
Early Years Budget Proposal 2016/17

Report being considered by: Schools Forum
On: 14/03/2016
Report Author: Avril Allenby
Item for: Decision **By:** All Forum Members

1. Purpose of the Report

- 1.1 To set out for the Early Years Block the likely financial position and under spend to be carried forward for 2015/16, and detail the proposals for setting a balanced budget for this block in 2016/17.

2. Recommendation(s)

- 2.1 To agree the early years block budget as set out in section 5 of the report.

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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3. Background

- 3.1 The current (as at February 2016) number of early year's providers funded from this block is 116, and the breakdown by type of provider is shown in Table 1.

Table 1

Early Years Providers	Number
Private Nursery/Independent School	39
Pre Schools	38
Childminders	22
Nursery classes in schools	15
Maintained nursery schools	2
Total	116

- 3.2 The Dedicated Schools Grant (DSG) funding in the financial year for the early years block is based on the number of children accessing the free entitlement on the day of the January census over two years – so for 2015/16 funding, the per FTE child DSG funding rates (£3,911.25 for 3 and 4 year olds, £5,092 for 2 year olds) is multiplied by the number of FTE children counted in the January 2015 census multiplied by 5/12 plus the same per child DSG funding rates multiplied by the number of children counted in the January 2016 census multiplied by 7/12. Final confirmation of the funding is received the following June, three months after the close of the financial year to which the funding relates. Early years pupil premium grant (EYPPG) was allocated as a fixed sum for 2015/16 based on an estimate of eligible children, but from 2016/17 it will be based on data collected in the January census as above.

- 3.3 Payments to providers are made according to actual take up of places. Each provider is allocated an hourly funding rate at the start of the financial year depending on type of provision and qualification of staff. The provider receives this funding rate for each child for the actual number of hours they attend the setting in the financial year (i.e. funding follows the child). Children can take up their free provision at any time during the year up to the maximum number of funded hours. Additional hours can be purchased from the provider if offered. EYPPG is paid as an additional hourly rate for those children who meet the criteria.
- 3.4 Thus there is a mismatch between DSG funding received and payments made to providers. The budget has to be set (i.e. the hourly rates to be paid to providers agreed) without any certainty of what the funding for the year will be or the number of hours of provision to be paid. There will always be an under or over spend.
- 3.5 In order to set the budget, the methodology used is to base the calculations on prior year data plus an adjustment for any assumed or known changes.
- 3.6 In the last few years the actual DSG funding received for three and four year olds has not covered the payments made to providers, but an under spend on two year olds has been carried forward allowing the three and four year old funding rates to providers to be maintained.

4. Forecast for 2015/16

- 4.1 Accurately forecasting the likely carry forward in the current year is crucial in determining what funds are available (as one-off additional funding or a deficit to be repaid) in the following year.
- 4.2 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 three and four year old funding, but the under spend in 2014/15 (mainly from two 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 only be a solution for one year *if* all the carry forward was used in 2015/16.
- 4.3 Indicative figures from the January 2016 census are now available to estimate the funding for the year, and Spring term payments to providers have been estimated to be able to forecast total expenditure for the year. Table 2 sets out the current forecast on each budget line within the early years block.

Table 2

Early Years Block Budget	Budget 2015/16	Current Forecast	Variance
3 & 4 year old PVI Providers	4,673,650	4,281,550	-392,100
3 & 4 year old Nursery classes in schools	1,080,100	1,070,220	-9,880
3 & 4 year old Maintained nursery	808,730	749,730	-59,000
2 Year Old Funding – all settings	810,000	617,800	-192,200
Central Expenditure on Children under 5	79,820	86,470	6,650

Pupil Premium Grant and Deprivation Supplement	209,590	51,410	-158,180
Total Expenditure	7,661,890	6,857,180	-804,710
DSG Early Years Block funding	-7,004,800	-6,776,830	227,970
SEN Pre School Children (transfer funding to high needs block)	10,000	10,000	0
In Year Net Position (i.e. shortfall)	667,090	90,350	-576,740
DSG carry forward from 2014/15	-667,090	-667,090	0
Net Position Overall	0	-576,740	-576,740

- 4.4 The current figures indicate an overall under spend of £577k. The increase in numbers of 2, 3 & 4 year olds accessing the free entitlement has not materialised as forecast and as in previous years, and this stability in numbers appears to be a national trend.
- 4.5 The DSG funding forecast is also less, based on the actual lower numbers (compared to those predicted) recorded in the January 2016 census. However, due to the significantly lower numbers in the Autumn 2015 term compared to the January 2016 census, the funding to be received in year is based on pupil numbers greater than those actually receiving the free entitlement throughout the year and is to our advantage (in previous years the opposite has occurred).
- 4.6 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 the DfE has confirmed that no funding will be clawed back in 2015/16 for the unspent element.
- 4.7 The overall in year position is an over spend of £90k compared to the original estimate of £667k. Had the carry forward from 2014/15 not been available and the rates paid to providers had been reduced, this would therefore have resulted in an under spend but at a significant detriment to providers. This illustrates the volatility of this budget, and the need to have back up funding available.
- 4.8 The overall in year overspend of £90k will be met from the 2014/15 carry forward of £667, leaving £577k available as one off funding in 2016/17. Bear in mind that these figures are forecasts, and the final figure for the year could vary by as much as £100k.

5. Budget for 2016/17

- 5.1 The estimate for 2016/17 is set out in Table 3 (alongside the 2015/16 forecast), based on the following assumptions:
- The same number of hours of provision as per the 2015/16 actual for existing providers (adjusted for the actual number of weeks in the financial year for the maintained sector). No in year growth in hours of provision is assumed.
 - Quality bands have been adjusted for each provider as appropriate according to the employee data in the January 2016 returns.
 - The same funding rates as 2015/16 have been applied.

- An increase in PPG take up has been assumed.
- An increase in the centrally retained budget due to staffing costs in respect of the additional work involved in PPG and two year old assessments.
- The January 2016 census pupil numbers only have been used to predict the DSG funding for the full year. This assumes numbers will remain stable.
- The PPG grant matching the actual hours of take up.

Table 3

Early Years Block Budget	Forecast 2015/16	Estimate 2016/17
3 & 4 year old PVI Providers	4,281,550	4,382,000
3 & 4 year old Nursery classes in schools	1,070,220	1,133,080
3 & 4 year old Maintained nursery	749,730	779,380
2 Year Old Funding – all settings	617,800	611,440
Central Expenditure on Children under 5	86,470	128,100
Pupil Premium Grant and Deprivation Supplement	51,410	100,000
Total Expenditure	6,857,180	7,134,000
DSG Early Years Block	-6,776,830	-6,770,310
SEN Pre School Children (transfer funding to high needs block)	10,000	10,000
In Year Net Position (i.e. shortfall)	90,350	373,690
DSG EY Block carry forward from previous year	-667,090	-576,740
Net Position Overall	-576,740	-203,050

- 5.2 A more detailed breakdown of the funding calculation and budget position for both 2015/16 and 2016/17 are shown in Appendix A.
- 5.3 In order to balance the budget in 2016/17, part of the under spend from 2015/16 (£374k) will be required. This leaves £203k. Rather than adjust funding rates downwards (which would be a significant negative impact on this sector where many settings are already struggling to remain viable, particularly with cost pressures from the national living wage, pension obligations, and statutory staffing ratios), it is proposed to maintain the current rates, as set out in appendix B, for a further year by utilising the carry forward. This includes maintaining the deprivation rate of £0.47 per hour which is added to the pupil premium. From 2017 increased funding rates and a new national formula are then due to be implemented.
- 5.4 In the November 2015 Spending Review, the Government 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.
- 5.5 The Government has also stated its intention to have a national early year’s formula from 2017, and a consultation is expected soon. 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.

6. Proposals

6.1 To summarise, the proposals are:

1. To maintain the 2015/16 funding rates to providers in 2016/17.
2. To use part of the 2015/16 under spend to cover the estimated shortfall in the early years block in 2016/17.
3. To set the early years budget as per Table 3 in this report.
4. Due to the volatile nature of funding and payments, to retain any remaining under spend from 2015/16 as a contingency, but for all DSG services.

7. Conclusion

7.1 This is a volatile budget in respect of both the DSG funding received and payments made to providers. As has been shown in the current and previous years, the outturn can vary as much as £0.5m compared to the budget set. Having one-off funding set aside as a contingency will help mitigate the high risk of incurring a significant overspend or reducing funding rates to providers unnecessarily.

7.2 Once the DfE's funding arrangements for 2017/18 are known, the formula and rates can be reviewed in order for this budget to be set on a sustainable basis for the future.

8. Consultation and Engagement

8.1 The Early Years Steering Group has been consulted on these proposals.

9. Appendices

Appendix A – Early Years Budget: 2015/16 Forecast and 2016/17 Budget

Appendix B – Early Years Single Funding Formula Rates

10. Heads Funding Group Recommendation

10.1 The Heads Funding Group support the proposals set out in this report but in addition request that part of the 2015/16 under spend be used to retain part of the pre-school teacher counselling service (the high needs budget proposal is to cut this budget by £85,000) at a cost of £45,000 in 2016/17.

Early Years Budget: 2015/16 FORECAST & 2016/17 BUDGET as at 4/03/16						
SUMMARY						
	2015/16 Budget Set £	2015/16 Virement £	2015/16 Revised £	2015/16 Forecast £	2015/16 Variance £	2016/17 Budget £
PVI Providers (90036)	4,726,470	-52,820	4,673,650	4,281,551	-392,099	4,382,004
Nursery classes in Mainstream Schools (90037)	1,080,100		1,080,100	1,070,216	-9,884	1,133,078
Maintained Nursery Schools (90010)	808,730		808,730	749,727	-59,003	779,382
2 Year Old Funding (90018)	810,000		810,000	617,799	-192,201	611,444
Central Expenditure on Children Under 5 (90017)	79,820		79,820	86,470	6,650	128,100
Pupil Premium Grant (and deprivation funding)	209,590		209,590	51,410	-158,180	100,000
TOTAL EXPENDITURE	7,714,710	-52,820	7,661,890	6,857,173	-804,717	7,134,008
Early Years DSG Block Funding In Year (see below)	-7,004,796		-7,004,796	-6,776,835	227,961	-6,770,313
less: contribution to HN block (SEN pre school)	10,000		10,000	10,000	0	10,000
IN YEAR NET POSITION	719,914	-52,820	667,094	90,339	-576,756	373,695
Early Years DSG Block Funding carried forward	-724,390	57,300	-£667,090	-£667,090	0	-£576,756
OVERALL NET POSITION	-4,476	4,480	4	-576,751	-576,756	-203,061
CALCULATION OF EARLY YEARS DSG BLOCK FUNDING 2015/16 FORECAST & 2016/17 BUDGET						
3 & 4 Year Olds Census Data	Jan-15	Jan-16	Average			
School census	422.00	425.00	423.75	FTE		
Early years Census	1,139.00	1,131.00	1,134.33	FTE		
a Actual will be 5/12 Jan PYR census + 7/12 Jan CYR census	1,561.00	1,556.00	1,558.08	FTE		
b Guaranteed Unit of funding			£3,911.25			
2 Year Olds Census Data	Jan-15	Jan-16	Average			
School census	8.00	30.00	20.83	FTE		
Early years Census	106.00	94.00	99.00	FTE		
c Actual will be 5/12 Jan PYR census + 7/12 Jan CYR census	114.00	124.00	119.83	FTE		
d Guaranteed Unit of funding			£5,092.00			
DSG FUNDING CALCULATION	Budget 15/16		Forecast 15/16		Budget 16/17	
	(Jan 15 census)		(Average census)		(Jan 16 census)	
Estimated DSG Allocation for 3 & 4 Year olds (a x b)	£6,105,461		£6,094,053		£6,085,905	
Estimated DSG Allocation for 2 Year olds (c x d)	£580,488		£610,191		£631,408	
Estimated growth adjusted for in DSG	£246,257		£0		£0	
Final Adjustment in relation to previous year DSG	-£2,000		-£2,000		£0	
Early Years Pupil Premium Grant	£74,590		£74,590		£53,000	
DSG ALLOCATION FOR YEAR	£7,004,796		£6,776,835		£6,770,313	
plus Carry Forward from previous year	£667,090		£667,090		£576,756	
TOTAL DSG AVAILABLE	£7,671,886		£7,443,925		£7,347,069	
In Year Grant Position - Surplus / (Shortfall) Excluding Carry Forward						
	Budget 15/16		Forecast 15/16		Budget 16/17	
3 & 4 Year Olds (plus central expenditure)	-£538,839		-£95,911		-£336,659	
2 Year Olds	£16,745		-£7,608		£19,964	
PPG	-£135,000		£23,180		-£47,000	
Transfer to HN Block	-£10,000		-£10,000		-10,000	
TOTAL	-£667,094		-£90,339		-£373,695	

West Berkshire Council			
Early Years Single Funding Formula			
Rate for Two Year Olds			
Single Rate for ALL providers		£5.26	
Rates for Three and Four Year Olds			
<u>Base Hourly Rate</u>			
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	
<u>Supplements for Quality</u>			
<u>Rate B</u>			
At least 1 member of staff with level 4 / trainee EYPS		£0.38	
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)			
		£0.73	
<u>Rate C</u>			
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)			
		£0.94	
<u>Rate D</u>			
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)			
		£1.56	
<u>Rate E</u>			
At least 1 member of staff a qualified teacher with 5 years relevant early years experience, or EYPS 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)			