

**27 FEBRUARY 2019**

**EARLY YEARS BUDGET 2019-20**

*Report of the Director of Children's Services*

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**1. Purpose**

- 1.1 To update the Forum regarding the 2019-20 early years budget.

**2. Summary**

- 2.1 This report provides an update on the early years budget proposals for 2019-20, including an increase in the unit funding rates in early years budget shares.

**3. Recommendations**

- 3.1 The Forum is asked to support the early years budget proposals set out in this paper, including the increase in the unit funding rates for early years set out in annex A.

**4. Background**

- 4.1 The Forum has previously supported setting the early years budget in 2019-20 at the level of the early years DSG block and information about the overall level of the early years budget was included in the paper on the whole Schools Budget, which was brought to the January Forum. This identified that there was headroom in the early years budget of £0.9m (or 1%). The early years block headroom arises largely because, due to uncertainty about the take-up of additional hours, no contribution from additional hours DSG was assumed towards central budgets. In the event additional hours take up has been high and this element of DSG therefore constitutes an additional resource.
- 4.2 This paper looks at how to allocate the headroom in the early years budget.

## 5. Central Budgets and Use of Headroom

- 5.1 A separate paper on this agenda gives details of the early years central budgets that the Forum is asked to agree for 2019-20. The 2019-20 central budget headings which relate to the DfE limit on central budgets are indicated in the paper and total £2.752m. This equates to approximately 3.6% of the estimated 2019-20 DSG for 3 and 4 year olds (excluding nursery schools transitional funding). Thus, the central budgets proposed are less than the DfE limit of 5%. Annex B gives further details of the early years budget.
- 5.2 No additional resource is required for central budgets and there is a slight reduction in the total of the central budgets requested, as compared with 2018-19. It is therefore proposed to allocate the headroom to early years budget shares, through an uplift in the unit funding rates.

## 6. Early Years Funding Formula

- 6.1 Table 1 below provides a summary of the formula factors in the early years budget shares.

<b>Table 1 Funding factors in early years budget shares</b>	<b>Unit funding rate</b>
<b><u>3 and 4 year olds</u></b>	
<b>Base rate</b>	£5.05 per hour
<b>Deprivation supplement</b>	
Allocation based on children's IDACI scores	£252.77 per IDACI score of 1
Additional allocation to settings with higher IDACI scores	£883.45 per IDACI score of 1
Allocation per looked after child (LAC)	£1,320 per LAC
<b>Protection for nursery schools</b>	
Supplement to base rate	£0.09 per hour
London fringe allocation (where applicable)	£0.09 per hour
Lump Sum	£88,703 per school
Small School Lump Sum	£6,019 per eligible school
Rates	Estimated actual
<b>Special Education Needs (Nursery schools and classes only)</b>	£400.13 per IDACI score of 1
<b><u>2 year olds</u></b>	
<b>Base rate</b>	£5.30 per hour

## 6.2 3 and 4 year olds

### 6.2.1 Base rate

This is paid to all settings based on the number of children at the setting and their hours of attendance (up to the permitted maximum). The same rate applies to both the universal entitlement and the additional entitlement (up to 30 hours) for children of working parents.

### 6.2.2 Deprivation Supplement

Authorities are required by the DfE to have a deprivation supplement in their early years funding formula. Hertfordshire's deprivation funding is largely based on data from the Government's Income Deprivation Affecting Children Index (IDACI). Each locality is assigned an IDACI score. Children are matched to their home locality using their post codes and attract funding based on the IDACI score of their home area.

Settings where the average IDACI score is above 17% attract additional funding.

In addition, there is an allocation per looked after child.

### 6.2.3 Nursery Schools protection funding

Nursery schools are protected at the levels of funding they received in 2016-17 – before the introduction by the DfE of the early years national funding formula (EYNFF).

Under the EYNFF local authorities are restricted in the number and type of supplements they can include in their early years funding formula. Authorities are also required to use the same base rate to fund all types of settings. Maintained nursery schools across the country have historically been funded at a higher level than other settings due to the particular requirements on them, for example the need for a headteacher. As a result, the DfE has made nursery schools an exception to the general requirements of the EYNFF and it is expected that local authorities will protect them at the funding levels they received in 2016-17, the year before the introduction of the EYNFF. There are two aspects to the protection:

- 1) Specific nursery school funding factors.  
These comprise lump sums, a rates factor and an allocation for London fringe to schools in the London fringe area.
- 2) A supplement to the base rate  
Nursery schools receive a 9p per hour supplement to the base rate, to increase it from the £5.05 payable to other settings to the £5.14 level which was paid to nursery schools in 2016-17.

#### 6.2.4 **SEN Funding**

An allocation for SEN, based like deprivation funding on IDACI scores, is paid to nursery classes and nursery schools. SEN support for PVI settings is provided through a different route. PVI settings are supported by Hertfordshire's early years SEN team and this support is funded from the early years central budget.

#### 6.3 **2 year olds**

A base rate of funding per hour is paid to settings with eligible 2 year olds.

6.4 In addition to funding from the budget share, early years settings are also eligible to receive allocations from the Early Years Pupil Premium and the Authority's SEN Inclusion Fund, where applicable.

### 7 **Proposed allocation of the headroom**

7.1 It is proposed to allocate the headroom in 2019-20 by making a 1% increase in the unit funding rates of the factors in early years budget shares (base rates, deprivation and SEN). Unit funding rates would be rounded to the nearest penny. Thus, the relativities between these funding rates would remain the same as in 2018-19.

#### 7.2 Nursery schools' protection

The specific factors within the nursery school protection funding (lump sums, rates and London fringe) would remain unchanged as they are based on the funding arrangements in place in 2016-17. However, the supplement to the base rate for nursery schools would reduce, as the gap between the new base rate and the historic hourly funding rate of £5.14 would be smaller.

7.3 Annex A sets out the 2018-19 funding rates and the proposed funding rates for 2019-20 early years budget shares. The Forum is asked to support the increase to the early years funding rates shown in the annex.

### 8. **Conclusion**

8.1 Annex B sets out the 2019-20 early years budget. The total early years DSG shown is taken from the DfE's funding announcement in December. However, the latest pupil number data indicates that there is likely to be an increase in the 2019-20 early years DSG when the allocation is redetermined in the Summer, based on the January 2019 census. The 2019-20 budget will be adjusted at that point, to reflect the change in DSG.

#### 8.2 Transition Project

A separate paper on this agenda proposes to use carry forward DSG from 2018-19 to fund the early years transition project. This is not included in

annex B and would be an additional early years' central budget in 2019-20, although funded by underspends relating to the previous year. The proposed spend in 2019-20 of £360k equates to approximately 0.5% of the estimated 2019-20 DSG for 3 and 4 year olds.

8.3 The Forum is asked to agree the recommendation in section 3 of this paper.

## Annex A

Formula factors in early years budget shares	2018-19 Unit funding rates	2019-20 Unit funding rates	Change
<b><u>3 and 4 year olds</u></b>			
<b>Base rate</b>	£5.05 per hour	£5,10 per hour	1% increase
<b>Deprivation supplement</b>			
Allocation based on children's IDACI scores	£252.77 per IDACI score of 1	£255.30 per IDACI score of 1	1% increase
Additional allocation to settings with higher IDACI scores	£883.45 per IDACI score of 1	£892.28 per IDACI score of 1	1% increase
Allocation per looked after child (LAC)	£1,320 per LAC	£1,333.20 per LAC	1% increase
<b><u>Protection for nursery schools</u></b>			
Supplement to base rate	£0.09 per hour	£0.04 per hour	Reduction to offset increase in base rate
London fringe allocation (where applicable)	£0.09 per hour	£0.09 per hour	No change
Lump Sum	£88,703 per school	£88,703 per school	No change
Small School Lump Sum	£6,019 per eligible school	£6,019 per eligible school	No change
Rates	Estimated actual	Estimated actual	No change
<b>Special Education Needs</b> (Nursery schools and classes only)	£400.13 per IDACI score of 1	£404.13 per IDACI score of 1	1% increase
<b><u>2 year olds</u></b>			
<b>Base rate</b>	£5.30 per hour	£5.35 per hour	1% increase

### Early Years Budget 2019-20 (excluding use of carry forward)

<u>Estimated DSG</u>	£m
Universal entitlement for 3 and 4 year olds	57.067
Nursery schools protection funding	1.764
Additional hours for 3 and 4 year olds	19.626
2 year olds	6.585
Early Years Pupil Premium	0.659
Early Years Disability Access Fund	0.236
<b>Total</b>	<b>85.937</b>
<u>Budgeted expenditure</u>	
a) Allocated to settings	
Budget shares for 2, 3 and 4 year olds	81.135
SEN Inclusion Fund	
Emerging needs fund	0.200
SENCO support	0.200
Ludwick Enrichment Group	0.055
Primary and Maintained Nursery Schools SEND support	0.700
Early Years Pupil Premium	0.659
Early Years Disability Access Fund	0.236
b) Central budgets (including SEND development fund and PVI SEND support)	2.752
<b>Total</b>	<b>85.937</b>