LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	**SCHOOLS FORUM** **February 2015**	Agenda Item	**5**
Report Title	**Early Years Funding Block – provision for the free education for 2, 3 and 4 year olds for 2015-16 and Feedback from consultation**		
Decision/ Discussion/ Information	For Discussion and Decision		
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Appendices	Appendix A: Indicative Hourly Rates for 2015-16 Appendix B: Predicted budget shares for 2015-16 Appendix C: EYSFF consultation for 2015-16		

1. SUMMARY

1.1 This report sets out the following financial information in relation to the provision of free education for 3-4 year olds:

- Total funding available for allocation to providers in 2015-16.
- Predicted indicative budget shares for providers in 2015-16.
- Proposed method for collecting pupil data and making payments to providers in 2015-16.

2 RECOMMENDATIONS

2.1 That Schools Forum **notes**

2.1.1 The feedback from the consultation

That Schools Forum **agrees**

2.2.2 That the predicted indicative budget shares for 2015-16 as set out in **Appendix A** and section 5 should form the basis of monthly allocations to all early years providers in 2015-16.

2.2.3 The proposed procedure for the collection of data and adjustment to budget shares in 2015-16 as set out in section 6.

2.2.4 To maintain the funding rate for 2 year olds at £6.00 per hour for 2015-16, to be reviewed in 2016-17.

2.2.5 To the funding rates for 3 and 4 year olds as set out in Table 3 for 2015-16.

3. REASON

3.1 The Local Authority is required to consult annually with Schools Forum on arrangements for early years provision.

4. BACKGROUND

4.1 **Table 1** sets out the hourly Early Years Single Funding Formula (EYSFF) rates for 3-4 year olds for 2014-15 as agreed by Cabinet on 11 February 2014, based on recommendations agreed by Schools Forum in January 2014, subject to consultation.

Table 1: 2014-15 Rates per pupil

Factor	
Base Funding	
PVI	£3.90 per hour
Nursery Classes	£3.75 per hour
Nursery Schools	£6.04 per hour
Quality	
No Ofsted judgement or less than good	£0.00 per hour
Ofsted judgement of good – PVI	£0.36 per hour
Ofsted judgement of good - Nursery class	£0.35 per hour
Ofsted judgement of good - Nursery school	£0.56 per hour
Ofsted judgement of outstanding – PVI	£0.54 per hour
Ofsted judgement of outstanding - Nursery classes	£0.52 per hour
Ofsted judgement of outstanding - Nursery School	£0.83 per hour
Deprivation	
Pupil lives in IDACI Band 4	£0.25 per hour
Pupil lives in IDACI Band 5	£0.70 per hour
Pupil lives in IDACI Band 6	£1.00 per hour

4.2 Funding for 2015-16 within the Early Years Block is set out in **Table 2** below:

Table 2: Breakdown of Early Years Funding for 3&4 year olds 2015-16

Source of funding	**£m**
DSG Early Years Block - January 2014 Schools and Early Years Census based on 2,970 fte 3-4 year olds	14.507
Claw back in funding for 2013-14 for 3-4 year olds	0.700
Forecasted underspend / overspend for 3-4 year olds 2014-15	TBA
Early Years Block underspend from 2013-14	1.261
Total	**16.468**

Note *1 The final allocation for 2015-16 will be adjusted by the EFA based upon January 2015 Census data (5/12ths) + January 2016 Census data (7/12ths)

5. Predicted Budget Shares for 2015-16

5.1 The School and Early Years Finance Regulation allow two methods for calculating the total hours of attendance of registered pupils. The method adopted in Waltham Forest in previous years was to use predicted and actual hours of registered attendance for the calendar year enabling final adjustments to be made in February / March. The predicted total hours presented to Schools Forum as a basis for the 2014-15 indicative budgets were based upon actual hours of registered attendance in the calendar year 2013, adjusted for any missing data and for changes in providers. This has not proved to be an effective or accurate method and resulted in significant end of year payment adjustments and clawbacks.

5.2 The method used to predict actual hours of attendance for 2015-16 will be amended.

5.3 We will use the average of actual hours delivered in the Summer 2014 term (April-Aug 2014) to predict actual hours of attendance for Summer 2015

5.4 We will use the average of actual hours delivered in the Autumn 2014 Term (Sept-Dec 2014) to predict actual hours of attendance for Autumn 2015.

5.5 We will use predicted hours for the Spring 2015 Term (Jan-Mar 2015). The predicted hours for the Spring 2015 Term will be based on the average of actual hours delivered in the Autumn 2014 Term (Sept-Dec 2014) + 15 % uplift based on the uplift between October 2013 and Jan 2014 census data.

5.6 The Quality Supplement rate is based the Ofsted inspection grade for each provider taken from the Ofsted site on the date of the January Census (15 January 2015). However, if a subsequent Ofsted inspection results in a change of the Ofsted judgement during 2015-16, the quality supplement payment will be

changed for the term in which the inspection takes place, which will result in a recalculation of the predicted budget share.

5.7 Future Ofsted school inspections will provide a separate inspection grade for the EYFS provision. Where a separate EYFS judgement is available, this, and not the overall school Ofsted outcome, will be used to determine the EYSFF quality payment rate.

5.8 Where a new Ofsted URN has been granted to a provider owing to a change in the legal status (such as a Maintained School converting to an Academy, or a Sole Trader becoming a Limited Company) or another change that does not fundamentally affect the staffing or governance of the provider, then their existing Ofsted grade will be applied up to the point of their next inspection.

5.9 IDACI data is based on October census data for schools, autumn term headcount data for PVIs where it was submitted by the deadline date (as there was no requirement during 2014-15 to complete a census return), or in the absence of either of these datasets, ward average data will be used. Ward averages will also be used for childminders due to the small numbers of children provided a place by them.

5.10 The Local Authority will recalculate IDACI funding using the January 2015 census data when it becomes available. This will result in a recalculation of the predicted budget share/hourly rate.

5.11 The overall hourly rate is a combination of base, quality supplement and deprivation supplement rates. This makes it easy for a provider to calculate income based on actual hours recorded and adjust expenditure where necessary. **Appendix A** sets out the indicative hourly rate for all providers.

5.12 Predicted annual hours will be multiplied by the overall hourly rate for that provider to calculate their indicative budget share.

5.13 Local Authorities are required from 1 April 2015 to pay Early Years Pupil Premium (EYPP) to providers of the free entitlement. Eligible children aged 3 or 4 include those whose parents are in receipt of qualifying benefits for free school meals or who are looked after or who have been adopted from care or who have left care under a special guardianship order. The EYPP will be £0.53 per hour taken up by an eligible child. The EYPP is child specific and will be paid in addition to the EYSFF hourly rate for eligible pupils included in headcount returns. There is a budget allocation of £329k within the EYDSG to fund these payments.

5.14 **Appendix B** sets out the predicted budget shares for all early years providers.

6. Proposed method for collecting pupil data and making payments to providers in 2015-16.

6.1 The Schools and Early Years Finance (England) Regulations 2014 which came into force in January 2015 requires local authorities to take into account in its formula the predicted total number of hours of attendance of pupils or children, using as a basis for the calculation the most recent data available about the actual numbers of pupils or children. When further information about hours of attendance becomes available a local authority must review the budget share and re-determine that budget share or amount allocated, as the case may be.

6.2 When carrying out a review and redetermination the local authority must use for the basis of the calculation the actual hours of such attendance in each of at least three sample weeks or the actual total number of hours of such attendance for the period. The local authority must give notice of the redetermination and the date on which it will be implemented within 28 days of the redetermination.

6.3 In order to meet this requirement in 2015-16, providers' budgets will be reviewed using actual termly headcount data submitted to determine whether the predicted hours in the indicative budget are accurate or require redetermination. Data from the January and October Census will be used to more accurately forecast the number of hours that will be delivered by providers. Data collated during the Census will also be used to prepopulate headcount returns for providers to assist in the accuracy, efficiency and timeliness of headcount returns.

6.4 Currently it is not compulsory for PVI sector organisations in receipt of EYSFF funding to complete an Autumn (October) Census. However in order to improve the accuracy, efficiency and timeliness of forecasting actual take up and headcount submission, the LA's FEEE financial procedures will be amended to include a requirement for all providers in receipt of EYSFF to:

- Complete a January and October Census return
- Confirm in writing at the beginning of each term (April, Sept and January) the actual number of children taking up a place in order to release their monthly budget share payments for that term.

6.5 These proposed changes will have the following positive effects:

- Providers will receive actual monies due to them more quickly and be able to more accurately calculate income / cash-flow.
- The Local Authority will have better information available to monitor spend patterns for individual providers and across all providers as a whole.

7 CONSULTATION

7.1 Schools Forum (14 January 2015) agreed that early years providers should be consulted on whether the existing 2014-15 EYSFF and payment rates for 2,3 & 4 year olds should remain the same for 2015-16.

7.2 The consultation period ran between 19 January 2015 and 5 February 2015. An e-mail was sent to all early years providers (schools, day nurseries, pre-schools and childminders) on 19 January advising them of the consultation and a link to the online survey. Information regarding the survey was also communicated to all registered users on the Borough's education website 'The Hub' on 28 January 2015.

7.3 The consultation asked the following questions:

- The Local Authority recommends that the existing 2014-15 Early Years Single Funding Formula (EYSFF) and funding rates for 3 & 4 year olds remain unchanged for 2015-16. Do you agree?

- Despite the fact the Local Authority receives £5.28 per hour to fund the provision of 2 year old places from the Education Funding Agency (EFA) we propose that the rate paid by the Local Authority to providers remains unchanged for 2015-16 as set out below. Do you agree?

- 2 year old funding £6.00 per hour

7.4 The consultation allowed respondents to provide information on what they thought should be changed if they did not agree with the proposals, as well as an opportunity to provide any other comments should they want to.

7.5 Budget shares for early years providers have been determined based on recommendations made by Schools Forum having taken account of wider consultation with all providers as reported to the last meeting of Schools Forum.

7.6 Full consultation details can be found at **Appendix C**

8. THE CONSULTATION OUTCOME

8.1 There was an average of 42 respondents to all of the consultation questions which represents almost 29% of the 145 providers in receipt of EYSFF in 2014/15.

8.2 There were responses from all sectors and across all governance/management roles.

8.3 87.80% of respondents agreed that the rate payable for provision of 2 year old places should remain at £6.00.

8.4 72.09% of respondents agreed that the rate payable for 3&4 year olds should remain unchanged for 2015-16

8.5 Of the 12 respondents to the question regarding 3&4 year old funding, 11 provided comments with regards to what they believed should be changed. The majority of these comments related to the fact that they did not believe that the funding rates reflected the unit cost of delivering a quality childcare place.

8.6 As these respondents only represent a very small proportion of all providers (11 out of 145), approx 7.6%, we do not believe that this would constitute a need to amend the rates for 2015-16. It may however be useful to consult all providers

again early in the 2015-16 financial year as to whether they would participate in a unit costing exercise during 2015-16 to inform the 2016-17 EYSFF.

8.7 Providers where offered the opportunity to make any additional comments that they would like to make. Of the 15 respondents to this question the majority of these comments related to the fact that they did not believe that the funding rates reflected the unit cost of delivering a quality childcare place. This would be covered by the proposal outlined at 8.6 above.

8.8 Additional comments that did not relate to funding were around SEN, payments for children who join during the year, Snowberry Nursery and Nursery Schools.

8.9 One respondent stated that children with special needs in early years but without a statement should be paid at a higher rate not a flat rate. There is already a process in place to fund children with SEN but without a statement at an increased hourly rate. This is outlined in the FEEE guidance which is uploaded onto the boroughs education website, The Hub.

8.10 One respondent stated that funding should be available when children come into nursery even if they miss the September census. Payments are already made based on actual hours provided, regardless of when the child started.

8.11 Snowberry Nursery is the only day-care provision run by the LA. The base rate for the nursery is currently the same as PVI sector providers. The nursery has to comply with LA pay terms and conditions (e.g. single status, pension costs, salary rate evaluations, maternity/sick pay), they also have to comply with LA procurement rules and do not have the benefit of economies of scale that a maintained primary school would have as a stand-alone 53 place day-care provider. The nursery will not be sustainable during 2014-15 and will operate on a significant deficit budget. In order to address this, the fees at the nursery will be increased significantly in 2015-16 to be in line with other comparable nurseries operating in the borough. This alone will not address the deficit and potentially threatens the future of the nursery. It is proposed that for 2015-16 a new £4.90 base rate is introduced for this LA day-care nursery. This will be reviewed in 2016-17 when the impact of the fee increase, new base rate and other options being explored at the nursery are available.

8.12 A review of maintained nurseries commenced in 2014-15 and will conclude during 2015-16. This has resulted in consultation on the federation of Low Hall and Church Hill Nursery. Further information will be provided in the EYSFF report in 2016-17 when this review has concluded.

9. Proposed rates for 2015-16

9.1 Table 3 shows the proposed rates for 2015/16 taking into account consultation responses:

Table 3: Proposed rates for 2015-16

Factor	
Base Funding	
PVI	£3.90 per hour
Nursery Classes	£3.75 per hour
LA Daycare Nursery (Snowberry)	£4.90 per hour
Nursery Schools	£6.04 per hour
Quality	
No Ofsted judgement or less than good	£0.00 per hour
Ofsted judgement of good – PVI & LA Daycare Nursery	£0.36 per hour
Ofsted judgement of good - Nursery class	£0.35 per hour
Ofsted judgement of good - Nursery school	£0.56 per hour
Ofsted judgement of outstanding – PVI & LA Daycare Nursery	£0.54 per hour
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