

SCHOOLS FORUM**20th January 2020****Report of the Executive Director for Children's Services****Early Years Block budgets 2020-21****1. Purpose of the Report**

To update the Schools Forum on the Early Years Block announcements for 2020-21 and to seek approval to central early years budgets for next year.

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

The Early Years Dedicated Schools Grant (DSG) funding rates for 2020-21 were confirmed by the DfE on 19th December 2019. The figures are consistent with those provided to the last meeting of the Forum in November and confirm that the key figure, the 3 and 4 year old funding rate, for Derbyshire will remain frozen at £4.39 per hour. This rate is still protected, our 2020-21 funding rate under the National Early Years formula being £4.24.

The funding rate for 2 year olds for all LAs has increased by £0.08 per hour, Derbyshire's figure will rise from £5.20 to £5.28 (+1.54%).

The DfE have also confirmed that the national funding rate for the early years' pupil premium is 53 pence per eligible child per hour, and the Disability Access Fund is £615 per eligible child per year. Both of these rates are unchanged from 2019-20.

The announcement provides Derbyshire with a Maintained Nursery Schools Grant of £1.000m for 2020-21, £0.086m lower than in 2019-20.

No other technical changes have been announced and hence LAs will continue to have to meet the 95% passporting test i.e. 95% of the universal and additional hours funding for 3 and 4 year olds must be delegated to providers, with a maximum of 5% to be retained for central early years functions. LAs' formulae must continue to include 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.

The December announcement included indicative figures based on January 2019 census data; the actual 2020-21 allocations will be based on a combination of January 2020 (5/12^{ths}) and January 2021 (7/12^{ths}) census information.

Table 1 – Early Years Settlement 2020-21

Item	2020-21	2019-20	
Early Years Block:			
No. 3 & 4 year olds – universal prov'n (PTE – part time equiv)	9.975.29	10,149.37	
Universal entitlement - 3 & 4 year old hourly rate	£4.39	£4.39	
Sub total universal hours 3&4 yr old funding (£m)	24.961	25.397	
No. 3 & 4 year olds – add'l 15 hours for working parents (PTE)	4,099.92	3,730.66	
Additional entitlement - 3 & 4 year old hourly rate	£4.39	£4.39	
Sub total additional hours 3&4 yr old funding (£m)	10.259	9.335	
Total hours led 3& 4 yr old funding – Passporting baseline	35.220	34.732	a
Other Early Years allocations:			
Maintained Nursery School (MNS) Grant (£m)	1.000	1.086	
Funding for disadvantaged 2 year olds (£m)	4.371	4.630	
Early Years Pupil Premium (£m)	0.298	0.284	
Early Years Disability Access Fund (£m)	0.149	0.145	
Sub total – Other EY allocations	5.718	6.145	b
TOTAL EARLY YEARS BLOCK (£m)	40.938	40.877	c=b+a

2.2.1 Delegated allocations

One of the key issues post the general election has been the announcements regarding the national Living and Minimum Wage rates from April 2020. Most employees are set to see an increase in the range 6.2% to 6.5%, as shown below:

- National Living Wage for ages 25 and above - up 6.2% to £8.72
- National Minimum Wage for 21 to 24-year-olds - up 6.5% to £8.20
- For 18 to 20-year-olds - up 4.9% to £6.45
- For under-18s - up 4.6% to £4.55
- For apprentices - up 6.4% to £4.15

The percentage increases, which are significantly above the rate of inflation, will add pressure on the sector, particularly private, voluntary and independent providers.

At the last meeting of the Forum it was explained that as Derbyshire's funding rate from the government for 2020-21 has been frozen, there was little room for manoeuvre to engineer an increase in our local universal rate.

Each £0.01 increase in the universal rate costs around £0.080m. To create funding capacity, one option would be to reduce the level of central spend by charging a greater proportion of the Early Years SEN team to the High Needs Block. If most of the cost of this service were transferred then an increase in the universal rate of £0.03 would be affordable for 2020-21. The financial impact of adopting the higher universal rate would be as follows:

Table 2 – Early Years Delegated Allocations 2020-21

	Nursery schools	Nursery units	PVI	Total	
Proposed Universal hourly rate	£4.11	£4.11	£4.11	-	
Proposed Enhanced hourly rate	£0.54	£0.00	£0.00	-	
Proposed Overall hourly rate	£4.65	£4.11	£4.11	-	A
3&4 year olds universal hrs	564.33	3,448.70	5,962.26	9,975.29	B
3&4 year olds additional hrs	185.92	730.35	3,183.65	4,099.92	C
Delegated funding	£m	£m	£m	£m	
Universal allocation	1.496	8.079	13.968	23.543	=AxBx570hrs
Additional hours allocation	0.493	1.711	7.458	9.662	=AxCx570hrs
Sub total - hourly rate allocations	1.989	9.790	21.426	33.205	
Formula supplements:					
Lump sum	0.719	0.000	0.000	0.719	
Deprivation	0.054	0.508	0.325	0.887	
Rates	0.072	0.000	0.000	0.072	
Sub total - formula supplements	0.845	0.508	0.325	1.678	
Contingency – treated as delegated	0.005	0.000	0.000	0.005	
Total delegated funding	2.839	10.298	21.751	34.888	

It should be noted that the lump sum and deprivation multipliers would remain unchanged from 2019-20.

2.2.2 Central allocations

A summary of the proposed central Early Years budgets for 2020-21 is provided below.

Table 3 – Provisional Central Early Years Budgets 2020-21

	Proposed 2020-21	Approved 2019-20	
Service	£k	£k	
Early Years Imp. Service	1,184	1,339	Support & quality review of PVI settings
Early Years SEN service	145	468	Figure net of trf to High Needs Block
Every Child a Talker	-	14	
Early Help Offer	-	50	
Licensing – nursery schools	3	2	2020-21 fig TBC
2019-20 adj	-	(136)	To keep within 5%
Total	1,332	1,737	

The Early Years Improvement Service has made significant savings and is now solely funded by the Early Years block of the DSG. As a consequence the Service has had to reduce the level of support available to parents and early years providers both in school and the PVI sector and now is only just able to meet the local authority statutory requirements. As reported at the last meeting, support for the ECAT programme can be covered for the next two years from DfE Early Years Professional

Development Programme funding and the DSG subsidy has therefore been removed. However, this position may need to be reviewed in future years. Finally, the figure for the Early Years SEN service reflects a transfer of £0.323m to the high needs block.

The level of central spend within the early years block is a matter for the Schools Forum. The Forum is asked to approve the budgets for 2020-21 as set out above.

2.2.3 Overall spend

The overall cost of the allocations in sections 2.2.1 and 2.2.2 fully allocate the grant.

Table 4 – Summary of estimated income and proposed spend 2020-21

	Cost
	£m
Delegated Allocations per Table 2	34.888
Central Budgets per Table 3	1.332
Total spend	36.220
Universal/additional hours grant – Table 1	35.220
Maintained Nursery School grant	1.000
Total grant	36.220

The proposals also meet the government's 95% passporting test, as shown below.

Table 5 – Estimated impact of allocations on passporting test

	£m
Delegated Allocations per Table 2	34.888
Less funded by MNS grant	(1.000)
Delegated spend for passporting purposes	33.888
Universal/additional hours income – eTable 1	35.220
Delegated percentage	96.2%

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 details of the 2020-21 Early Years funding announcements;
- (ii) Support the increase in Derbyshire's universal rate to £4.11 from April 2020; and
- (iii) Approve the central early years budgets as set out in section 2.2.2.

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