

West Berkshire Schools' Forum	
Title of Report:	Early Years Funding & Budget Proposal 2015/16
Date of Meeting:	9th March 2015
Contact Officer(s)	Claire White & Janet Scott
For Decision	

1. Budget Forecast 2014/15

1.1 Funding for the 2014/15 early years block will not be confirmed by the DfE 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. However, using the January 2015 census data a reasonable estimate of funding can now be made. Payments to providers for the Spring term have now been made, therefore the only payments still to go through are adjustments where children move in or out of settings between now and the end of term. This should not vary by more than £50k either up or down.

1.2 The current forecast is summarised below

	Budget 2014/15	Forecast 2014/15	Variance 2014/15
2 Year old Funding	1,267,230	522,034	-745,196
3 & 4 Year Old Funding	6,231,180	6,565,167	333,987
Contingency (carry forward from 13/14)	258,210	0	-258,210
Central EY Funding	99,390	108,000	8,610
DSG EY Block Grant	-7,856,010	-7,917,615	-61,605
TOTAL	0	-722,414	-722,414

1.3 The funding received for 2 year olds in 2014/15 was fixed and based on a Government estimate of 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 in the January census there were 190 children (though the number has varied throughout the year, the average being 165). This has resulted in a significant underspend, though is as expected.

1.4 The take up of 3 and 4 year old places has grown again (as in previous years) in 2014/15. The budget was set at the 2013/14 take up level but with the knowledge that any in year growth in numbers could be met from the carry forward of the 2013/14 underspend (the contingency) and the 2 year old budget. Only a small proportion of the overspend on 3 and 4 year olds will be offset by an increase in the DSG grant (£61k).

1.5 It is proposed that the overall early years underspend be carried forward to 2015/16 in order to balance the budget next year. This will enable funding rates to remain the same for a further year rather than reduce funding going to all providers.

2. Estimated 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. The January 2015 census has been used to determine the budget rather than the DfE's 2014 figure.
- 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). From 2015/16 the allocation will be calculated the same as for 3 & 4 year olds using the two January census's (rather than a fixed sum allocation), though there may be an uplift in September 2015 if numbers are significantly higher than in January 2015. For the purpose of setting the budget, it has been assumed that there will be on average 270 children accessing the funding during 2015/16.
- There is an indicative amount provided for the early years Pupil Premium, which is £0.53 per hour (or £302 per child if accessing the full 15 hours for a year).

2.2 The funding calculation for the purpose of setting the 2015/16 budget is as follows:

3 & 4 Year old funding:		
Total FTE January 2015 census	1,562.00	A
Guaranteed Unit of Funding	£3,911	B
Estimated 3 & 4 Year Old Allocation	£6,108,982	(A x B)
2 Year old Funding:		
Estimated number of Children FTE	161.67	C
Guaranteed Unit of Funding	£5,092	D
Estimated 2 Year Old Allocation	£823,206	(C x D)
Plus: Indicative Pupil Premium Grant	£74,590	
Plus: Carry Forward from 2014/15	£722,414	
TOTAL FUNDING BUDGET	£7,729,192	

- 2.3 It is stressed that all elements in this calculation are an estimate, and the actual funding will also be based on next year's census data, take up of pupil premium, and the final outturn for the current year for the carry forward.
- 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 assume that the carry forward from 2014/15 remains within this block.

3. 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 West Berkshire early year's formula for 2015/16 in order to give settings continued stability in their funding. The formula and rates for three and four year olds is set out in Appendix A.
- 3.2 By utilising the carry forward from 2014/15, the hourly funding rates for 3 and 4 year olds can be maintained for a further year. This budget has been calculated assuming the same actual number of hours funded in 2014/15 plus the average annual increase that has been experienced in the last four years (though population statistics suggest this could be greater). On this basis there is an in-year shortfall in the 3 and 4 year old budget of £527k which will need to be met from the carry forward. The reason for the shortfall is mainly that since the current funding rates were set, there has been the removal of 3 year old population funding, with funding now based on actual participation funding (January census). The population funding basis had provided an additional £364k in 2013/14 and £728k in 2012/13. Additionally, the DSG is not keeping pace with the growth in numbers. In the meantime rates to providers have been maintained by utilising the underspend in the 2 year old funding.
- 3.3 The Group is fully aware that some very difficult decisions regarding the formula and funding rates will most likely need to be made during the next year for the 2016/17 budget, and will commence work on modelling this in the summer. This will be subject to a full consultation with providers. It is felt that to decrease funding rates now at such short notice could have a detrimental effect on the financial stability of providers. The group wish it to be noted that their costs have significantly increased over the last few years (as have schools) but with no increase to the funding rate, and a reduction in the funding rate will make it extremely difficult for some settings to continue. This appears to be a problem nationally.
- 3.4 The hourly funding rate for 2 year olds will also be maintained at £5.26, and the budget assumes that the funding received (now on a participation basis rather than population basis) will equal the actual costs.
- 3.5 It is proposed that from 2015/16 deprivation funding will mirror the methodology for the new Pupil Premium Grant (PPG) which uses similar criteria for free school meals eligibility, and paid as an additional hourly rate. The PPG rate has been set by the Government at £0.53 per hour (which equates to £302.10 per child accessing the maximum 570 hours per year). The Group propose to round this up to £1.00 by adding £0.47 from the

deprivation budget. The budget has been set at the Government's estimate for PPG plus the current level of deprivation funding paid to providers.

3.6 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 due to a staffing restructure.

3.7 The draft budget proposed for 2015/16 compared to the 2014/15 budget and forecast is summarised as follows:

	Budget 2014/15	Forecast 2014/15	Budget 2015/16
2 Year old Funding	1,267,230	522,034	810,000
3 & 4 Year Old Funding	6,231,180	6,565,167	6,615,297
Central EY Funding	99,390	108,000	79,820
Early Years Pupil Premium & Deprivation Funding			209,590
Contingency	258,210		
TOTAL	7,856,010	7,195,201	7,714,707

3.8 This currently leaves a balance of funding of £14k in this block, though the carry forward from 2014/15 will be less once all the final payments to providers for this term have gone through.

3.9 Due to the volatility of both funding and expenditure as the number of children accessing their free entitlement changes each term and is generally growing, the early years block budget is high risk and will need to be closely monitored during the year.

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 budget proposals as set out in part 3 of this report are agreed

Appendices

Appendix A – West Berkshire Early Years Single Funding Formula 2015/16

West Berkshire Early Years Single Funding Formula Information on Rates for Three and Four Year Olds 2015/16

Base Hourly Rate

Rate 1 for PVI with sole use of property (owned or rented) £3.19 + £0.37 + £0.30 (8.5% RoR)	£3.86
Rate 2 for PVI with sole use of property (owned or rented) with outdoor space over 1/4 acre £3.19 + £0.46 + £0.31 (8.5% RoR)	£3.96
Rate 3 for PVI other (Village/community Hall or similar) £3.19 + £0.22 + £0.29 (8.5% RoR)	£3.70
Rate 4 Maintained Nursery school (purpose built) £3.19 + £0.16 - £0.28 (management costs included in fixed supplement)	£3.07
Rate 5 Maintained Nursery Class	£3.19

Supplements for Quality

Rate B £0.38

At least 1 member of staff with level 4 / trainee EYPS

Other staff at least 50% at level 3

OR

At least 75% of staff at level 3

Adult:Child Ratio 1:8

(£3.57 - £3.19)

Rate C £0.73

At least 1 member of staff a qualified teacher or EYPS

Other staff at least 50% at level 3

Adult:Child Ratio 1:8

(£3.92 - £3.19)

Rate D £0.94

At least 1 member of staff a qualified teacher or EYPS

Other staff 50% at level 3 or above, all other staff at level 2,

Adult:Child Ratio 1:8

(£4.13 - £3.19)

Rate E £1.56

At least 1 member of staff a qualified teacher with 5 years relevant early years experience, or EYPS with with 5 years relevant early years experience.

Next member of staff a qualified teacher or EYPS

All other staff at level 3

Adult:Child Ratio 1:8

(£4.75 - £3.19)