

<b>West Berkshire Schools' Forum</b>	
<b>Title of Report:</b>	<b>Early Years Formula for 2016/17</b>
<b>Date of Meeting:</b>	<b>28<sup>th</sup> September 2015</b>
<b>Contact Officer(s)</b>	<b>Avril Allenby &amp; Claire White</b>
<b>For Discussion</b>	

## **1. Background**

- 1.1 In setting the 2015/16 early years block budget, it was recognised that the in-year estimate of funding (through the early years Dedicated Schools Grant (DSG)) does not cover the estimated payments through the early years single funding formula (EYSFF) for three and four year olds. In 2015/16 this is being covered by a one off carry forward of unspent two year old funding in 2014/15, as agreed by the Schools' Forum.
- 1.2 Moving forward, the current formula rates for the EYSFF are not sustainable if our DSG rate remains the same. The following table shows the net estimated position for 2015/16 (without the carry forward being applied):

<b>Three &amp; Four Year Old Funding:</b>	<b>Budget Set 2015/16</b>
PVI Providers	4,726,470
Nursery classes in Mainstream schools	1,080,100
Maintained nursery schools	808,730
<b>Total Expenditure</b>	<b>6,615,300</b>
DSG 3 & 4 year old Grant	-6,105,071
<b>Net Shortfall</b>	<b>510,229</b>

- 1.3 If all things remain equal (i.e. DSG funding rates, hours of provision, quality of provision, formula rates) there would be approximately a £500k shortfall next year, and it is therefore assumed at this stage that this is the level of saving that we need to find.

## **2. Considerations by the Early Years Steering Group**

- 2.1 The Government has stated that it is committed to increasing the "average" funding rate paid to providers for the free entitlement – due to increase to 30 hours. There has been a recent "call for evidence" on childcare costs to gather data to help inform this, but to date there has been no indication of how much this would be, how it would be given to providers, or when this might

happen. Therefore plans need to be put in place for reducing the cost if these changes do not happen from April 2016 and/or the grant rate is not sufficient.

2.2 By late October we will be in a position to provide a reasonable forecast of funding and cost for the current financial year based on current take up which will also give a better indication of what the shortfall is likely to be next year. However, because payment to providers is made on actual hours of provision there can be no certainty to these figures.

2.3 The only certain element within our control is the formula rates. Once we have a better estimate of our shortfall for 2016/17, the funding rates will need to be adjusted accordingly.

2.4 The Steering Group has met twice since April, and considered what options are available in order to bring the cost down by approximately £500k.

2.5 Four options have been discussed as follows:

- 1) Removing all quality rates and increasing the base rates up to the level of funding available
- 2) Reducing all quality rates by the same percentage down to the level of funding available
- 3) Replace the current (four) quality rates with two new simplified quality rates, with the total funding being paid through quality rates reduced down to the level of total funding available.
- 4) Replace all base and quality rates with just one hourly rate for all providers (as per two year old funding). The rate will be similar to the unit of funding received through the DSG.

2.6 The Group has also looked at benchmarking information from our statistical neighbours and other Berkshire authorities, comparing our rates and methodologies.

2.7 Options 1 and 4 have been ruled out, mainly because through these options there would be some providers that had a rate increase, and it is felt that all providers should take a share of the cut. It is also felt that quality of provision should still feature in the funding rates.

### **3. Next Steps**

3.1 A letter is to be sent to all providers setting out the funding problem and what options the steering group is considering. If a cut to rates needs to be made it should not come as a surprise to providers.

3.2 Once the Group has more information regarding the budget forecast for the current year and the Government's future intentions for funding of early years (probably following the spending review), further work will be carried out on the formula, bringing a proposal back to Schools' Forum.

3.3 Once a proposal is agreed, providers will be sent this information including an exemplification for their own setting.