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# Early Years Budget 2019/20

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**Report being considered by:** Schools Forum on 11<sup>th</sup> March 2019

**Report Author:** Avril Allenby

**Item for:** Decision **By:** All Group Members

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## 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 budget model
- 2.2 To increase the single base rate to all providers from £4.30 to £4.40
- 2.3 To increase the funding rate for 2 year olds to £5:65
- 2.4 To increase the deprivation funding supplement allocated to the pupil premium pupils to make the total funding per hour £2:00.

<b>Will the recommendation require the matter to be referred to the Council or the Executive for final determination?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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## 3. Funding Framework for 2019/20

- 3.1 The funding rate determined for West Berkshire for 2019/20, based on the national funding formula (WBC) remains the same as the 2018/19 rate of £4.70, made up as follows:

	Excluding 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

- 3.2 Local Authorities are required to set an average funding rate for providers for 3 and 4 year olds which is at least 95% of the authority's funding rate (£4.70 for West Berkshire). This minimum funding level is referred to as the pass through rate. The Government will be monitoring compliance on this, and the "rules" surrounding this have been detailed.

- 3.3 The Early Years Pupil Premium Grant (EYPPG) is to continue.
- 3.4 A Disability Access Fund (DAF) payment of £615 per child per year will be made for children in receipt of Disability Living Allowance.
- 3.5 An SEN Inclusion fund also continues.
- 3.6 The additional funding for maintained nursery schools will continue for at least 2019/20. This will enable the lump sum to continue to be paid to these two WBC nursery schools.

**4. Forecast Outturn for 2018/19**

Table 1	2018/19 Budget Set	2018/19 Forecast	2018/19 Variance
	£	£	£
<b>Funds Delegated to Early Years Providers</b>			
PVI Providers (90036)	6,199,460	6,055,008	-144,452
Nursery classes in Mainstream Schools (90037)	1,269,090	1,188,700	-80,390
Maintained Nursery Schools (90010)	876,070	893,603	17,533
2 Year Old Funding (90018)	719,480	553,555	-165,925
Pupil Premium Grant (53%) and deprivation funding (47%) (90052)	48,280	65,728	17,448
<b>Total Delegated Funds</b>	<b>9,112,380</b>	<b>8,756,594</b>	<b>-355,786</b>
<b>Centrally Managed Funds</b>			
Central Expenditure on Children Under 5 (90017)	223,300	219,660	-3,640
Pre School Teacher Counselling (90287)	45,000	45,000	0
SEN Inclusion Fund (90238)	75,000	84,360	9,360
Disability Access Fund (90053)	23,370	17,650	-5,720
SSRs	43,690	43,690	0
<b>Total Centrally Managed Funds</b>	<b>410,360</b>	<b>410,360</b>	<b>0</b>
<b>TOTAL EXPENDITURE</b>	<b>9,522,740</b>	<b>9,166,954</b>	<b>-355,786</b>
Early Years DSG Block Funding In Year (see below)	-9,630,208	-9,644,948	-14,740
<b>IN YEAR NET POSITION</b>	<b>-107,468</b>	<b>-477,994</b>	<b>-370,527</b>
Early Years DSG Block Funding carried forward	-33,016	-£85,950	-52,934
<b>OVERALL NET POSITION</b>	<b>-140,484</b>	<b>-563,944</b>	<b>-423,460</b>

- 4.1 It should be noted that the funding regulations state that the funding for extended hours in 2019/20 will be “based on” January 2019 census data.

## 5. Budget Model for 2019/20

- 5.1 The Government require that all providers 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.
- 5.2 West Berkshire should now introduce a single base rate. Using last year's calculations, going forward this will be a base rate of £4.30 with a quality supplement of 0.66p per hour.
- 5.3 The Early Years Funding Group propose that the base rate should increase to £4.40 with a quality supplement remaining 0.66p per hour.
- 5.4 The deprivation supplement based upon the current arrangements with the funding being linked to the early year's pupil premium, with an increase in the supplement from 0.47p to £1.47.
- 5.5 There has been a steady increase in applications for this funding but it is still very small in comparison to the funding attracted at statutory school age. As this is such an important time to be supporting young children who are disadvantaged and in many case are those with speech and language delay it was felt that an increase in funding would support this area of work.
- 5.6 The funding for two year olds has also been reviewed, both nationally and locally there has been a decrease in the number of children identified for and receiving this funding. This is partially due to the introduction of Universal Credit but also due to pressure on places from the introduction of the additional 15 hours for working parents. The staffing ratios for this group is higher which is reflected in the hourly rate. Therefore, to make places for 2 year olds more attractive and to encourage more providers to provide provision it was decided that an increase in the hourly rate would support this important provision.
- 5.7 The hourly rate to providers for 2 year olds will increase from £5.45 to £5.65.
- 5.8 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.
- 5.9 Spend on provider payments has been set on the assumption that payments in Autumn 2019 and Spring 2020 will be similar to Autumn 2018 and Spring 2019 and that payments in the Summer term 2019 will be 13% higher than Spring 2019. (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 2018 and Spring 2019 terms, allowance has been made for a further increase in extended hours of 14,000 hours on average in the financial year 2019/20.
- 5.10 In 2018/219 it was 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. These funding rates gave a pass through percentage of 96.6%.

- 5.11 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 helped to support the local childcare market and sufficiency of free entitlement places in West Berkshire.
- 5.12 It should be noted that 98 providers have gained from the final funding rates, 56 have remained static and a small number, 8 have seen a reduction in their funding rate at the end of the three year period of the minimum funding guarantee.
- 5.13 During the period since the introduction of the additional 15 hours for working parents there have been 6 settings that have closed, some due to financial pressures.
- 5.14 It is therefore proposed that the single base rate be increased to support all providers with the additional costs that have impacted on them over the past two years; rises in the minimum wage and pension costs alongside the introduction of the additional free entitlement to working parents.
- 5.15 The proposed Early Years Block Budget for 2019/20 and 2020/21 is set out in the table below:

<b>Table 2</b>	<b>2019/20 Yr 1 Budget £</b>	<b>2020/21 Yr 2 Budget £</b>
<b>Funds Delegated to Early Years Providers</b>		
PVI Providers (90036)	6,344,848	6,344,848
Nursery classes in Mainstream Schools (90037)	1,323,979	1,323,979
Maintained Nursery Schools (90010)	917,912	917,912
2 Year Old Funding (90018)	652,969	652,969
Pupil Premium Grant (53%) and deprivation funding (47%) (90052)	131,455	131,455
<b>Total Delegated Funds</b>	<b>9,371,163</b>	<b>9,371,163</b>
<b>Centrally Managed Funds</b>		
Central Expenditure on Children Under 5 (90017)	266,300	271,600
Pre School Teacher Counselling (90287)	60,690	61,904
SEN Inclusion Fund (90238)	90,000	90,000
Disability Access Fund (90053)	23,370	23,370
SSRs	49,500	49,500
<b>Total Centrally Managed Funds</b>	<b>489,860</b>	<b>496,374</b>
<b>TOTAL EXPENDITURE</b>	<b>9,861,023</b>	<b>9,867,537</b>
Early Years DSG Block Funding In Year (see below)	-9,645,562	-9,667,456
Transfer to Central Schools Services Block		
<b>IN YEAR NET POSITION</b>	<b>215,461</b>	<b>200,081</b>
Early Years DSG Block Funding carried forward	-£563,944	-£348,483
<b>OVERALL NET POSITION</b>	<b>-348,483</b>	<b>-148,402</b>

## 6. Conclusion

- 6.1 Propose that the Forum agree the two year budget model for the Early Years block, as set out in section 5 of this report.
- 6.2 Based on our current estimates of forecast spend and funding for Early Years, the base rate will increase to £4.40 per hour for all providers and quality supplement at 0.66p per hour for providers who meet the criteria.
- 6.3 We support the uptake of funding and places for the most vulnerable two year olds with an increase to the hourly rate to providers for 2 year olds from £5.45 to £5.65.
- 6.4 To strengthen the provision which supports Pupil Premium and deprivation by an increase in the deprivation supplement from 0.47p per hour to £1.47 per hour.
- 6.5 However, Early Years numbers can be volatile from term to term and the final level of funding for 2019/20 will be partly based on January 2019 census data. Therefore if the final level of spend and/or funding for 2019/20 is significantly different from the budgeted level, it will be necessary to amend spending plans for 2020/21.