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# Early Years Budget 2021/22

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**Report being considered by:** Schools' Forum on 8<sup>th</sup> March 2021

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**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. Recommendation

- 2.1 For the Schools Forum to agree the 2021/22 budgets as detailed in 5.11.

<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 2021/22

- 3.1 The funding rate determined for West Berkshire for 2021/22 for 3 to 4 year olds has increased by 6p from £4.78 to £4.84 per hour.
- 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 (£4.84 for West Berkshire). This minimum funding level is referred to as the pass through rate.
- 3.3 The funding rate paid for 2 year olds has also increased by an 8p uplift from £5.82 to £5.90 per hour.
- 3.4 The Early Years Pupil Premium Grant (EYPPG) is to continue.
- 3.5 A Disability Access Fund (DAF) payment of £615 per child per year will be made for children in receipt of Disability Living Allowance.
- 3.6 An SEN Inclusion fund also continues.
- 3.7 The additional funding for maintained nursery schools is indicative from April to August 2021. Funding for September 2021 to March 2022 is conditional and may be subject to change.

## 4. Forecast Outturn for 2020/21

- 4.1 There has been a decline in the number of hours in the January 2021 census due to Covid-19. The DFE have recognised that census numbers for January 2021 are likely to be lower than previous years. If attendance is shown to be below 85% of the January 2020 census, a top up would be applied. The final census figures are not yet available for West Berkshire. However based on provisional figures available, the attendance for West Berkshire was 89% of the January 2020 census.

4.2 There is a reported saving on the centrally managed funds of £39685, mainly due to reduced spend on the SEN Inclusion Fund

4.3 The table below shows the forecast outturn for 2020/21:

	2020/21 Budget Set £	2020/21 Forecast £	2020/21 Variance £
<b>Funds Delegated to Early Years Providers</b>			
PVI Providers (90036)	6,423,350	6,274,327	-149,023
Nursery classes in Mainstream Schools (90037)	1,650,420	1,580,518	-69,902
Maintained Nursery Schools (90010)	938,110	864,656	-73,454
2 Year Old Funding (90018)	756,830	614,313	-142,517
Pupil Premium Grant (27%) and deprivation funding (73%) (90052)	188,380	224,970	36,590
Additional payment re Autumn 2019 - Covid	0	390,384	390,384
<b>Total Delegated Funds</b>	<b>9,957,090</b>	<b>9,949,168</b>	<b>-7,922</b>
<b>Centrally Managed Funds</b>			
Central Expenditure on Children Under 5 (90017)	258,450	258,450	0
Pre School Teacher Counselling (90287)	51,950	45,950	-6,000
SEN Inclusion Fund (90238)	90,000	68,000	-22,000
Disability Access Fund (90053)	23,370	11,685	-11,685
SSRs	66,152	66,152	0
<b>Total Centrally Managed Funds</b>	<b>489,922</b>	<b>450,237</b>	<b>-39,685</b>
<b>TOTAL EXPENDITURE</b>	<b>10,447,012</b>	<b>10,399,405</b>	<b>-47,607</b>
Early Years DSG Block Funding In Year	-9,651,877	-9,930,170	-278,293
<b>IN YEAR OVERSPEND</b>	<b>795,135</b>	<b>469,235</b>	<b>-325,900</b>
Early Years clawback from 2019/20	0	-86,554	-86,554
Early Years DSG Block deficit carried forward	682,380	874,948	192,568
<b>OVERALL NET POSITION</b>	<b>1,477,515</b>	<b>1,257,629</b>	<b>-219,886</b>

## 5. Budget Model for 2021/22

5.1 The Early Years Funding Group have been consulted on reductions to the funding rates to recover the current deficit on the early Years Block. A range of options were presented to the group. It was important to consider that any reductions didn't affect any provider group more so than any others. The option chosen by the group is shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
3 & 4 year olds	3p	4p	6p	7p	8p
quality rate	3p	3p	4p	4p	5p
2 year olds	10p	12p	14p	14p	15p
deprivation	25p	35p	45p	50p	60p

5.2 Based on 2019/20 hours, the deficit could be repaid as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
up to 8p reduction 3 / 4 year olds to £4.32	54,948	73,265	109,897	128,213	146,529	512,852
up to 5p reduction in quality rate to £0.61	31,312	31,312	41,749	41,749	52,186	198,307
up to 15p reduction in 2 year olds to £5.50	13,395	16,074	18,753	18,753	20,093	87,068
up to 60p reduction in deprivation to £1.40	23,547	32,965	42,384	47,094	56,512	202,502
	123,202	153,616	212,783	235,808	275,320	1,000,729

5.3 West Berkshire uses a single base rate for all providers. The rate increased from 1<sup>st</sup> April 2019 to a base rate of £4.40 and a quality supplement of 0.66p per hour. In light of the deficit recovery, these will change to £4.37 and 0.63p respectively.

5.4 The deprivation supplement based upon the current arrangements with the funding being linked to the early year’s pupil premium, increased from 1<sup>st</sup> April 2019 to £1.47, this will change to £1.22

5.5 The hourly rate to providers for 2 year olds increased from 1<sup>st</sup> April 2019 to £5.65. As per the deficit recovery plan, this rate will change to £5.55

5.6 The impact of these rate reductions are necessary but challenging and add to an already difficult financial time for early years providers. The spreadsheet in Appendix A provides details of the financial impact on individual providers. The greatest impact will be felt by those providers who access the full range of rates; quality, deprivation and two year old, on top of the base rate.

5.7 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.

5.8 It should be noted that 2019/20 the single base rate was 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. However this rise has impacted upon the pass-through rate taking it above 100% and has resulted in the overspend position that now needs addressing.

5.9 We have seen a reduction in hours during the 2020/21 financial year due to the Coronavirus pandemic. This has made it difficult to base the 2021/22 budget. Trends of the hours over the last few years have been analysed and used as a basis for the 2021/22 financial year.

Trend of hours over 3 year period

	3 to 4 year old universal hours	3 to 4 year old extended hours	2 year old hours
2018-19	1,337,792	438,429	101,570
2019-20	1,317,068	503,808	133,183
2020-21	1,240,745	494,623	108,786

3 year average hours	1,298,535	478,953	114,513
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5.10 The 2021/22 budget is shown below using the basis shown above:

	2021/22 Budget
	£
<b>Funds Delegated to Early Years Providers</b>	
PVI Providers (90036)	6,251,271
Nursery classes in Mainstream Schools (90037)	1,561,777
Maintained Nursery Schools (90010)	854,516
2 Year Old Funding (90018)	635,547
Pupil Premium Grant (27%) and deprivation funding (73%) (90052)	200,349
<b>Total Delegated Funds</b>	<b>9,503,460</b>
<b>Centrally Managed Funds</b>	
Central Expenditure on Children Under 5 (90017)	270,760
Early Development Intervention Team (EDIT) (90287)	60,190
SEN Inclusion Fund (90238)	90,000
Disability Access Fund (90053)	23,370
SSRs	68,510
<b>Total Centrally Managed Funds</b>	<b>512,830</b>
<b>TOTAL EXPENDITURE</b>	<b>10,016,290</b>
Early Years DSG Block Funding In Year	-10,161,500
Early Years DSG Block Funding carried forward	£1,257,629
<b>OVERALL NET POSITION</b>	<b>1,112,420</b>

## 6. Conclusion

- 6.1 The Early Years Block budget has been set at a level which seeks to realign the pass-through rate and reduce some of the deficit budget.
- 6.2 The deficit will be monitored to ensure the overall position of the block is recovering the current shortfall.