
DEDICATED SCHOOLS GRANT – EARLY YEARS BLOCK UPDATE 2020-21

Purpose of the Report

1. To update the working groups and schools forum on issues related to the early years block for 2020-21 and the decisions that will need to be made as part of the budget setting process for 2020-21.
2. The operational guidance for the early years block confirms that schools forums must be consulted on changes to local early years funding formulae, including agreeing central spend, although the final decision rests with the local authority.

Main Considerations

3. The government announced a minimum of a £0.08 per child per hour for 2020-21 financial year. The provisional early years block settlement for 2020-21 is £26.884 million which is an £0.474 million increase on 2019-20 financial year and includes an additional £0.08 on both the 3 and 4-year-old and 2-year-old entitlement. The 2020-21 allocation comprises the following elements:

	PTE (where applicable)	Rate (where applicable)	£ million
3 & 4-year-old funding – Universal 15 hours	6,861	£4.38/hour	17.129
3 & 4-year-old funding – Working Parents 15 hours	2,816	£4.38/hour	7.030
2-year-old funding	770	£5.40/hour	2.370
Disability Access Fund	197 children	£615/child	0.121
Early Years Pupil Premium (max £302.10 / 570 hours pa)		£00.53/hour	0.234
Total “Initial” or provisional allocation for 2020-21			26.884

4. The allocations for the free entitlement for 3- and 4-year olds, and for 2-year olds are based on the January 2019 census and will be updated during the 2020-21 financial year for the January 2019 and January 2020 censuses. Early indications based on the autumn pupil count are that take up is higher than estimated by the DfE and it is likely that Wiltshire’s DSG settlement will be amended upwards in order to reflect this however to follow the accounting concept of prudence, the budget must be set within initial allocations.
5. The *operational guidance for early years entitlements: local authority funding of providers 2020-21* was published in December 2019. The **key points** on local authority funding of providers are that local authorities:
 - should set a single funding rate (including the same base rate and supplements) for both entitlements for 3- and 4-year olds (that is, both the universal 15 hours, and the additional 15 hours for working parents)

- must plan to pass on at least 95% of their 3 and 4-year-old funding directly to providers to deliver the 3 and 4-year-old entitlements
 - The remaining 5% must be spent on:
 - Centrally retained funding (early years teams)
 - Any transfers to 2 years olds
 - Any extra hours in addition to the governments' entitlement
 - Any funding movement out of early years block
 - may request that the 95% requirement be disapplied in specific, exceptional circumstances
 - must now use a universal base rate for all types of provider in their local 3 and 4-year-old formula, including for Maintained Nursery Schools
 - may continue to use 'lump sums' to distribute additional funding to Maintained Nursery Schools
 - must use a deprivation supplement in their local 3 and 4-year-old formula, and any other supplements used must fall within one of the allowable categories
 - must not channel more than 10% of their funding for 3- and 4-year olds through funding supplements
 - must provide a Special Educational Needs Inclusion Fund (SENIF) for 3- and 4-year olds
 - must pass on Early Years Pupil Premium (EYPP) in full to providers for eligible 3- and 4-year olds and is only payable in the universal 15 hours entitlement.
 - must pass on Disability Access Fund (DAF) funding in full to providers for eligible 3- and 4-year olds which should be used for example, to support providers in making reasonable adjustments to their settings or helping with building capacity.
6. The DfE will monitor compliance with these requirements. Wiltshire is already compliant with the requirements of the formula, and the SEN Inclusion Fund, and there are no current circumstances where a disapplication of the 95% requirement is being recommended.
7. There are no pass-through requirements for the 2-year-old funding and no requirements for compulsory supplements. Local authorities are encouraged to fund providers for the entitlement for disadvantaged 2-year olds on the basis of a flat hourly rate for all providers. Wiltshire is compliant with this approach and passes through 100% of the 2-year-old funding to providers.
- 8. Main changes from 19/20 Guidance are;**
- Clarification around the continuation of supplementary funding for MNS for the whole of the 2020-21 financial year
 - Amendments to the requirements of the DAF – this is following a change in the DAF funding methodology
 - Clarification of the eligibility criteria and payment for the EYPP.

Early Years Single Funding Formula

9. The DSG settlement including an “initial” allocation for Early Years announced in December 2019 confirms the hourly rate that Wiltshire will be funded at as £4.38 per hour for the 3 and 4-year-old entitlements. Wiltshire remains on the funding floor for the early years national funding formula.

10. The historical and proposed rates are in the table below:

Hourly rate	2018/19	2019/20	Proposed 2020/21
Deprivation	£0.40	£0.40	£0.40
Rurality	£0.52	£0.52	£0.52
Basic Hourly Rate	£4.16	£4.20	£4.20

11. The historical funded PTE rates plus forecast PTE for 2019-20 are in the table below

PTE	2018/19 Funded	2019/20 Funded	2019/20 Forecast	2020/21 Funded
2-year-old	797	770	908	770
3 & 4-year-old	9,721	9,677	9,764	9,677

12. The forecast activity for both 2, 3 & 4-year-old entitlement in 2019-20 exceed the January 2019 census based PTE. The early years block for 2019-20 is forecasting a significant overspend as activity exceeds budgeted levels.

13. Whilst DfE funding rates have increased, modelling based on 2019-20 activity levels shows no increase to be affordable, leaving a small, negative contingency. If the calculation for 2020-21 is updated to reflect the current levels of spend on supplements it is recommended that the base rate should remain at £4.20 per hour in 2020-21 assuming the average annual take up trend continues.

14. In light of the ongoing high needs block funding pressures it is unlikely that schools forum will not be able to allocate any of the high need block funding to support early years expenditure.

15. The DfE guidance is clear that local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.

16. Schools Forum will need to consider the budget pressures on all DSG blocks and may look to reconsider the current funding position of the SEN inclusion fund. This would impact on the affordable hourly rate for providers and this has been modelled.

17. On the grounds of reasonableness to providers and budget affordability, it is proposed therefore that the early years inclusion support funding will continue to be fully funded from early years block and at the 2019-20 funding level. Should subsequent increases in early years block be notified, the early years inclusion support funding should be increased at a level to match local levels of demand.

18. Please refer to Appendix 1 for detailed modelling of the funding level scenarios. Please note that rurality and deprivation have been re-aligned in all scenarios based on 2019-20 trends although actual allocations for both deprivation and rurality will be unknown until March when the idaci report is available.

19. Please refer to Appendix 2 for the calculations of compliance with the % pass through. All scenarios are compliant.

20. Appendix 3 is an extract from the DfE guidance showing guidance for the % pass through calculation.

21. The over allocation in provisional budgets above would be removed from the general budget for 3- & 4-year olds in order to set a balanced budget.

2-Year-Old Funding

22. The hourly rate for 2-year olds in Wiltshire has been confirmed as £5.40 for 2020-21. An increase of the minimum national increase of £0.08. As in previous years it is proposed that the full hourly rate be passed on to providers delivering provision to 2-year olds.

Disability Access Fund

23. 3- and 4-year olds will be eligible for the fund if they meet the following criteria:

- The child is in receipt of child disability living allowance and;
- The child receives universal 15 hours entitlement

24. 4-year olds in primary school reception classes are not eligible for DAF funding.

25. Settings of 3- and 4-year olds eligible for the DAF will be entitled to receive a one-off payment of £615 per year. Children do not have to take up the full 570 hours of early education they are entitled to in order to receive DAF.

26. Early years providers are ultimately responsible for identifying eligible children and local authorities must check that DAF eligibility requirements are met.

27. The DAF is payable as a lump sum once a year per eligible child. If a child is splitting their entitlement between two or more providers, then parents should be asked to nominate the main setting. If a child receiving DAF moves from one setting to another within a financial year the new setting is not eligible to receive DAF for this child within the same financial year. There is no change in allocated funding rate for 2020-21.

Early Years Pupil Premium

28. Ringfenced Funding continues to be allocated through the early years block for the early years pupil premium (EYPP). The EYPP allocation has increased from £0.110 million to £0.123 million for 2020-21 and it is proposed to increase the budget in line with the funding level.

Proposals

29. Schools Forum is asked to note the update on the early years block and provide views on the proposals in relation to the early years single funding formula and percentage pass through to providers:

- a. Local Authority preferred proposal – to retain the current rate of 3 & 4-year-old funding at £4.20 per hour on the grounds of affordability. Following the DfE updated funding allocations in the Autumn of 2020, this will be reviewed and if affordable, increased at that point.
- b. The early years block to fully fund the Early Years Inclusion Fund at the current level. The demand on this fund exceeds this level of funding in the 2019-20 financial year and for that reason, should any significant increase in DfE funding be notified, this fund should be increased accordingly during the financial year, to a maximum of 95% pass through to providers.

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