

DERBYSHIRE COUNTY COUNCIL**CABINET****11 March 2021****Report of the Executive Director for Children's Services****EARLY YEARS FUNDING SETTLEMENT 2021-22
(YOUNG PEOPLE)****1. Purpose of the Report**

To inform Cabinet of the Early Years settlement of the Dedicated Schools Grant (DSG) and the related decisions of the Schools Forum, and to seek approval to the Early Years funding formula for 2021-22.

2. Information and Analysis**2.1 Early Years Settlement – Key Points**

The early years funding rates for 2021-22 were confirmed by the Department for Education on 17th December 2020. The key points for each element are as follows:

Universal/additional hours for 3 and 4 year olds - By way of background, for 2020-21, Derbyshire's hourly rate under the DfE's Early Years Funding Formula (EYFF), excluding protection, is £4.24. However, our actual rate including protection (£0.15) is £4.39 per hour.

For 2021-22 all LAs received a £0.06 increase on their unprotected EYFF rate, with a minimum funding level, including protection, of £4.44. Derbyshire's unprotected EYFF rate for 2021-22 is therefore £4.30, the ongoing protection (£0.14) raises our actual rate to the £4.44 minimum. This rate results in a year on year increase of £0.05 (£4.44 less £4.39). This rate will be applied to both the universal and extended hours for eligible 3 and 4 year olds.

Funding for disadvantaged 2 year olds – the rates for all LAs have increased by £0.08 per hour, Derbyshire's 2021-22 rate being £5.36 (from

£5.28) an increase of 1.52%. This funding is provided as part of a national scheme to support eligible pupils access childcare.

Early Years' Pupil Premium (EYPP) - the DfE have also confirmed that the national rate for 2021-22 will be £0.53 per eligible child per hour, unchanged from 2020-21. The EYPP gives providers extra funding to support eligible 3 & 4 year olds for up to 15 hours per week.

Disability Access Fund (DAF) - the rate is unchanged from 2020-21 at £615 per eligible child per year and supports 3 & 4 years olds in receipt of nursery entitlement and Disability Living Allowance to access provision.

Maintained Nursery Schools (MNS) grant – supports the higher operational costs of nursery schools. The £0.998m for 2021-22 is very close to the 2020-21 figure (£1.000m). However, part of the MNS has been published as indicative and part as conditional. The MNS allocation for April 2021 to August 2021 (£0.416m) is indicative and will be updated to reflect actual hours of provision. The MNS for September 2021 to March 2022 (£0.582m) is conditional i.e. may be subject to change and local authorities are advised to treat it as unconfirmed. The DfE have said that they will say more about this in early 2021. The government's stated commitment to the long-term funding of maintained nursery schools is unchanged.

No other technical changes have been announced and hence LAs will continue to have to meet the passporting test. This test requires that at least 95% of the universal and additional hours funding for 3 and 4 year olds must be delegated to providers, with a maximum of 5% allowed to be held centrally. The levels of Early Years central budgets are a matter for the Schools Forum and these were considered and agreed at its meeting on 28th January 2021. The early years formula is a matter for the Authority. 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.

2.2 Early Years Settlement – Financial Details

Details of the settlement are provided in Table 1 overleaf. The December announcement included indicative figures based on January 2020 census data; the actual 2021-22 allocations would normally be updated to reflect a combination of January 2021 (5/12ths) and January 2022 (7/12ths) census information. However, this position is under review in the light of Covid-19 and other arrangements may apply.

Table 1 – Early Years Settlement 2021-22

Item	2021-22	2020-21	
Early Years Block:			
No. 3 & 4 year olds – universal prov'n (part time equiv, PTE)	9,795.12	9.975.29	
Universal entitlement - 3 & 4 year old hourly rate	£4.44	£4.39	
Sub total universal hours 3&4 yr old funding (£m)	24.789	24.961	
No. 3 & 4 year olds – add'l 15 hours for working parents (PTE)	4,364.81	4,099.92	
Additional entitlement - 3 & 4 year old hourly rate	£4.44	£4.39	
Sub total additional hours 3&4 yr old funding (£m)	11.046	10.259	
Total hours 3& 4 yr old funding – Passporting baseline	35.835	35.220	a
Other Early Years allocations:			
Maintained Nursery School (MNS) Grant (£m)	0.998	1.000	
Funding for disadvantaged 2 year olds (£m)	4.397	4.371	
Early Years Pupil Premium (£m)	0.381	0.298	
Early Years Disability Access Fund (£m)	0.179	0.149	
Sub total – Other EY allocations	5.955	5.818	b
TOTAL EARLY YEARS BLOCK (£m)	41.790	41.038	c=b+a

It is proposed that the £0.05 increase in the funding rate for 3 and 4 year olds be passed on in full and added to the hourly rates paid to providers locally. The impact of this increase, based on the hours in Table 1, would be as follows:

Table 2 – Early Years Delegated Allocations 2021-22

	Nursery schools	Nursery units	PVI	Total	
Proposed Universal hourly rate	£4.16	£4.16	£4.16	-	
Proposed Enhanced hourly rate	£0.54	£0.00	£0.00	-	
Proposed Overall hourly rate	£4.70	£4.16	£4.16	-	A
3&4 year olds universal hrs	562.80	3,294.28	5,938.04	9,795.12	B
3&4 year olds additional hrs	200.81	773.51	3,390.49	4,364.81	C
Delegated funding	£m	£m	£m	£m	
Universal allocation	1.508	7.811	14.080	23.399	=Ax570hrs
Additional hours allocation	0.538	1.834	8.040	10.412	=Ax570hrs
Sub total - hourly rate allocations	2.046	9.645	22.120	33.811	
Formula supplements:					
Lump sum	0.719	0.000	0.000	0.719	
Deprivation	0.054	0.508	0.325	0.887	
Rates	0.073	0.000	0.000	0.073	
Sub total - formula supplements	0.846	0.508	0.325	1.679	
Contingency – delegated	0.010	0.000	0.000	0.010	
Total delegated funding	2.902	10.153	22.445	35.500	

No other changes are proposed to the EYFF formula, hence funding for lump sums and deprivation would remain unchanged from 2020-21.

2.3 Early Years – Centrally held funding

At its meeting on 28th January 2021 the Forum agreed the central budgets set out in Table 3 below.

Table 3 – Central Early Years Budgets 2021-22

	Approved 2021-22	Approved 2020-21
Service	£m	£m
Early Years Improvement Service	1.177	1.184
Early Years SEN service	0.153	0.145
Nursery school licences	0.003	0.003
Total	1.333	1.332

Cabinet is asked to note the decisions of the Schools Forum in respect of central early years spend for 2021-22.

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, excluding the Pupil Premium, 2 year old funding and DAF.

Table 4 – Summary of estimated income and proposed spend 2021-22

	Cost £m
Delegated Allocations per Table 2	35.500
Central Budgets per Table 3	1.333
Total spend	36.833
Universal/additional hours grant – Table 1	35.835
Maintained Nursery School grant	0.998
Total grant	36.833

Table 5 below shows that the proposals meet the government's 95% passporting test.

Table 5 – Estimated impact of allocations on passporting test

	£m
Delegated Allocations per Table 2	35.500
Less funded by MNS grant	(0.998)
Delegated spend for passporting purposes	34.502
Universal/additional hours income – Table 1	35.835
Percentage of funds passported	96.3%

2.5 Other Matters

The volatility in the January census data carries financial risks for the Council. The January 2021 census drives the Early Years DSG allocation for the period January to August 2021, hence if attendances were abnormally low in January 2021 this would reduce the DSG allocation for this period. This would become a problem if actual provision were to rise later in the spring and summer as the consequential increase in payments to providers would create a gap between funding and costs. The DfE's proposed protection arrangements would top-up councils' allocations up to 85% of their January 2020 census level, provided a local authority can provide evidence for increased attendance during the spring term.

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 settlement for 2021-22;
- (ii) Agrees the increase in Derbyshire's universal rate to £4.16 from April 2021;
- (iii) Agrees that the enhanced hourly rate for nursery schools and the nursery school lump sum and deprivation allocations remain unchanged for 2021-22;
- (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.

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