

DERBYSHIRE COUNTY COUNCIL

CABINET

16 March 2020

Report of the Executive Director for Children's Services

**EARLY YEARS FUNDING SETTLEMENT 2020-21
(YOUNG PEOPLE)**

1. Purpose of the Report

To inform Cabinet of the Early Years settlement of the Dedicated Schools Grant and the related decisions of the Schools Forum, and to seek approval to the Early Years funding formula for 2020-21.

2. Information and Analysis

2.1 Early Years Settlement

The Early Years Dedicated Schools Grant (DSG) funding rates for 2020-21 were confirmed by the DfE on 19th December 2019. Most LAs will see a flat rate increase of £0.08 per hour with a national minimum rate of £4.38. However, 12 LAs, including Derbyshire, whose current rates are protected at a level above the national minimum rate, will receive no increase. Derbyshire's funding for 2020-21 will therefore remain at £4.39 per hour as this is above both the national minimum rate (£4.38) and our updated pure funding rate under the Early Years National Funding Formula (£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.

Finally, the announcement provides Derbyshire with a Maintained Nursery Schools Grant of £1.000m for 2020-21, £0.086m less than in 2019-20 due to a slightly reduced level of provision.

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 Early Years – Delegated funding

One of the key issues facing providers will be the increases to the national Living and Minimum Wage rates which take effect from April 2020. Most employees paid on these rates will see increases of between 6.2% to 6.5%.

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

Given that Derbyshire's 3 and 4 year old funding rate is unchanged for 2020-21, the scope for increasing the rates paid locally to providers is a challenge. However, the Schools Forum, which is responsible for setting central early years budgets, agreed to reduce the level of central spend for 2020-21 to help facilitate an increase.

Accordingly, it is proposed that Derbyshire's universal rate paid to all providers should rise from £4.08 per hour to £4.11 from April 2020. The enhanced hourly rate for nursery schools (£0.54), the nursery schools' lump sum (£89,813.79) and the deprivation multiplier (£1.31 per hour) within Derbyshire's local early years formula would remain unchanged, the only other increase being in respect of funding for nursery schools' rates bills.

Cabinet is asked to approve these rates for 2020-21. The estimated cost of the delegated allocations is provided in Table 2 below.

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	

2.3 Early Years – Centrally held funding

Decisions on the level of central early years spend are a matter for the Schools Forum. At its last meeting on 20th January 2020 the Forum agreed the budgets set out in Table 3 overleaf.

Table 3 – Central Early Years Budgets 2020-21

	Approved 2020-21	Approved 2019-20	Comment
Service	£k	£k	
Early Years Imp. Service	1,184	1,339	Support & quality review of PVI settings
Early Years SEN service	145	468	2020-21 figure reflects transfer to High Needs Block
Every Child a Talker	-	14	
Early Help Offer	-	50	
Nursery school licences	3	2	
2019-20 adj	-	(136)	19-20 figure - to keep within 5% limit
Total	1,332	1,737	

The reduction in central spend includes the transfer of £0.323m to the high needs block relating to the Early Years SEN service, a lower level of planned spend on the early years improvement service and cessation of support from the DSG for the Every Child A Talker (ECAT) programme. The ECAT programme will in future be met from separate DfE Early Years Professional Development Programme funding.

The reduction in central spend will fund the increase in universal rate funding in section 2.2 above whilst ensuring the early years grant is not over-committed.

Cabinet is asked to note the decisions of the Schools Forum in respect of central early years spend for 2020-21.

2.4 Early Years – Overall funding and passporting tests

The overall cost of the allocations in sections 2.2 and 2.3 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 in Table 5 overleaf.

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, 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 considers this report and:

- (i) Notes the Early Years Block settlement for 2020-21;

- (ii) Agrees the increase in Derbyshire's universal rate to £4.11 from April 2020;
- (iii) Agrees that the enhanced rate for nursery schools, nursery school lump sum and deprivation multipliers remain unchanged for 2020-21;
- (iv) Notes the central early years budgets approved by the Schools Forum as set out in section 2.3; and
- (v) Notes that the proposals meet the government's early years passporting test as set out in section 2.4.

Jane Parfremment
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