

Schools Forum 16th January 2013

Early Years Block and free education provision for 2, 3, and 4 year olds

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Introduction:

The last report to Schools Forum on Early Years in December 2012 gave details of the size of the Early Years Block, feedback from the consultation on a revised local funding formula for 2, 3 and 4 year olds (EYSFF) and the funding for 2 year olds from April 2013.

Decisions were taken on the EYSFF for 3 and 4 year olds, but the decision on 2 year olds was deferred pending further work on a sustainable rate per hour for 2 year olds as the level of funding allocated to Waltham Forest at £5.28p an hour was unexpectedly well below the current rate of £6.00 per hour paid to settings.

Another report to this meeting on the final DSG and the values of the three funding blocks confirms that the size of the Early Years Block for 2013/14 will be as set out below:

Table 1: adjustments to the Early Years Block for 2013/14

Funding source	£m
DSG Baseline	13.642
Minus transfer of SEN funding to High Needs Block	-0.446
Plus free education for two year olds from low income families	3.987
New Total	17.183

The provision being made available is set out in the next table:

Table2: breakdown in provision for early years in 2013/14

Provision	£m	%
For delegation to settings for free education to 3 and 4 year olds	12.066	70.2%
For delegation to settings for free education to 2 year olds	3.987	23.2%
Central support services for early years	0.959	5.6%
Early Years Block contribution to central retained funding	0.171	1.0%
Total	17.183	

Funding for free education for 3 and 4 year olds:

The Local Authority will start processing the autumn term 2012 pupil count returns from settings during the week starting 14th January 2013. The processed data from the spring, summer and autumn terms 2012 will then be used to:

- (a) **Adjust funding for the 2012/13 financial year** which was originally based on the pupil count data for the 2011 calendar year. Early analysis of numbers suggests that the numbers of three and four year olds receiving free education has risen by about 4 – 5%. This equates to about **£0.500m** in additional payments to be made. The Local Authority has **£0.400m** in a contingency fund to meet these costs and a further

£0.231m for early years underspend in 2011/12 to contribute to growth in the January – March 2012 headcount. Thus there should be sufficient funding to meet all adjustments and any underspend will be rolled forward to 2013/14.

Data is not complete yet for actual attendance over the whole calendar year 2012, however data from the three census points in 2011 and 2012 show an increase of about 2.4% in the number of 3 and 4 year olds on roll in nursery and primary schools. This slightly underestimates free education provision since some 3 year olds are admitted after the census count.

Table 3: Comparison between 2011 and 2012 rolls in maintained settings

Census date	2YO	3YO	4YO	Total	Census Date	2YO	3YO	4YO	Total	Diff 2012-2011	% diff
Jan-11	562	2575	12	3149	Jan-12	511	2711	13	3235	86	2.7%
May-11	699	2408	4	3310	May-12	711	2691	4	3406	96	2.9%
Oct-11	156	2620	35	2811	Oct-12	241	2580	27	2848	37	1.3%
Total	1417	7603	51	9270		1463	7982	44	9489	219	2.4%

- (b) **Set budgets for schools and PVIs for 2013/14.** This will be based upon the new funding formula presented to Schools Forum in December 2012 and due to be confirmed by Cabinet on 9th February 2013. Details will be presented to Schools Forum at its next meeting on 13th February 2013. As stated at the last meeting, any setting which has not submitted its autumn return by the 18th January 2013 will only be funded on the spring and summer pupil count data in the period April – August 2013 even if data is provided before 1st April 2013. This is a very strong incentive to make a timely return.

The Local Authority cannot make payments to settings (including any school) which has failed to provide firm and demonstrable evidence of provision being made. It makes it very difficult for the Local Authority to strategically plan provision and ensure it has sufficient funding to meet that provision. It is also unfair on other settings that consistently provide accurate and timely returns. Late submission will mean that full funding will not be restored until the start of the next term in September 2013. It could also result in the Local Authority stopping all payments during the spring term until accurate data is submitted.

Ultimately, funding for the Early Years Block will be adjusted for the actual number of 3 and 4 years olds registered in schools and PVI setting at the two census counts of January 2013 and January 2014 on a weighting of 5/12s and 7/12ths. We will therefore have some preliminary information on the January 2013 census count by the time we set budget shares for 2013/14. On the basis of the data available at present, the Local Authority should see a rise in its funding allocation based on the January 2013 Census return.

Funding for free education for 2 year olds:

It was explained at the last meeting that the payment of the current rate of **£6.00** per hour for 2 year olds was unsustainable in the medium to long term, even though this was the rate that many local authorities in London were currently paying to settings. This is because the grant being paid to Waltham Forest is at the rate of **£5.28p** per hour. The grant enables us to fund the 951 statutory places from September 2012 and start to make the transition to a higher number of places (some statutory and some non-statutory) in the period September 2013 to March 2014. There is no claw back if we fail to meet statutory numbers by September. However, the DfE will seek an explanation of why the Local Authority has not delivered on a key Government target.

The national target is a doubling of provision from September 2014 and it is expected that the grant for 2014/15 will therefore rise further. Again, the current information suggests that there will be no claw back if new statutory targets for September 2014 are not achieved.

However, the guidance suggests that for the financial year 2015/16 funding for 2 year olds will be based upon actual participation levels – presumably based upon actual numbers in the January 2014 and 2015 Early Years Census Returns. By this point in time, the Local Authority will need to bring the hourly rate in line with the rate at which it is being funded by the DfE or subsidise funding for 2 year olds from elsewhere within the DSG.

The Local Authority has informally spoken with some current providers and some providers due to make provision in the near future. What they say is that business decisions taken to provide free education for 2 year olds was based on an hourly rate of **£6.00 per hour** and that notwithstanding the allocation of **£200 per pupil** sustainability grant, actual costs of recruiting and training staff, maintaining the minimum ratios for pupils: adults, purchasing resources and making minor adaptations to facilities mean that costs are higher in the short run.

The Local Authority therefore believes that to lower the hourly rate at this stage may hinder its ability to achieve the statutory target of 951 for September 2013 and the probable target of 1900 for September 2014. Although the national targets are 20% of all pupils by September 2013 and 40% by September 2014, because of the high deprivation in Waltham Forest, our statutory target for September 2013 is close to 25% of all our 2 year olds and probably rising to 50% by September 2014.

Currently, only about 300 two year olds are receiving free education and raising this number to 951 by September 2013 will represent a real challenge as settings are faced with still rising 3 and 4 year old cohorts and lack of usable accommodation even with a capital grant of **£0.940m**.

Therefore, in the short-run, the Local Authority can stay within the total funding available in 2013/14 through achieving the statutory target of 951 in September 2013 and increasing provision to 1300 by April 2014. This is because the statutory funding would allow 951 to be funded from April 2013 whereas at the moment it is unlikely that more than 800 places will

be on offer. The additional transitional funding would enable the Local Authority to achieve some 1400 places by April 2014, whereas the Local Authority is expecting to have raised the participation rate to 1250 by that date. The forecast is that the Local Authority is likely to pay out **£3.631m** of the **£3.987m** in 2013/14 leaving an underspend of **£0.356m** to be carried forward to 2014/15.

The Local Authority is forecasting that it will receive a grant of approximately **£5.470m** in 2014/15. It is proposed to reduce the hourly rate to **£5.75 per hour** from April 2014. New settings will continue to receive the sustainability grant of **£200 per pupil**, however much of the growth is likely to come from existing settings expanding numbers and gaining some economies in costs per pupil, enabling the hourly rate to fall. At £5.75 per hour, the Local Authority would be able to expand provision incrementally through the year to approximately 1700 two year olds and have an underspend at the end of the year of about **£0.140m**

However, 1700 two year olds will only generate funding of approximately **£5.166m** if funding switches to a participation approach in 2015/16; but at £5.75 per hour it would cost the Local Authority **£5.571m** – a shortfall of some **£0.405m**. This could be offset by:

- The carry forward of any underspends in 2014/15.
- London Boroughs successfully negotiating a higher rate for London to reflect local cost of living.
- Cross subsidising provision for two year olds from other parts of DSG e.g. rate for free education for three and four year olds averages about £4.25 per hour (with an adults: pupil: adult maximum ratio of 1:13 (although usually operates at about 1:10) compared with the current £6.00 per hour for two year olds where the maximum adult: pupil ratio is 1:4. The government is considering relaxing this ratio as part of the drive to reduce child care costs.

Therefore, the Local Authority is proposing to maintain the hourly rate at £6.00 per hour for the 2013/14 financial year and reduce it to £5.75 for 2014/15 whilst at the same time expanding provision from 300 in 2011/12 to 1250 in 2013/14 and 1700 in 2014/15.

Action by Schools Forum:

1. To note the proposed funding arrangements for free education for three and four year olds for 2013/14.
2. To discuss the proposed funding arrangements for free education for two year olds and agree what advice it may wish to make to Cabinet when it meets on 12th February 2013 to confirm arrangements for the funding and expansion of provision to meet government statutory targets.

Note that all members of the Schools Form can vote on this issue should it come to a vote.