

REVIEW OF ELC FINANCIAL PROJECTIONS**Position to date**

For the first 3 years of the expansion of ELC, revenue expenditure was consistently below the level of grant. This enabled additional capital costs amounting to £2 million to be funded from revenue. In addition to this underspends totalling £0.53m are held in ear-marked reserves – this was following absorption of additional covid costs totalling £0.8m. This historic underspend has turned into a projected overspend. Although there has been growth in service provisions, there are components of the budget which have grown at a greater rate than the growth in service delivered. Components of the budget and movements within them are analysed below. The projections for 2022/23 are based on the projections for 2021/22 so key to understanding the projections for the service must be the movement from 2020/21 to 2021/22.

Note: hours delivered on current information are expected to show a 9% increase. The increase in grant from 2020/21 to 2021/22 is 11.5%. It is therefore reasonable to expect increased cost arising from expansion of the service to be contained within the overall funding envelope.

Partner provider uplift

This was assessed as affordable, with additional costs estimated as £1.2m. On review it seems reasonable that the level of headroom within the budget as described above was sufficient to cover this. As well as the underspends referred to above, there was also anticipated to be a reduction in expenditure specifically relating to the period of expansion: project management, additional HR, other transitional costs.

Current projections are that the increased costs of partner providers are likely to be in the order of £1.4m. The original projection was based on what accountancy staff understood to be the most up-to-date hours delivered but subsequently it was found that the January 2021 intake were not included and so the estimated impact of the uplift was understated. Since then there has been a marked drop of hours delivered by partner providers. It is not known whether there will be a bounce-back effect with the next intake. Current projections of spend are based on current numbers and hourly rates. The contribution of this element to the projected overspend in 2021/22 is £200,000. The full year effect of £380,000 will be seen in 2022/23.

Council settings

An element of growth is expected, as new facilities are opened and hours extended. There was no draft establishment for the Council settings, with staffing following a formula based on the capacity of each site. Staffing costs are forecast to increase by £365,000 compared to 2020/21, with an anticipated full year effect of £750,000.

ELC meals

Uptake of meals from 64,203 in 2020/21 to an anticipated (based on taken to date) 152,244 in 2021/22 which is an increase of 137%. Cost of meals in 2020/21 was £290,000, estimated cost for 2021/22 is £720,000, an increase of £430,000 (includes additional staff) or 148%.

Staff costs will be stepped and not directly pro rata, so estimated costs based on draw down to date are reasonable. However, the significant increase in uptake was not predicted. Estimated costs for 2021/22 were £400,000. The increased uptake contributes £320,000 to the projected overspend. No growth is currently projected for 2022/23.

	June 2019	June 2020	June 2021	2022 projected
Overall number of hours of care provided	127,937	149,610	160,036	174,000
Growth rate		17%	7%	9%
Meals		49,098	64,657	145,000
Growth rate			32%	124%

ASN

There is no allowance for the cost of ASN at early learning settings in the grant funding, however a significant requirement for ASN support has emerged. In 2021/22 this is partly sheltered by use of the ASN budget. Going forward the full anticipated cost impact of £700,000 is allocated to ELC.

Issues going forward

Accountancy report an increase in costs between all year round nurseries and term-time only nurseries which is proportionately higher than the increase in hours. Service to work with accountancy to verify establishments are correct.

Increase in meals uptake is higher than expected but increased costs are not pro rata but at a higher rate. Service to investigate reasons for increased uptake to assist in future planning; accountancy to investigate cost increase with catering service.

ASN requirements – service issue, part of ASN review?

Summary – highlighted items contribute to swing from surplus

	Est Actual	Estimate	Comparison with 2020/21
	2021-22	2022-23	
Council nurseries	5,143,000	5,843,000	Above volume increase – pro rata expected

Central staffing and costs			1,498,000	1,549,000	
Partnership Nurseries			6,880,000	7,260,000	Impact of uplift underestimated
Expansion Costs			270,000	25,000	
Additional ASN hours			330,000	700,000	Not previously allocated to ELC
ELC meals (including addl staffing)			720,000	720,000	Sig higher uptake
Total Costs			14,841,000	16,097,000	
Funding			10,792,000	-10,792,000	
Council			-3,402,000	-3,402,000	
Budget shortfall			647,000	1,903,000	