. However, the Authority will review the proportion of early years funding allocated as deprivation as Derbyshire appears to be higher than some other LAs. Any proposals to change the arrangements, which would not take effect until April 2020 at the earliest, would be subject to a consultation with key stakeholders, including the Schools Forum later this year.

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 and 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 this would equate to £1.737m in 2019-20. Table 4 provides a first look at the indicative spend for 2019-20 which suggests a budget requirement of £1.844m. The indicative spend figures reflect:

- 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;
- The impact of changes to the Council's Early Help offer; and
- A planned reduction in subsidy of the Every Child a Talker offer

The indicative spend figures exceed the 5% limit by £0.107m and early years service managers will have to identify savings to close the gap during the year e.g. through staff turnover.

Given the overall position with regard to DSG reserves and the desire to prioritise early years funding to the front line, the Authority will not be requesting any support from this source towards meeting the shortfall in 2019-20. However, the Authority is now seeking the approval of the Schools Forum to be allowed to retain the maximum 5% permitted by regulations.

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

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:

- (i) Note the 2019-20 Early Years settlement;
- (ii) Support the increase in the basic hourly rate to £4.08 per hour;
- (iii) Support the use of DSG reserves to fund the delegated shortfall in 2019-20;
- (iv) Note that changes to the Early Years Single Funding Formula may be required for 2020-21 to keep overall spending within budget; and
- (v) Agree to the Authority's request to be allowed to retain 5% of the Early Years quantum centrally as permitted by DfE regulations.

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