

West Berkshire Schools' Forum	
Title of Report:	Early Years Block Budget Update
Date of Meeting:	7th December 2015
Contact Officer(s)	Avril Allenby & Claire White
For Discussion	

1. Forecast for 2015/16

1.1 In setting the 2015/16 early years block budget, it was assumed that the in year growth in numbers experienced in the previous few years would be repeated, and so the same percentage increase was included in the estimate. On this basis there was a shortfall in 3 and 4 year old funding, but the under spend in 2014/15 (mainly from 2 year old funding) was carried forward to support this budget without the need to adjust downwards the funding rates paid to providers. It was recognised that this would be a solution for one year only.

1.2 Autumn payments to providers have now been made, and a forecast has been made for the Spring term payments based on last year's percentage increase in hours between Autumn and Spring, adjusted for the actual number of weeks. The position on each budget line within the early years block is as follows:

Early Years Block Budget	Budget 2015/16	Current Forecast	Variance
3 & 4 year old PVI Providers	4,673,650	4,176,460	-497,190
3 & 4 year old Nursery classes in schools	1,080,100	1,056,430	-23,670
3 & 4 year old Maintained nursery	808,730	762,240	-46,490
2 Year Old Funding – all settings	810,000	573,850	-236,150
Central Expenditure on Children under 5	79,820	89,320	9,500
SEN Pre School Children (contribution to high needs block)	10,000	10,000	0
Pupil Premium Grant and Deprivation Supplement	209,590	27,470	-182,120
Total Expenditure	7,671,890	6,695,770	-976,120
DSG Early Years Block	-7,671,890	-7,140,320	531,570
Net Position	0	-444,550	-444,550

1.3 It appears there will be a large under spend on payments to providers. The increase in numbers of 2, 3 & 4 year olds has not materialised as forecast,

and this stability in numbers appears to be a national trend. There is also less funded weeks in 2015/16 financial year – 37 rather than 38.

- 1.4 Because the DSG funding for 2, 3, & 4 year olds is based 5/12 on the January 2015 census and 7/12 on the January 2016 census, based on our predicted number of children in January 2016 our DSG funding will significantly reduce to reflect the lower numbers and payment to providers.
- 1.5 The take up of the early years pupil premium grant has been slow (funding is also added through this method for the deprivation supplement of the early years formula). An additional grant of £75k was received for PPG and it is unknown if any funding will be clawed back if it is not all spent. The figures in the table above assume that there will be no claw back.
- 1.6 The overall position is an under spend of over £400k (nearly half of which is in relation to the PPG), but these figures should be treated with caution as it is impossible to predict the actual additional numbers of children who will be accessing early years provision in the Spring term and what the DSG funding will be. A clearer picture will be obtained following the January 2016 census.

2. Budget for 2016/17

- 2.1 It was originally thought that the 3 & 4 year old funding rates to providers would need to be substantially reduced in 2016/17. The current forecast shown in the table below suggests that this may not be the case, though until the January 2016 census figures are known, an estimate for 2016/17 cannot be made. The forecast assumes the same number of hours of provision at the same funding rates as in 2015/16, but using the assumed (lower) January 2016 census pupil numbers to predict the DSG funding. If the under spend from 2015/16 is carried forward, the shortfall is significantly reduced.

Budget	Forecast 2016/17
3 & 4 year old PVI Providers	4,180,000
3 & 4 year old Nursery classes in schools	1,050,000
3 & 4 year old Maintained nursery	760,000
2 Year Old Funding – all settings	570,000
Central Expenditure on Children under 5	129,000
SEN Pre School Children (contribution to high needs block)	10,000
Pupil Premium Grant and Deprivation Supplement	141,000
Total Expenditure	6,840,000
DSG Early Years Block	--6,269,000
DSG EY Block carry forward from 2015/16	-450,000
Net Position	121,000

- 2.2 In the November 2015 Spending Review, the Government has stated that it will increase the “average” funding rate paid to providers for the free entitlement alongside the increase to 30 hours provision for 3 & 4 year olds from working families. This will take place in 2017/18. The average rate quoted is slightly higher than our current rate: £4.36 for 3 and 4 year olds

excluding the PPG element, compared to our current rate received of £4.12, and £5.39 for 2 year olds compared to our current rate of £5.36.

2.3 The Government has also stated its intention to have a national early year's formula from 2017, and a consultation is expected early in 2016. It is not clear whether this means a standard hourly rate across the country (with some area cost adjustment) for each type of provider, or whether local authorities will need to design a simpler formula to distribute the new standard funding rates to providers.

2.4 Although options have been discussed by the Steering Group about how funding rates could be adjusted downwards (which would be a significant negative impact on this sector where many settings are already struggling to remain viable), it *may* be possible to maintain the current rates for a further year if there is an under spend in the current year which is carried forward. From 2017 the new national formula and increased funding rates are then due to be implemented.

3. Next Steps

3.1 Once the January census data is available, Officers will consult with the Steering Group on its proposals for setting a balanced early years block 2016/17 budget, and present these proposals to the Schools' Forum for decision in March 2016.