

## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>SCHOOLS FORUM</b> <b>12 February 2014</b>	Agenda Item	<b>6</b>
Report Title	<b>Early Years Funding Block – provision for the free education for 3 and 4 year olds</b>		
Decision/ Discussion/ Information	For Discussion and Decision		
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Appendices	Appendix A: Actual outturn budget shares for 2013-14 Appendix B: Predicted budget shares for 2014-15		

### 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 2013-14.
- Predicted and actual outturn budget shares for providers of in 2013-14.
- Total funding available for allocation to providers in 2014-15.
- Predicted budget shares for providers in 2014-15.
- Proposed method for collecting pupil data and making payments to providers in 2014-15.

### 2 RECOMMENDATIONS

2.1 That Schools Forum:

2.2.1 Notes the actual outturn budget shares for 2013-14 and how they differ from predicted budget shares as set out in **Appendix A**.

2.2.2 Notes that there is a current shortfall of funding of **£0.332m** for 2013-14.

2.2.3 Agrees that the predicted budget shares for 2014-15 as set out in **Appendix B** should form the basis of monthly allocations to all early years providers in 2014-15.

2.2.4 Agrees with the proposed procedure for the collection of data and adjustment to budget shares in 2014-15 as set out in paragraphs 4.19 to 4.22.

2.2.5 Notes the predicted shortfall in funding within the Early Years Block in 2014-15 of **£0.592million**.

### 3. REASON

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

### 4. BACKGROUND

Total funding available for allocation to providers in 2013-14

- 4.1 Funding for 2013-14 within the Early Years Block is set out in **Table 1** below:

**Table 1: Breakdown of Early Years Funding for 2013-14**

Provision	£m
EFA Allocation [£4,884.45 x 2,793fte pupils]	13.642
Additional funding from growth of 58 in pupil numbers in Jan 2013 Census	0.284
<b>Revised EFA funding *1</b>	<b>13.926</b>
Less transfer to High Need Block for SEN Top-up fees	-0.446
Less retained funding for EY support services (as agreed by Schools Forum)	-0.908
Less contributions to CRC, CERA and Termination of contracts	-0.048
Plus balance from settlement of 2012-13 final budget shares	0.103
<b>Total</b>	<b>£12.627</b>

Note \*1 The final allocation for 2013-14 will be adjusted by the EFA based upon January 2013 Census data (5/12ths) + January 2014 Census data (7/12ths).

Predicted and Actual Outturn budget shares 2013-14

- 4.2 Schools Forum agreed on 13 February 2013 that the EYSFF for 3-4 year olds for 2013-14 would be as set out in the **Table 2** below:

**Table 2: Early Years Single Funding Formula 2013-14**

Factor:	Hourly rate per pupil
<b>Base Rate</b>	
PVIs	£3.90
nursery classes in schools	£3.75
nursery schools	£5.85
<b>Supplements:</b>	
Quality – Level 1	£0.15
Quality – level 2	£0.30
Quality – level 3	£0.45
Deprivation – Level 1 – IDAC1 0.4 – 0.5	£0.25
Deprivation – level 2 – IDAC1 0.5-0.6	£0.70
Deprivation – level 3 – IDAC1 0.6+	£1.00
Sufficiency Supplement per new place	£200

4.3 At its meeting on 15 January 2014 Schools Forum agreed that:

- The Quality Supplement would consist of three indicators: Quality Assurance Scheme accreditation / participation, Ofsted Inspection Outcomes and Quality of Workforce.
- Childminders would be funded at the same rate as PVIs.

4.4 The School and Early Years Finance Regulations 2012 allow two methods for calculating the total hours of attendance of registered pupils. The method adopted in Waltham Forest is to use predicted and actual hours of registered attendance for the calendar year enabling final adjustments to be made in February / March. For 2013-14, the predicted total hours were based upon actual hours of registered attendance in the calendar year 2012, adjusted for any missing data and for changes in providers.

4.5 The predicted budget shares for 2013-14 are shown in **Table 3** below.

**Table 3: Predicted Budget Shares for 2013-14**

Provider	Total Budgeted Hours	Base Funding	Quality Supplement	Deprivation Supplement	Total
Nursery Schools	163,490	£ 954,780	£68,666	£49,001	£1,072,447
Nursery Classes	1,551,625	£5,818,593	£587,820	£ 343,135	£6,749,548
PVIs	1,010,946	£3,942,691	£171,039	£ 170,171	£4,283,901
<b>Total</b>	<b>2,726,061</b>	<b>£10,716,063</b>	<b>£827,525</b>	<b>£562,308</b>	<b>£12,105,896</b>
<b>Percentage Split</b>		<b>88.5%</b>	<b>6.8%</b>	<b>4.6%</b>	
<b>New Providers &amp; Child minders</b>					<b>£501,528</b>
<b>Total</b>					<b>£12,607,423</b>

4.6 **Appendix A** sets out the actual outturn budget shares based upon the agreed LFF for 2013-14 and actual hours of registered attendance in 2013.

4.7 **Table 4** below gives a direct comparison to the predicted budget shares in Table 3 above. The key features are:

- An overall growth in provision from new PVIs and child minders
- Increased cost of changes made to the Quality Supplement with an overall shift of funding from nursery classes to PVIs
- Increased cost of deprivation funding with the updating of IDACI data
- Base funding falls from **88.3%** to **87.4%**
- An overall increase in cost of **£0.332m**

**Table 4: Actual Outturn Budget Shares for 2013-14**

Provider	Total Budgeted Hours	Base Funding	Quality Supplement	Deprivation Supplement	Total	% Change
Nursery Schools	167,626	£980,612	£75,432	£75,503	£1,131,547	5.2%
Nursery Classes	1,554,915	£5,830,931	£489,953	£402,913	£6,723,797	-0.4%
PVIs	1,073,500	£ 4,186,652	£348,816	£ 192,182	£4,727,650	9.4%
<b>Total Actual (A)</b>	<b>2,796,041</b>	<b>£10,998,195</b>	<b>£914,201</b>	<b>£670,597</b>	<b>£12,582,993</b>	
Percentage Split		87.4%	7.3%	5.3%		
New Providers (B)*					£376,263	
Total( A+B)=C					£12,959,256	
Predicted D	<b>2,726,061</b>	<b>£10,716,063</b>	<b>£827,525</b>	<b>£562,308</b>	<b>12,105,896</b>	
Variance (A-D)	<b>69,981</b>	<b>£282,132</b>	<b>£86,676</b>	<b>£108,290</b>	<b>£477,097</b>	
% Change		2.6%	10.5%	19.3%	3.9%	

\*Note: A sum of £500,000 was held for New Providers (Therefore the underspend on this was £124,000)

4.8 **Appendix A** shows some significant changes for some providers which are primarily driven by changes in hours of registered attendance between 2012 and 2013. Schools show variations from Buxton (+£66k) to Longshaw (-£67k). For PVIs the difference ranges from Walthamstow Montessori School (+£54) to Early Education Centre (Bramley Close) (-£32k).

4.9 However, the School and Early Years Finance Regulations 2012 also require protection to be given to those providers where average funding per pupil between 2012-13 and 2013-14 falls by more than **1.5%** e.g. as per schools through a Minimum Funding Guarantee [MFG]. This means that 9 schools and 4 PVIs receive protection of **£0.066m**.

4.10 Therefore, the total cost of actual outturn budget shares for 2013-14 is **£12.959m**. However, as Table1 shows, there is only budget provision for **£12.627m**, which means that there is a net overspend of **£0.332**. This could be reduced if the Census Data for January 2014 shows a further increase in 3 and 4 year olds over and above the January 2013 data. Any overspend for 2013-14 will either have to be carried forward to 2014-15 and / or offset against increases in DSG funding following the final settlement of the Early Years Block to be advised by the EFA in the summer. This will require Schools Forum approval at a later date.

*Total funding available for allocation to providers in 2014-15*

4.11 Funding for 2014-15 within the Early Years Block is set out in **Table 5** below:

**Table 5: Breakdown of Early Years Funding for 2014-15**

Provision	£m
EFA Allocation [£4,884.45 x 2,851fte pupils] based on January 2013 census data	<b>13.926</b>
Less transfer to High Need Block for SEN Top-up fees	-0.446
Less CRC top slice	-0.014
Less retained funding for EY support services (as agreed by Schools Forum)	-0.908
<b>Total</b>	<b>12.558</b>

Note \*1 The final allocation for 2014-15 will be adjusted by the EFA based upon January 2014 Census data (5/12ths) + January 2015 Census data (7/12ths). This table excludes the 2013-14 overspend of £0.332 million.

#### Predicted Budget Shares for 2014-15

4.12 Predicted budget shares for 2014-15 are based upon the actual hours recorded in the calendar year 2013, adjusted for any changes to providers. These hours are then multiplied by the hourly rate for that provider. The hourly rate is the combined hourly rates for base rate, quality supplement and deprivation supplement. This makes it easy for a provider to calculate income based on actual hours recorded and adjust expenditure where necessary.

4.13 **Table 6** sets out the hourly rates per pupil agreed by Cabinet on 11 February 2014 based on recommendations agreed by Schools Forum in January 2014.

**Table 6: 2014-15 Rates per pupil**

Factor	Private, Voluntary and Independent Providers and Child Minders		Nursery Classes in Maintained Schools and Academy		Maintained Nursery Schools		% of Total Funding
<b>Base Rate AWPU</b>	<b>£3.75</b>		<b>£3.90</b>		<b>£6.04</b>		<b>88%</b>
<b>Quality Supplement*</b>							<b>7%</b>
No OFSTED Judgement, or OFSTED judgement less than Good	£0.00	NQ	£0.00	NQ	£0.00	NQ	
OFSTED Judgement is Good (10% of AWPU)	£0.375	M3	£0.390	M2	£0.604	M1	
OFSTED Judgement is Outstanding (15% of AWPU)	£0.563	H3	£0.585	H2	£0.906	H1	
<b>Deprivation Supplement</b>							<b>5%</b>
Level 1: (IDACI 0.4-0.5)	£0.25		£0.25		£0.25		
Level 2: (IDACI 0.5-0.6)	£0.70		£0.70		£0.70		
Level 3: (IDACI more than 0.6)	£1.00		£1.00		£1.00		
Additional One-Off Funding per new place created	£200		£200		£200		

\* Quality Supplement has been scaled back by approximately 8% to fit the cap of 7%

- 4.14 For 2014-15, the change in the hourly base rate for Maintained Nursery Schools from **£5.85p** to **£6.04p** and the limitation of the Quality factor to Ofsted Judgement only, results in slightly different funding allocations for providers than that for 2013-14 even though the total hours on which the funding are based remain the same.
- 4.15 **Appendix B** sets out the predicted budget shares for all early years providers. Any protection through the MFG if funding falls by more than **1.5%** per pupil will only be calculated when actual hours are known in February 2015. A summary of the information is set out in **Table 7** below

**Table 7: Predicted Budget Shares 2014-15**

Provider	Total Budgeted Hours	Base Funding	Quality Supplement	Deprivation Supplement	Total
Nursery Schools	167,626	£1,012,461	£122,442	£75,503	£1,210,405
Nursery Classes	1,554,915	£5,836,744	£441,154	£408,139	£6,746,037
PVIs / Child-minders	1,197,606	£4,602,219	£382,613	£208,885	£5,193,717
<b>Total</b>	<b>2,920,147</b>	<b>£11,511,424</b>	<b>£946,208</b>	<b>£692,527</b>	<b>£13,150,159</b>
<b>Percentage Split</b>		<b>88%</b>	<b>7%</b>	<b>5%</b>	
<b>Actual Outturn (2013-14)</b>	<b>2,796,041</b>	<b>£10,998,195</b>	<b>£914,201</b>	<b>£670,597</b>	<b>£12,582,993</b>
<b>Variance</b>	<b>124,106</b>	<b>£513,229</b>	<b>£32,007</b>	<b>£21,930</b>	<b>£567,166</b>
<b>% Change Actual 2013-14 &amp; Predicted 2014-15 budgets</b>		<b>4.7%</b>	<b>3.5%</b>	<b>3.3%</b>	<b>4.5%</b>

- 4.16 On the basis of the predicted budget shares, there is a forecasted shortfall of funding in the region of **£0.592million**.

*Proposed method for collecting pupil data and making payments to providers in 2014-15.*

- 4.17 For 2013-14, pupil data has been collected on a termly basis. Funding has been allocated on a pro rata monthly basis. It has been based on dividing the predicted budget share by twelve to produce equal monthly payments. Final adjustments between what has been paid to providers and what they should receive based on actual registered attendance are not being made until February / March 2014. In-year new providers' monthly payments have been based on individual estimates.
- 4.18 Whilst this gives certainty to providers on what they receive each month, there are two significant disadvantages:
- (a) Numbers tend to be higher in the spring and summer terms and lower in the autumn term meaning that for most providers there is a lag in funding.
  - (b) Leaving adjustments to February / March each year (except where new providers start / there is significant expansion in provision) means that for

some providers this can mean significant increases in funding. In some cases where numbers have fallen there can be a significant sum of money to repay.

4.19 Therefore for 2014-15 it is proposed that:

- Monthly payments will be based on the predicted number of hours in each term multiplied by the hourly rate divided by the number of months in the term. For example, in the spring term 2014 Provider A has 24,000 predicted hours and an hourly rate of £5. This would mean that payments due amount to £120,000 (24,000 x £5). Therefore the monthly payment for the spring term would be £40,000 for January, February and March (£120,000/3).
- At the end of each term, there will be an adjustment for the difference in predicted and actual hours of registered attendance. For example, the actual number of hours of registered attendance at Provider A in the spring term 2014 was 26,000 which means they should have received £130,000 (26,000 x £5 per hour). Therefore an additional payment of £10,000 will be made to Provider A as soon as possible after adjustments are calculated.

4.20 The Quality Supplement rate is based on the most up-to date information available. However, if an Ofsted inspection results in a change of the Ofsted judgement during 2014, 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.

4.21 The Ofsted inspection grade for the Quality Supplement was taken from the Ofsted site as at 5 February 2014. In the instance of providers where a new Ofsted URN has been granted 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.

4.22 IDACI data is based on pupil data for January 2013 census data which is the most up to date information currently available, even though many of the pupils will have left by January 2014. Therefore, the Local Authority will recalculate IDACI funding using the January 2014 census data when it becomes available. Again this will result in a recalculation of the predicted budget share.

4.23 This will have the following positive effects:

- Providers will receive actual monies due to them more quickly.
- The Local Authority will have better information available to monitor spend patterns for individual providers and across all providers as a whole.

## **5 CONSULTATION**

5.1 Budget shares for early years providers have been determined based on recommendations made by Schools Forum having taken account of views expressed by the Early Years Task and Finish Group and wider consultation with all providers as reported to the last meeting of Schools Forum.