

<b>Schools Management Forum</b>
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**Report of:** Dianne Nielsen

**Subject:** 2020/21 Early Years Block Indicative Budget

**Date:** 15<sup>th</sup> January 2020

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**1.0 Purpose of the report**

1.1 The purpose of this report is to provide an update to the forum on unit rates for 2020/21.

**2.0 Background**

2.1 The DSG is a ring fenced grant of which the early years block is part of. The early years block is provided to the Local Authority to fund universal free entitlement for 3 & 4 year olds, qualifying 30 hours entitlement for 3 & 4 year olds and 15 hours funding for qualifying 2 year old entitlement, early years pupil premium (for qualifying children) and Disabled Access Funding (for qualifying children). In addition, the early years block provides the Local Authority with funding for centrally provided early years support and an early year's inclusion fund.

2.2 The amount of funding received for the early years block is based upon a national funding formula. This formula provides funding at a unit value (differing for the 3 & 4, 2 year old, EYPP, DAF etc.) based upon the January census pre and during the financial year.

**3.0 Early Years National Funding Formula changes for 2020-21**

3.1 Disability Access Fund (DAF) was introduced to support disabled children's access to the entitlements for 3 and 4 year olds. The funds could be used, for example to support providers in making reasonable adjustments to their setting and/or helping with building capacity, be that for the child in question or for the benefit of children attending the setting as whole.

3.2 Local authorities should distribute DAF funding in its entirety to providers, and it should not be offset against any other funding which the local authority may ordinarily be providing for children eligible for the DAF.

3.3 If a child eligible for the DAF is splitting their free entitlement across 2 or more providers, local authorities should ask parents to nominate the main setting. LA's should pay the DAF for the child to the nominated main setting.

3.4 Early Years Pupil Premium (EYPP) is payable only on the universal 15 hours entitlement and not on the additional 15 hours entitlement for working parents.

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- 3.5. EYPP becomes payable from the beginning of the term following an eligible child's 3<sup>rd</sup> birthday. In cases where a child who lives in one local authority attends a setting in another local authority, funding the EYPP for the child is the responsibility of the local authority in which the setting is based.

### 4.0 Budget Allocations

- 4.1. The following DSG allocations for early years were received from ESFA on 19th December. Again Forum are reminded that at this point these allocations are only draft as they are based on the January 2019 census, the final allocation will be based on the January 2020 and January 2021 census and therefore as in previous years will not be known until after the end of the financial year.

Description	2020/21 (Provisional) £
3 & 4 Year Old Universal Entitlement	6,833,015
3 & 4 Year Old Additional 15 hours	1,655,880
2 Year Old Entitlement	2,676,739
Early Years Pupil Premium	174,493
Disables Access Fund (DAF)	49,815
Maintained Nursery Supplementary Funding	0
<b>TOTAL</b>	<b>11,389,942</b>

- 4.2 The DSG Early Years Block, 3 & 4 year old funding allocations are based on a unit rate of £4.74 per an hour. This is an increase in 8 pence per hour. The rate received for 3 & 4 year olds must cover the universal hourly rate, supplements, central allocation and SEN inclusion funds. Therefore the full rate of £4.74 cannot be passed onto providers.
- 4.3 The DSG Early Years Block, 2 year old allocation is based on a unit rate of £5.28 per hour. An increase of 8 pence per hour.
- 4.4 The EYPP allocation is based on a unit rate of £0.53 per hour. This is the same rate as was received for 2019/20.
- 4.5 The DAF allocation is based on £615 per child, this is the same rate as received in 2019/20.

### 5.0 Supplementary Payments

- 5.1 Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. These only apply to 3 & 4 year old funding. There are no supplement payments for 2 year olds. This is paid from the £4.74 unit rate paid to local authorities

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- 5.2 Middlesbrough Borough Council pay the following supplementary payments:
- Deprivation (mandatory)
  - Flexibility (discretionary)
- 5.3 The terms and conditions of the DSG Early Years grant stipulates that the total planned value of funding supplements, must not be more than 10% of the total value of planned formula to providers. Due to the increase in take up of the additional 15 hours, the actual funding paid to providers has exceeded the 10% threshold. Therefore the supplementary payments has to be reduced to bring this in line within the terms and conditions of the grant and the grant funding available.
- 5.4 The flexibility payment will be reduced by 4p per hour.

### 6.0 Middlesbrough's Early Years Rates 2020-21

- 6.1 The following table below summarises the early years funding rates.

<b>3 &amp; 4 Year Old Funding</b>	<b>2020/21 Rate £</b>
All providers - Universal Entitlement, per hour per child	4.05
All providers - Additional 15 hours, per hour per child	4.05
Deprivation (budget)	230,000
Flexible supplementary payment	0.81
<b>2 Year Old Funding</b>	
All providers – per hour per child	5.11

- 6.2 The rates above are paid in line with the following notes.
- 6.3 The 3 & 4 year old rate is a universal hourly rate paid to all providers for all qualifying children. This rate covers payments for both the universal 15 hour entitlement and the 30 hours enhancement for working parents. The hourly rate paid to providers will increase by 10 pence per hour for 2020-21.
- 6.4 The deprivation supplement is a mandatory supplement in the formula. The supplement is paid based on pupil premium children in the spring term. The payment is made by pro rata the deprivation budget by the number of children who are eligible for pupil premium in the spring term.
- 6.5 The flexibility payment is also a supplement in the formula, however this is not mandatory. It paid to providers who offer flexibility in their offer, this will be paid at 81 pence per hour.

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- 6.6 In addition to the universal base rate, Early Years Pupil Premium is paid to qualifying children at the rate received, currently £0.53 per hour.
- 6.7 A disabled access fund is paid to settings for qualifying children at £615 per year in line with the national guidance.
- 6.8 The two year old rate of £5.11 per hour is paid to all providers. This is an increase of 16 pence per hour.
- 6.9 See appendix A of examples of impact.

### **7.0 SEN Inclusion**

- 7.1 SEN inclusion fund is a mandatory requirement of the early year's formula. An allocation of £200,000 has been set aside for SEN inclusion in 2020/21, of which £150,000 funded from DSG Early Years and £50k funded from DSG High Needs. This allocation covers children accessing universal entitlement and also children accessing the 30 hour entitlement.

### **8.0 Central Funding**

- 8.1 The Local Authority to retain an element of 2 year old and 3 & 4 year old to be held centrally to contribute towards the Early Years' Specialist Support service. This central allocation represents 3.5%, (compared to 2019-20 4.2%) of the 3 & 4 year old funding, 2020/21 funding allocation and is therefore within the maximum 5% allowable for 2020/21.

### **9.0 Recommendations**

- 9.1 That School Management Forum note the central allocation.
- 9.2 That School Management Forum notes the proposed early years' formula and rates for 2020/21.

**Appendix A**

**3 and 4 Year Old Including Flexibility (based on 14 week term)**

<b>Provider</b>			<b>PTE</b>	<b>£</b>	<b>£</b>	<b>£</b>
2019-20 Rates	Example 1	Basic Entitlement	40	3.95	33,180	
		Extended Hrs	18	3.95	14,391	
		Flexible	18	0.85	6,426	54,537
2020-21 Rates		Basic Entitlement	40	4.05	34,020	
		Extended Hrs	18	4.05	15,309	
		Flexible	18	0.81	6,124	55,453
		<b>INCREASE</b>				<b>916</b>
2019-20 Rates	Example 2	Basic Entitlement	20	3.95	16,590	
		Extended Hrs	10	3.95	8,295	
		Flexible	10	0.85	3,570	28,455
2020-21 Rates		Basic Entitlement	20	4.05	17,010	
		Extended Hrs	10	4.05	8,505	
		Flexible	10	0.81	3,402	28,917
		<b>INCREASE</b>				<b>462</b>