

West Berkshire Schools' Forum	
Title of Report:	Draft Early Years Funding & Budget 2015/16
Date of Meeting:	19th January 2015
Contact Officer(s)	Claire White & Maria Shepherd
For Discussion	

1. Budget Forecast 2014/15

1.1 Funding for the 2014/15 early years block will not be confirmed until June 2015 due to 3 and 4 year old funding being based on 5/12 of the January 2014 census and 7/12 of the January 2015 census. Therefore the forecast budget position for 2014/15 is currently based on an estimate of funding to be received following the January 2015 census, and expenditure based on actual to date and an estimate of provider hours to be funded in the spring 2015 term.

1.2 The current forecast is summarised below (**note that this will be updated following receipt of January 2015 census data and Spring payments**)

	Budget 2014/15	Forecast 2014/15	Variance 2014/15
2 Year old Funding	1,267,230	500,000	-767,230
3 & 4 Year Old Funding	6,231,180	6,569,880	338,700
Contingency	258,210	0	-258,210
Central EY Funding	99,390	83,790	-15,600
DSG EY Block Grant	-7,856,010	-7,915,330	-59,320
TOTAL	0	-761,660	-761,660

1.3 It is expected that only a small proportion of the overspend on 3 and 4 year olds (due to the increased take up of hours) will be offset by an increase in the DSG grant.

1.4 The funding received for 2 year olds was based on 254 deprived children accessing the 15 hours free entitlement in the summer term 2014, and 449 children from September 2014. The build up has been slow and there are currently 300 children resulting in the forecast underspend (which is as expected). This will partly be utilised to offset the overspend on 3 and 4 year old funding.

1.5 It is proposed that the overall early years underspend be ringfenced to the Early Years block and be carried forward to continue to plug the gap in the shortfall in 3 and 4 year old funding. This will enable funding rates to remain the same for a further year rather than reduce funding going to all providers.

2. Draft Funding Allocation for 2015/16

2.1 The Dedicated Schools Grant (DSG) for 2015/16 was announced on 17th December 2014. The Early Years Block is calculated as follows:

- 3 & 4 year olds: the funding rate per child is the same as for 2013/14 and 2014/16 (£3,911 for West Berkshire). Initially the DfE has multiplied this by nursery numbers from the January 2014 Early Years Census. The final allocation will be based on 5/12 x January 2015 nursery numbers plus 7/12 x January 2016 nursery numbers.
- 2 year olds: no indicative allocation has been provided by the DfE yet, although the funding rate per child has been fixed at the same hourly rate as for 2013/14 and 2014/15 (£5.36 for West Berkshire Council). The allocation will be calculated the same as for 3 & 4 year olds, though there may be an uplift in September if numbers are significantly higher than in January. For the purpose of setting the budget, it has been assumed that there will be on average 325 children accessing the funding during 2015/16.
- There is an indicative amount provided for the early years Pupil Premium.

2.2 The funding calculation for 2015/16 is as follows (**note that this will be updated following receipt of actual January 2015 census data**):

3 & 4 Year old funding:		
Total FTE January 2015 census	1,561.00	A
Guaranteed Unit of Funding	£3,911	B
Estimated 3 & 4 Year Old Allocation	£6,105,070	(A x B)
2 Year old Funding:		
Estimated number of Children FTE	195.00	C
Guaranteed Unit of Funding	£5,092	D
Estimated 2 Year Old Allocation	£992,940	(C x D)
Plus: Indicative Pupil Premium Grant	£74,590	
Plus: Carry Forward from 2014/15	£761,660	
TOTAL	£7,934,260	

2.3 The above calculation for 3 and 4 year old funding is based on an estimate of the January 2015 census. It is assumed that any significant change in actual hours paid in year will be largely offset by the final calculation of DSG using January 2016 census data.

2.4 Although the funding for each DSG block is not ring fenced it is strongly advised that where possible funding is allocated to children/pupils it is intended for. The above figures also assume that the carry forward from 2014/15 remains within this block.

3. Draft Budget Proposal for 2015/16 from The Early Years Steering Group

- 3.1 It is still the Government's intention to move to a national funding formula for early years. The Group is proposing that there will be no changes to the early year's formula for 2015/16 in order to give settings continued stability in their funding.
- 3.2 By utilising the carry forward from 2014/15, the hourly funding rates for 3 and 4 year olds can be maintained. This budget has been calculated assuming the same actual number of hours funded in 2014/15 and that any in year increase in hours will be met by an increase in DSG (though experience has shown that this is not usually the case and there tends to be a shortfall). On this basis there is an in-year shortfall of £388k to be met from the carry forward, and the Group is fully aware that some very difficult decisions regarding the formula and funding rates may need to be made next year for the 2016/17 budget. The group wish it to be noted that their costs have significantly increased over the last few years with no increase to the funding rate, and a reduction in the funding rate would make it extremely difficult for some settings to continue. The main reasons for the shortfall in funding are the removal of 3 year old population funding, with funding now based on actual participation funding (which was an additional £364k in 2013/14 and £728k in 2012/13) and the increase in qualified staff within provisions which attracts a higher funding rate.
- 3.3 The hourly funding rate for 2 year olds will also be maintained, and the budget assumes that the funding received (now on a participation basis rather than population basis) will equal the actual costs.
- 3.4 The method of allocating deprivation funding to settings will be reviewed between now and March and it is likely that the same methodology to be used to allocate the pupil premium grant will be adopted for this element of the formula.
- 3.5 The centrally retained early year's budget contains the staffing costs of central support and advice for providers, and for determining eligibility of a child for early year's provision. The budget requirement for 2015/16 has gone down.
- 3.6 This leaves approximately £374,000 in contingency (depending on the actual final carry forward from 2014/15 and January 2015 census). This is required due to the volatility of 2, 3 & 4 year old places funded during the year, for which increases in numbers are unlikely to be funded in full by an increase in DSG.
- 3.7 The draft budget proposed for 2015/16 compared to 2014/15 is summarised as follows:

	Budget 2014/15	Budget 2015/16
2 Year old Funding	1,267,230	992,940
3 & 4 Year Old Funding	6,231,180	6,412,650
Central EY Funding	99,390	79,820
Early Years Pupil Premium		74,590
Contingency	258,210	374,260
TOTAL	7,856,010	7,934,260

RECOMMENDATION:

1. That the Early Years Block underspend in 2014/15 be carried forward to the Early Years Block in 2015/16
2. The Early Years draft budget proposals are noted. Final proposals will be brought to the next meeting of the Schools' Forum once the January census data has been taken onto account and the deprivation formula has been reviewed.