
Dudley Schools Forum – 25th February 2014

Report of the Interim Director of Children's Services

Early Years Funding for Two, Three and Four Year Olds

Purpose of Report

1. To consult with Schools Forum in respect of the Early Years Single Funding Formula (EYSFF) and hourly rates of funding for 2014/15.

Discussed at HTCF – BWG

2. Yes – 14 February 2014.

Schools Forum Role and Responsibilities

3. From 1 April 2006, the Schools Budget has been funded by a direct Department for Education (DfE) grant: the Dedicated School Grant (DSG).
4. The Schools Forums (England) Regulations 2012 state that the local authority must consult the Schools Forum annually in connection with various schools budget functions, namely:
 - amendments to the school funding formula, for which the voting is restricted by the exclusion of non-schools members except for PVI representatives.
5. Regulation 8 (10) prescribe that Non-schools members, other than those who represent early years providers, must not vote on matters relating to the formulae to be used by the local authority to determine the amounts to be allocated to schools and early years providers in accordance with regulations made under sections 47 and 47a of the Act.

Actions for Schools Forum

6. To provide the Interim Director of Children's Services with a view regarding the recommended hourly rates payable in relation to the Early Years Single Funding Formula (EYSFF) for two year olds for the 2014/15 financial year.
7. To provide the Interim Director of Children's Services with a view as to the recommended hourly rates payable in relation to the Early Years Single Funding Formula (EYSFF) for three and four year olds for the 2014/15 financial year.

8. Attachments to Report

None.

Sue Coates
Senior Principal Accountant
8 February 2014

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Early Years Single Funding Formula for Two, Three, and Four Year Olds

Purpose of Report

1. To consult with Schools Forum in respect of the Early Years Single Funding Formula (EYSFF) and hourly rates of funding for 2014/15.

Background

Funding for Two Year Olds

2. With effect from April 2013 funding for free targeted early education for two year olds was transferred from Early Intervention Grant funding to the Dedicated Schools Grant (DSG), within the Early Years Block.
3. For Dudley, this funding was intended for statutory provision for 732 places (20% of two year olds) within the Borough.
4. At the Schools Forum meeting on 12 February 2013, following a full consultation with schools, a recommendation was made to the Director of Children's Services that funding for free targeted early education for two year olds be set at an hourly rate of £4.50 and that the remaining £0.39 per hour received from the DfE be retained centrally to provide additional support to these children through family support workers.
5. In December 2013 funding was confirmed for 932 places from April 2014 to August 2014 increasing to 1,754 places (approximately 40% of two year olds) from September 2014 to March 2015; with Dudley's funding increase from £2.041m to £4.143m in 2014/15.
6. It is proposed that for 2014/15, funding for free targeted early education for two year olds continues at an hourly rate of £4.50 and that the remaining £0.39 per hour received continues to be retained centrally to provide additional support through family support workers.
7. The family support work provided alongside access to childcare places has made significant impact on the outcomes for those children and families participating to date, and has made the difference between sustained engagement and continuity for the families of these most vulnerable 2 year olds.

8. This will increase the funding available for family support workers, who will continue to work through the children's centre clusters, from £165,000 to £330,000 for 2014/15. Members should note that it is a DfE requirement for Schools Forum to approve all centrally retained budgets allocated from the Dedicated Schools Grant and these requirements are set out in the DSG 2014/15 Budget Planning report, which is an agenda item for this meeting.

Funding for Three and Four Year Olds.

9. The EYSFF for three and four year olds was introduced in Dudley in April 2010. The EYSFF consists of three factors as detailed in Table 1 below:

Table 1 – Dudley Three and Four Year Olds Hourly Funding

Type of Provider	Hourly Rate £/Hour	Deprivation supplement £/Hour	Lump Sum £
Maintained Nursery School	£8.02	£0.10	£50,000
Maintained Nursery Class	£3.48	£0.10	N/A
Private or Voluntary	£3.43	£0.10	NA
Childminder	£3.57	£0.10	N/A

10. In December 2012 to January 2013 a consultation was carried out with all providers of the free entitlement to ascertain the average hourly rate charged for a 2 year old place, at the same time providers were asked to inform the childcare strategy team of their average hourly rate for a 3 year old place, which is usually less as the mandatory child : adult ratio is much lower. This informed the early years child care team that the average hourly rate for a 2 year old at that time was around £4.00 per hour and the average hourly rate for a 3 year old was around £3.75.
11. It is worth noting that Dudley's EYSFF hourly rate of £3.43 for Day nurseries and pre-schools; £3.57 for Childminders and £3.48 for maintained nursery classes, has remained unchanged since it was set after this consultation to develop the Early Years Single Funding Formula (EYSFF) in April 2010, of which Dudley MBC was an early adopter. This is mainly due to the fact that the DfE early years element of the Dedicated Schools Grant (DSG) funding for Dudley has not been inflated either.

12. However, since the rate was set many providers have expressed concerns about the rate remaining unchanged and have advised that some are now losing income on these places as their own hourly rate is higher and that if the rate remains unchanged they would need to reconsider offering Early Education Funded (EEF) places.
13. The latest benchmarking data available in respect of the hourly rates payable nationally is 2012/13, with 2013/14 due to be issued soon. However, in reviewing this data nationally, a rate of £3.75 per hour is approximately the national average for the PVI sector and nursery classes. It is estimated that to increase Dudley's rate to £3.75 (increase of 32 pence per hour) will require funding of £1million from Dudley's Dedicated Schools Grant, which is not available without significantly reducing expenditure in other areas and at short notice.
14. It is proposed to increase the hourly rate by 7 pence per hour for all providers of maintained nursery classes and the PVI sector, which is in line with a 2% inflationary increase for 2014/15. It is estimated that this would cost an additional £250,000 and can just about be afforded by a transfer from the High Needs block. This action will reduce the high needs block contingency funding for in year placements of special educational needs.
15. As regards Dudley's only maintained nursery school at Netherton Park, it is not proposed to increase the hourly rate for this provision at this stage as regional and statistical benchmarking data indicate that the current hourly rate paid of £8.02 is in line with or greater than those paid by other local authorities.
16. It is proposed that a further review is undertaken in respect of the three and four year old hourly rates for 2015/16, using the DfE benchmarking data once this is available. A further report will be presented to Schools Forum at that time.

Finance

17. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2013 which are effective from 1 January 2014 and relate to the 2014/15 financial year.
18. Schools Forums are regulated by the regulated by the Schools Forums (England) Regulations 2012.
19. From 1st April 2006, the Schools Budget has been funded by a direct grant; Dedicated School Grant (DSG).

Law

20. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

21. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

22. Schools Forum members entitled to vote, as outlined in paragraph 4 (Schools Forum Roles and Responsibilities) are invited to give a view in respect of the following:

- i) Early Years Single Funding Formula hourly rate for disadvantaged two year olds for 2014/15, as outlined in paragraph 6.
- ii) Early Years Single Funding Formula hourly rates for 2014/15 for three and four year olds, as outlined in paragraph 14.



Pauline Sharratt
Interim Director of Children's Services

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