

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

DATE:	5th March 2013	AGENDA ITEM:	06
TITLE:	EARLY YEARS SINGLE FUNDING FORMULA 2013-14 AND FUNDING DELIVERY OF FREE ENTITLEMENT TO TWO YEAR OLDS		
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1 SUMMARY AND PURPOSE

- 1.1 At its last meeting in January, School Forum members discussed proposals for the allocation of the 2013-14 Schools Budget and agreed to receive a further report in March setting out RBWM’s proposals for a 2 year old hourly rate of funding. This paper informs and seeks Schools Forum Members’ agreement to RBWM’s proposals for the hourly rate to be paid to providers of Free Early Education provision for entitled two year olds from 1st April 2013 and the proposed rates for the Early Years Single Funding formula for 3 and 4 year olds. It focuses specifically on the financial implications of setting a sustainable hourly rate. The wider service strategic issues associated with developing two year old provision in the Borough are not covered in this paper.

2 RECOMMENDATIONS

- 2.1 Schools Forum is requested to agree

- an hourly rate in 2013-14 of £5.32 for Two year Olds
- to receive regular monitoring reports on take up of the 2 Year Olds free entitlement and expenditure against budget, and proposals for allocating any further funding to providers during the course of the year.
- to ensure that any underspend against the agreed budget for provision of the free entitlement for 2 year olds is ringfenced for 2 year old providers.
- the rates shown at Annex B of this report for the Early Years Single Funding Formula for 3 & 4 year olds
- to allocate funding for former Standards Fund grants to Nursery schools as a £48,075 lump sum in line with national funding requirements.

3 Background to Two year Old Early Years Free Entitlement

- 3.1 At the last meeting of Schools Forum on 28th January 2013 members were presented with a detailed budget report setting out the LA’s proposals for 2013/14 relating to centrally retained, early years, mainstream and pre 16 high needs funding. These proposals had been formulated to meet the requirements of the new DfE School funding arrangements. Members agreed to set a range of centrally held budgets including budgets for Early Years and in particular a budget for the new Local Authority’s statutory duty to secure free early education for disadvantaged 2 year olds from September 2013.
- 3.2 Free early education will become a statutory entitlement for eligible two year olds from 1st September 2013, with the LA having a duty to secure provision of up to 570 hours of free childcare per annum (15 hours per day). Since September 2009 RBWM has

been a pilot authority offering free early education and childcare to disadvantaged 2 year olds. In 2012-13 RBWM allocated a budget of £305K from its Early Intervention Grant allocation to fund childcare providers to deliver the free childcare offer¹. From April 2013, funding for provision of the free entitlement for two years olds will be provided through the Dedicated Schools Grant, and Schools Finance Regulations have been amended to enable this.

- 3.3 From September 2013 20% (150,000) nationally of 2 year olds are expected to receive free early education (phase1). This will be extended from September 2014 to 40% (around 260,000) of 2YOs (Phase 2).
- 3.4 From September 2013 the duty to secure free early education for 2 year olds relates to
 - 1. Looked after children
 - 2. Children who meet the FSM criteria.

The DfE is still considering the wider criteria for September 2014 and LAs have discretion to fund children who meet local criteria e.g. children with a special educational need or children referred by a professional e.g. a health visitor or social worker working with the family. RBWM already uses these wider criteria and proposes to continue to do so in order to fully utilise the available funding and support as many eligible children as possible.

- 3.5 At present 90 eligible 2 year olds receive free childcare in approved childcare providers across the Borough with applications coming in almost daily. Eligible children are those which are Looked After and those who meet free school meals eligibility criteria e.g. from families whose income is below £16,190 and their parents are in receipt of one of a range of benefits. DfE estimate that approximately 130,000 children (20% of the total in England) are eligible and funding for RBWM in 2013/14 is based on an estimate of 203 eligible children.
- 3.6 On 27th November 2012 DfE released funding allocations for the 2013/14 financial year which were ratified at the January Schools Forum meeting.

Table 1 – DSG 2013-14 allocation to RBWM for disadvantaged 2 year olds	
Notional amount for statutory places - to fund statutory places for up to 20% of the Boroughs 2 year olds beginning with the most disadvantaged children	£634,635
Notional amount for trajectory building – to create and fund an increase in places in preparation for the September 2014 increased entitlement to 40% of two year olds.	£249,140
Total Two Year Old Funding 2013/14	£883,775

- 3.7 The government’s strong recommendation is that this funding should be allocated to early years. However, despite this they have also been clear that funding transferred into DSG for two year olds is not ringfenced and that LAs are free to take expenditure decisions in consultation with their Schools Forum about the strategic deployment of DSG across any budget headings allowed within the Schools Finance Regulations and DSG terms and conditions of grant.
- 3.8 The following table identifies how January Schools Forum agreed to deploy the increase in the DSG relating to the Early Years entitlement for 2 year olds.

¹ Funding for two year olds was previously allocated through Surestart Grant which in 2011-12 was rolled into the un-ringfenced Early Intervention Grant

Table 2: Allocation of the Increase in DSG arising for the implementation of the Free Entitlement for 2 Year olds		
Existing budget for direct provision of 2 year old free entitlement	£270,000	
Extension of the 2 year old free entitlement	£346,380	
Total available to fund 2 year old free entitlement		£616,380
Staff Budgets in support of cross borough Early Years provision		£80,000
Funding used to support other expenditure commitments within the DSG		£187,395
Total		£883,775

3.9 Members of Forum will recall that the overall increase in funding was not fully deployed in support of Two Year Old Early Years entitlement. This is because officers consider that the numbers of pupils taking up of the new free 2 year old entitlement will be less than is provided for in the Borough's DSG settlement.

4 Two Year Old Free Entitlement Rates

4.1 Nationally the DfE state that they have allocated funding to LAs at an average rate of £5.09 per hour and that this compares favourably to the Day care Trust Cost Survey 2012 which shows average hourly child care fees in England are £4.13 per hour for under two's and £3.95 per hour for children aged two and over.

4.2 The actual calculation of the hourly rate received by RBWM is shown in the following table and suggests that the 2013-14 allocation of statutory place funding of £635k (see table 1) is based on a funded rate of £5.485 per hour.

Table 3 – Calculation of the amount of increased DSG for 2 year olds	2013/14
Funded 2 year olds (DFE estimate for RBWM)	203
Multiplied by 570 hour per annum per Full Time place	115,710
Multiplied by £5.4847 (the Area Cost Adjusted rate for RBWM)	£634,635

4.3 Members of Forum will note that the funded rate is significantly in excess of the £5.09 national average funded rate. This is because rates have been adjusted to take account of the local area and prevailing pay costs (Area Cost Adjustment – ACA)

4.4 The current hourly rate paid to RBWM providers of the 2 year old free entitlement is £5.00. The rate for 3& 4 year olds is £4.11.

4.5 The level of funding approved by January Schools Forum (shown in table 2 above) and available to fund the new statutory free entitlement (£616,380) implies an hourly rate of £5.32 based on full take-up of 203 pupils. ($£616,380 / 570 \text{ hours} / 203 \text{ pupils}$)

4.6 Rates charged by PVI settings in RBWM vary from £4.20 to £7.30 per hour (average £5.47) and childminders charge from £5.00 to £9.00 (average £5.32). Our neighbouring LAs propose to fund 2 YOs at rates ranging from £5 to £5.26 with the exception of Bucks which has a rate of £5.15-£5.60 see Annex A of this report.

4.7 The DfE has confirmed that as soon as it has sufficient information on the take up of the 2 year old offer it will move from a formulaic allocation of funding to funding on the actual numbers (participation funding). Officers (along with other Local Authority colleagues) are concerned that, whilst there is sufficient funding in the 2013/14 DSG increase to fund an hourly rate well above the £5.09 national average rate, this level of funding would not be sustainable in the longer term if a move to participation based funding was accompanied by a move to the national average rate of funding.

- 4.8 Officers have undertaken some preliminary work on a formulaic model to identify what the actual cost of provision required by 2 year olds would be per hour. This work has been based on the RBWM 3 & 4 year old model. The outcome of this model was a rate that would have been unsustainable both in short and long term and was significantly in excess of our neighbouring Local Authorities proposals. Further work will be undertaken to gain a better understanding of the delivery costs of existing providers in order to identify a sustainable business model and refine the formula.

5 Proposal for Two Year Old Free Entitlement rate

- 5.1 Whilst this report demonstrates that sufficient funding has been passed into RBWM DSG to afford to pay providers at a rate of £5.48, the funding envelope agreed by Schools Forum supports an hourly rate of £5.32. Officers are therefore recommending that RBWM sets a rate of £5.32 per hour and consider that this rate is comparable with our Local Authority neighbours and is not too dissimilar to the average rates charged by PVI's. Officers also recognise, however, the need to set a rate that is not only sustainable in the longer term but is also sufficiently high to attract providers into the market and grow capacity.
- 5.2 The £5.32 rate will fund 203 pupils for 570 hours for the full year at total cost of £616k.
- 5.3 Officers will monitor the take up of the 2 year old free entitlement offer during 2013/14 against that budgeted and the consequent expenditure against the allocated £616k and will report on this as part of the routine Schools Forum monitoring reports.
- 5.4 It is further proposed that any underspend identified against this budget in 2013/14 be ringfenced for allocation to 2 year old providers, either during 2013/14 or by way of a supplement to the rate in future years. This will ensure that the full amount of funding agreed by Schools Forum for direct provision of the free entitlement for two year olds will continue to be spent on two year olds if take-up is less than the 203 children estimated by the DfE for 2013-14.

6 Proposal - Early Years Single Funding formula for 3 & 4 Year Olds

- 6.1 Schools Forum is also asked to approve rates for the existing Early Years Single Funding Formula for 3 and 4 Year Olds. This formula funds Maintained Nursery Classes, Nursery Schools and Private, Voluntary and Impendent providers of Nursery Education and Child Minders. The Government has made no significant changes to the funding arrangements for three and four year olds, unlike those for statutory aged pupils, and RBWM is not proposing any significant changes to the operation of its Early Years Single Funding Formula.
- 6.2 It is proposed therefore to keep the rates at 2012/13 levels in light of the Flat Cash DSG settlement. The rates are shown at Annex B of this report.
- 6.3 The one change that is required affects RBWM's three maintained nursery schools. In 2012/13 Nursery schools received £144,229 of Standards Fund Grant. Under the national funding changes this will in future need to be allocated as a lump sum of £48,075 to these providers.
- 6.4 Finally, Schools Forum Members will recall approving the following budgets at their meeting in January 2013.

Funding for 3 and 4 Year Olds	
Maintained Nursery Schools	£980,522
Nursery Classes in Maintained Schools	£1,257,964
Private, Voluntary and Independent providers of Nursery Education	£4,162,661
Subtotal Free Education for 3 & 4 year olds	£6,401,147

HOURLY RATES FOR PROVISION OF FREE ENTITLEMENT TO TWO YEAR OLDS**Rates proposed by neighbouring LAs :**

	Proposed hourly rate	DfE funding rate
Bracknell	£5.15	£5.49
Bucks	£5.15 + deprivation supplement max 34p	£5.32
Wokingham	£5.00	£5.35
Reading	£5.00	£5.36
West Berks	£5.26	£5.36
Hampshire	£5.12	£5.07
RBWM	£5.32	£5.48

HOURLY RATES charged by PVIs

Edith Rose Day Nursery	£4.76 - £6.36
Cookham Montessori	£5.00
Kiddies Cabin Day Nursery	£5.00-£5.25
Little Red Hen Day Nursery	£5.70
Little Monkeys Day Nursery	£7.30
Littlewick Green	£5.60
Mulberry Day Nursery	£6.63-£6.90
Munchkins Pre School	£4.20
Patchwork	£4.50
Positive Steps	£5.90
Rainbow Pre School	£4.66
Sunningdale Pre-school	£4.75
Sunninghill Play Centre	£6.00
AVERAGE	£5.47

Childminders

Range	£5.00 - £9.00
AVERAGE (excluding Outliers)	£5.32

Other LAs

Reading	£3.17 - £7.50 (average £4.50)
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3 and 4 Year Old Early years Single Funding Formula Rates 2013/14	
Base rates	
Nursery classes and independents	£3.7824
Private & Voluntary	£3.8582
Child Minder	£3.8582
Maintained nursery schools	£4.9023
Deprivation (7.5%)	
High	£0.2865
Medium	£0.1920
Low	£0.0946
None	£0.00
Qualifications 1 (3.75%)	
High	£0.1433
Medium	£0.0860
Low	£0.0573
Qualifications 2 (3.75%)	
High	£0.1433
Medium	£0.0860
Low	£0.0573
None	£0.00