

SCHOOLS FORUM – 9th December 2014**Early Years Hourly Rates 2015-16****1. PURPOSE**

At the Schools Forum meeting of the 25th June 2014 a request was made that officers review the early years hourly rates and ascertain whether there is scope to increase some or all of these. The purpose of this report is to advise the Schools Forum of progress to date.

2. BACKGROUND

Early years hourly funding rates have not been increased for 3 years now and this fact together with the 2013-14 Early Years Dedicated Schools Grant (DSG) outturn position which showed an underspend of £0.679M makes a review timely. Of this amount £0.219M is in respect of 2 year old funding reflecting a slower take up than expected. In allocating the early years 3 – 4 year old budget a provision of £0.3M has routinely been held back to deal with in year movements. There is now a track record of this amount not being required and in the last financial year 2013-14 the cost of termly movements was net neutral.

Whilst this may lead to the conclusion that all the contingency could be released it is not considered prudent to do so. The Authority is aware of a number of new settings opening in the borough and the potential for a number of proposed new housing developments. In addition to this central government has indicated that it is looking to introduce a formulaic distribution methodology for allocating early years funding.

That said, whilst providers have made the general comments that our hourly rates are low compared to other authorities within the region they have not ceased from supplying the service and have generally performed very well providing a good service.

However costs are increasing and continued rate freezes can become problematic. Equally the Authority should only hold DSG contingencies for which it has valid reasons.

3. WORK UNDERTAKEN

What was envisaged to be a simple review very soon led to a number of other issues requiring consideration prior to an outcome being finalised. These were drawn together in a draft paper and discussed at a working party meeting.

The working party included representatives from the service, Serco, finance and the two School Forum representatives for Early Years. The matters discussed at the meeting are detailed below:

- Should a blanket hourly rate increase be given or should there be consideration to introducing a quality factor?

The thought process was that 2 year old funding requires settings to be Ofsted rated good or outstanding to be eligible to receive funding whilst in respect of schools funding certain allowable contingencies that Local Authority's are allowed to retain centrally such as the falling roles fund can only be used for those schools that are good or outstanding. For 3 and 4 year old funding there are currently no quality requirements.

- Does the deprivation factor need to be reviewed?

Currently NELC make a small additional deprivation allowance of up to 10p on the hourly rate should certain deprivation criteria exist.

- How do our hourly rates compare to those paid by other regional authorities?

This discussion also included the differentials paid to various providers.

- Do we fund Early Years children with high needs consistently?

The Local Authority only receives funding for 15 hours per week for EY children however and does not fund high needs. The consequence of this is that it is only EY children with high needs in Special schools that are being funded. In all cases the needs of the child are of paramount importance and this overrides the funding considerations.

4. **FINDINGS AND CONCLUSIONS**

The findings and conclusions of the above considerations were as follows:

- **Quality factor**

Findings: The discussion around introducing a quality factor as opposed to introducing a blanket rate increase ascertained that the vast majority of our Early Years provision settings are already good or outstanding and therefore our quality objectives have been largely achieved in the absence of addition financial reward. Of the 45 Early Years settings supported, only 3 have an Ofsted rating below good,

however it is noted that a further 3 received a good under the old Ofsted marking scheme and when re-inspected will be marked on the new much tougher scheme. Also there are 3 new providers who have yet to be inspected. In respect of 24 child minder settings 4 are judged below good.

The situation of a setting receiving a poorer Ofsted rating than currently held was discussed and whether there should be any financial impact however it was ascertained that other potential sanctions are already in place.

Conclusion: Given the achievement of a quality threshold by the majority of settings the introduction of a quality factor is now not considered as necessary and consideration should solely focus on an hourly rate rise.

- **Deprivation**

Findings: The discussion around deprivation focused around a piece of work by Serco colleagues which mapped the level of deprivation and the level of performance. The results of this work proved inconclusive and did not indicate there was a strong relationship between the level of deprivation and performance.

Conclusion: The inclusion of a deprivation factor for the Early Years Single Funding Formula is mandatory. Given the above it is proposed to leave the deprivation factor unchanged.

- **Hourly rates**

Findings: A review of NELC's hourly rates compared to those paid by our regional authorities found that with the exception of 2 year old funding hourly rates our rates were towards or the bottom end of the rates paid. Specifically:

- PVI Base Rate - £3.32 is the lowest regionally
- School Base Rate - £2.79 is the lowest regionally
- Nursery Base Rate - £3.80 compares favourably regionally

In respect of 2 year old funding the NELC rate of £4.89 compares favourably regionally.

The review also indicated that in a significant number of authority's there was minor or no differential in the hourly rates paid to each

setting whereas a differential is applied in NELC. This is 53p between school base rate and PVI base rate.

Conclusion: In increasing the hourly rate then consideration needs to be given to reviewing the differential rates for each setting. Officers do however consider that a differential between the school base rate and PVI base rate is justified given school funding makes allowance for fixed costs and schools will generate an economies of scale position. However it is noted that a differential of 53p per hour is significant.

- **Early years children with High Needs**

Findings: A discussion took place on the funding of early years children with high needs. It was noted that high needs funding is not normally paid to providers except in special school settings.

The funding source will be the High Needs block and what is now required is clarity of the process to be followed.

Conclusion: A refinement of the process should be undertaken. Any decisions involving children of early years age should be very specific about the need and amount of hours that require funding. This matter will be picked up by the SEN Working Party.

5. PRINCIPLES TO BE ADOPTED

In determining the new hourly rates to be paid the following principles are proposed to be adopted:

- Where NELC EY hourly rates compare favourably with our regional authority's then no increase should be made.
- Going forward any increase in hourly rates should be weighted towards reducing the differential between PVI and school settings
- No further changes or increases to the deprivation factor should be made.
- Via the SEN Working Party, EY SEN funding should be reviewed and appropriate recommendations made to ensure consistency.

6. **RECOMMENDATIONS**

It is recommended:

- that the report be noted
- that the principles listed in Section 5 be approved
- that a further report be brought to the next Forum detailing the increase in rates following further work and announcement of the DSG settlement in December.
- that the funding of Early Years children with SEN be considered by the SEN Working Party.

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26th November 2014