
Early Years Budget 2018/19 and 2019/20

Report being considered by: Schools Forum on 12 March 2018

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Item for: Decision **By:** All Members of the Forum

1. Purpose of the Report

- 1.1 To set out the proposal for the Early Years budget, which is based upon the recommendations of the Early Years Funding Group.

2. Recommendations

- 2.1 For the Forum to agree the two year budget model for the Early Years block, as set out in section 5 of this report.

- 2.2 To agree the following provider funding rates for 2018/19:

- Increase the three & four year old base rate by 1.2% from £4.25 to £4.30 per hour.
- Increase the three & four year old quality supplement by 1.2% from £0.65 to £0.66 per hour.
- Three & four year old deprivation supplement to remain the same at £0.47 per hour.
- Two year old rate to remain the same at £5.45 per hour.
- The maintained nursery school lump sum supplement to remain the same at £133,810 per school.
- A minimum funding guarantee of 10% (meaning no provider will see a reduction in their rate of more than 10% of their 2016/17 rate).
- A cap on increase in funding rate of 10% (meaning no provider will see an increase in their rate of more than 10% of their 2016/17 rate).

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. Funding Framework for 2018/19

- 3.1 A new national funding formula for early years was introduced in 2017/18. The funding arrangements for 2018/19 remain much the same.

- 3.2 The 2018/19 West Berkshire rate for three and four year olds remains the same as the 2017/18 rate of £4.70, made up as follows:

	Excluding Area Cost Adjustment (ACA)	ACA	Total
Base Rate	£3.53	£0.92	£4.45
Additional Needs	£0.20	£0.05	£0.25
Total	£3.73	£0.97	£4.70

- 3.3 The rates for disadvantaged two year olds (£5.74) and the early years pupil premium (£0.53) also remain at the 2017/18 rates per hour.
- 3.4 A Disability Access Fund (DAF) payment of £615 per child per year will continue to be made for children in receipt of Disability Living Allowance.
- 3.5 The supplementary funding for maintained nursery schools has slightly increased, and will be provided until at least 2019/20. This will enable the lump sum to continue to be paid to these two WBC nursery schools.
- 3.6 Funding for 2018/19 has been estimated as follows:

3 & 4 year old funding (including the extended entitlement): 1,940 fte x £4,465	£8,662,100
Disadvantaged 2 year old funding: 120 fte x £5,453	£654,360
Early Years Pupil Premium: 42 fte x £503.50	£21,147
Disability Access Fund: 38 x £615	£23,370
Maintained nursery school supplement	£281,451
Total in-year funding	£9,642,428
Less carry forward deficit from 2017/18	-£33,016
Less Transfer to Central Block	-£33,000
Funding available in 2018/19	£9,576,412

- 3.7 The regulations around distributing the funding have not changed, and are summarised as follows:
- A single base rate is to be paid to all types of providers. For three and four year olds the same base rate must be used for the universal 15 hours and the additional 15 hours for working parents. The single base rate must be in place by 2019/20.
 - A mandatory funding supplement for deprivation must be applied.

- A quality supplement can also be used to recognize workforce qualifications. However, supplements for three and four year olds will be capped at 10% of the allocated budget to providers, which will include the mandatory deprivation supplement.
- Maintained nursery schools can continue to receive a lump sum in order to protect their 2016/17 funding rates.
- A requirement to set an average funding rate for providers of three and four year olds which is at least 95% (was 93% in 2017/18) of the authority's funding rate (£4.70 for West Berkshire). This minimum funding level is referred to as the pass through rate.
- Funding must be set aside for an SEN Inclusion fund for three and four year olds.
- Funding for the pupil premium and disability access fund must be passed on to providers.

4. Forecast Outturn for 2017/18

- 4.1 A deficit £421,000 was brought forward from 2016/17 in the early years block. Budgeted spend for 2017/18 was set at £138,000 below the estimated level of funding in order to reduce the deficit to £283,000 by the end of 2017/18 as part of a plan to bring the budget back into balance by the end of 2019/20.
- 4.2 The additional 15 hours of free entitlement for working parents was introduced from September 2017. The budget for payments for the additional 15 hours was based on the Department for Education's estimate of take up of approximately 165,000 hours per term.
- 4.3 Actual take up of extended hours was only 110,000 in the Autumn term and is estimated to be 127,000 in the Spring term. Forecast spend on provider payments is therefore expected to be £611,000 below budget. However, the final level of funding for 2017/18 is based on the January 2018 census, and the number of early years hours has been significantly higher in the spring term than the autumn term. For this reason the reduction in funding from the budgeted level is only £361,000. This gives a forecast net underspend of £388,000, which is expected to bring the deficit to only £33,000 by the end of this financial year. An analysis of the outturn position is set out in table 1 below.

Table 1	2017/18 Budget Set	2017/18 Forecast	2017/18 Variance
	£	£	£
Funds Delegated to Early Years Providers			
PVI Providers (90036)	5,928,090	5,322,142	-605,948
Nursery classes in Mainstream Schools (90037)	1,148,970	1,143,004	-5,966
Maintained Nursery Schools (90010)	807,540	817,005	9,465
2 Year Old Funding (90018)	713,430	708,942	-4,488
Pupil Premium Grant (53%) and deprivation funding (47%) (90052)	39,900	47,431	7,531
Total Delegated Funds	8,637,930	8,038,524	-599,406
Centrally Managed Funds			
Central Expenditure on Children Under 5 (90017)	206,310	206,310	0
Pre School Teacher Counselling (90287)	45,000	45,000	0
SEN Inclusion Fund (90238)	75,000	63,000	-12,000
Disability Access Fund	18,450	18,450	0
SSRs	43,690	43,690	0
Total Centrally Managed Funds	388,450	376,450	-12,000
TOTAL EXPENDITURE	9,026,380	8,414,974	-611,406
Early Years DSG Block Funding In Year (see below)	-9,164,397	-8,803,240	361,156
IN YEAR NET POSITION	-138,017	-388,266	-250,250
Early Years DSG Block Funding carried forward	398,213	£421,282	23,069
OVERALL NET POSITION	260,196	33,016	-227,181

- 4.4 It should be noted that the funding regulations state that the funding for extended hours in 2017/18 will be “based on” January 2018 census data, so there is a risk that the final allocation of DSG may be further reduced to reflect the low level of take up of extended hours in the autumn term.

5. Budget Model for 2018/19 and 2019/20

- 5.1 It is proposed that West Berkshire should continue to use a single base rate with a quality supplement, and a deprivation supplement based upon the current arrangements with the funding being linked to the early year’s pupil premium. As some providers are still receiving funding at a higher rate than the standard rate, the minimum funding guarantee will continue to apply in 2018/19 in order to minimise the loss to these providers in 2018/19. The maximum loss is set at 10% of the provider’s 2016/17 funding rate.
- 5.2 To help fund the minimum funding guarantee, some providers which are currently funded significantly below the standard rate that will have the increase to their funding rate capped at 10% above their 2016/17 funding rate. However the Government will require all providers to be on the same local universal formula rates by 2019/20 so there will be no minimum funding guarantee or funding caps in 2019/20.

- 5.3 The Local Authority is allowed to fund from the grant some centrally provided services, including staffing and IT costs in relation to overseeing the delivery of the free entitlement, sufficiency of places, eligibility checking, and administration of funding payments to providers. However funding for these services is limited by the requirement to set a “pass through rate” for 3 and 4 year olds which is at least 95% of the authority’s funding rate.
- 5.4 The budget for provider payments for 2018/19 has been set on the assumption that payments in Autumn 2018 and Spring 2019 will be similar to Autumn 2017 and Spring 2018 and that payments in the Summer term 2018 will be 13% higher than Spring 2018. (This forecast is in line with trends in early years numbers in previous years). However, because of the take up of extended hours has been lower than expected in the Autumn 2017 and Spring 2018 terms, allowance has been made for a further increase in extended hours of 27,000 hours per term on average in the financial year 2018/19.
- 5.5 DSG funding for the early years block for 2018/19 financial year has been estimated on the basis of January 2018 census data at £9.642 million. The Schools Forum on the 10th January also agreed for £33,000 of the Early Years Block DSG to be transferred to the Central Schools Services Block to help address a potential deficit in that block of £335,000. This transfer was justified because most of the services provided through the Central Schools Services Block support early years providers as well as schools.
- 5.6 Taking all these factors into account it is forecast that it will now be possible to increase the basic provider rate and the quality rate by 1.2% in 2018/19 to £4.30 and £0.66 per hour respectively, while setting an early years budget which is expected to show a small surplus at the end of 2018/19 and to be balanced at the end of 2019/20. These funding rates will give a pass through percentage of 96.8%.
- 5.7 It should be noted that early years providers under the previous funding formula had no rate rises for five years. Since the introduction of the new national funding formula many providers have lower hourly rates and also more free entitlement hours to provide, which is having an impact on sufficiency and the offer to parents in West Berkshire. Therefore the proposed small increase will help to support the local childcare market and sufficiency of free entitlement places in West Berkshire.
- 5.8 The proposed Early Years Block Budget for 2018/19 and 2019/20 is set out in the table below:

Table 2	2018/19 Yr 1 Budget	2019/20 Yr 2 Budget
	£	£
Funds Delegated to Early Years Providers		
PVI Providers (90036)	6,199,460	6,211,370
Nursery classes in Mainstream Schools (90037)	1,269,086	1,385,240
Maintained Nursery Schools (90010)	876,073	876,073
2 Year Old Funding (90018)	719,482	719,482
Pupil Premium Grant (53%) and deprivation funding (47%) (90052)	48,280	48,280
Total Delegated Funds	9,112,381	9,240,444
Centrally Managed Funds		
Central Expenditure on Children Under 5 (90017)	223,300	223,300
Pre School Teacher Counselling (90287)	45,000	45,000
SEN Inclusion Fund (90238)	75,000	75,000
Disability Access Fund	23,370	23,370
SSRs	49,500	49,500
Total Centrally Managed Funds	416,170	416,170
TOTAL EXPENDITURE	9,528,551	9,656,614
Early Years DSG Block Funding In Year (see below)	-9,642,428	-9,642,428
Transfer to Central Schools Services Block	33,000	33,000
IN YEAR NET POSITION	-80,877	47,186
Early Years DSG Block Funding carried forward	£33,016	-£47,861
OVERALL NET POSITION	-47,861	-675

6. Conclusion

- 6.1 It is proposed that the Forum should agree the two year budget model for the Early Years block, as set out in section 5 of this report and to increase the base rate and quality supplement for three and four year olds by 1.2% to support the local childcare providers. The Heads Funding Group agreed the recommendations and made no further comment.
- 6.2 Based on our current estimates of forecast spend and funding for Early Years, it is possible to make this small increase in the provider rates for 2018/19 from those previously proposed, while still setting a budget which is expected to be balanced at the end of 2019/20.
- 6.3 However, Early Years numbers can be volatile from term to term and the final level of funding for 2018/19 will be partly based on January 2019 census data. Therefore if the final level of spend and/or funding for 2018/19 is significantly different from the budgeted level, it will be necessary to amend spending plans for 2019/20.