

SLOUGH SCHOOLS FORUM
3 October 2012

School Funding Reform 2013-14

Proposed Arrangements – Notional Early Years Block

(Director of Education & Children's Services)

1 PURPOSE OF REPORT

- 1.1 To inform Schools Forum of the proposed arrangements for the notional Early Years Block for the financial year 2013-14.

2 RECOMMENDATIONS

- 2.1 That Schools Forum notes the notional Early Years Block Analysis and forthcoming changes arising from School Funding Reform and the extension of the entitlement to free early education to disadvantaged two year olds.
- 2.2 That Schools Forum endorses:
- An additional provider type 'Academy' within the Slough Early Years Single Funding Formula (EYSFF) at the same rates as the provider type 'Primary';
 - Provider specific lump sums, including the current learning resources, training, premises, insurance, administrative and management factors;
 - Hourly rates for supplements; and
 - Base hourly rates equivalent to current staffing rates for EYSFF MFG purposes.
- 2.3 That Schools Forum establishes an Early Years Task and Finish Group to work with officers to implement the new arrangements, including the extension of free early education to two year olds.

3 REASONS FOR RECOMMENDATIONS

- 3.1 Schools Forum has a key role in the implementation and approval of the reformed funding arrangements.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not applicable.

5 SUPPORTING INFORMATION

- 5.1 Members of Schools Forum will recall that in March 2012, the Department for Education (DfE) issued consultation on School Funding Reform: Next Steps

towards a Fairer System and in June issued School Funding Reform: Final Arrangements 2013-14.

5.2 As previously reported, the implementation of the new arrangements from 1 April 2013 will be challenging in view of the considerable changes required within tight timescales. Members of Schools Forum received a report on the proposed arrangements for the notional Schools Block at their meeting on 12 September 2012. This report focuses on the proposed arrangements for the notional Early Years Block for 2013-14, including the Early Years Single Funding Formula (EYSFF).

5.3 The notional Early Years Block has been derived from an analysis of the 2012-13 statutory section 251 budget return as follows:

Gross DSG	£128.235m
Notional High Needs Block	£19.790m
Notional Early Years Block	£8.699m
Notional Schools Block	£99.746m.

The baseline values for the notional blocks are currently subject to further review with the Education Funding Agency.

5.4 Slough currently has a legal responsibility to deliver 570 hours (15 hours for 38 weeks) of free early education to 3 and 4 year olds and to maintain an Early Years Single Funding Formula (EYSFF). Slough currently provides free early education to c2,500 three year olds and c2,500 four year olds. This provision is delivered through nursery schools (10%), primary schools and Academies (80%) and the Private, Voluntary and Independent (PVI) sector (10%). The Slough EYSFF was implemented in April 2010, following considerable work with providers and a Schools Forum Task and Finish Group. The EYSFF is funded out of the Dedicated Schools Grant.

School Funding Reform

5.5 The final arrangements 2013-14 document published in June 2012, confirmed the following changes in respect of Early Years:

- A significant reduction in allowable factors within the EYSFF from April 2013;
- A new notional Early Years Block within the Dedicated Schools Grant (DSG);
- Continued use of the January pupil count for DSG funding purposes, with adjustments based on participation in arrears;
- Continued use of termly updates for the purposes of funding schools and other providers for the free entitlement;
- A requirement that the mandatory deprivation factor must be distributed on the circumstances of the child (and not the provider or setting); and
- A minimum funding guarantee (MFG) must be implemented for all providers of free early years education for three and four year olds.

5.6 Local authorities are required to maintain an EYSFF that sets out the hourly rates to be paid to providers. The current EYSFF must include a mandatory deprivation supplement and can take into account quality, flexibility and

sustainability as well as the 37 allowable schools factors. Different rates are allowed for different providers. By April 2011, all local authorities were using the EYSFF to fund free early education for three and four year olds. The DfE subsequently reviewed how well the EYSFF funding is operating and how it can be improved. Key concerns are in four areas: simplicity and complexity, transparency, variations in funding levels and impact. The current Slough EYSFF was developed following consultation with all providers and significant input from Schools Forum through a Task and Finish Group. The Slough EYSFF has rates for three types of providers (primary schools, nursery schools and PVI) and is both complex and administratively burdensome. The factors and rates in the current Slough EYSFF are attached at Appendix A.

- 5.7 A key requirement of the new arrangements requires the EYSFF to only contain the new school factors and the early years specific ones. However, the DfE do not prescribe Early Years datasets. The Slough EYSFF has been reviewed to ensure that it is compliant and a number of issues have been identified.
- 5.8 Once a school transfers to Academy status, it ceases to be a maintained primary school and should be funded as an independent provider. The overall cost of delivery for an Academy is unlikely to alter significantly on conversion and primary provider hourly rates take into account, for example, that rates are fully funded within the Slough 5-16 formula. It recommended that a provider category, Academy, is added to the Slough EYSFF which attracts the same hourly rates as the Primary provider as a temporary measure pending a full review of the EYSFF.
- 5.9 Funding reform requires local authorities to remove factors which are no longer allowed. There are a number of factors which are no longer allowed within the Slough EYSFF and these are (i) learning resources, (ii) training, (iii) admin / clerical, (iv) premises, and (v) management costs. In the short term, the EYSFF can be made compliant by rolling all these factors up into provider specific lump sums (primary £1.43 per hour; nursery £3.75 per hour; PVI £2.10 per hour). Since the supplements are currently based on classroom costs (staffing and learning), it is recommended that the current hourly rates for supplements are endorsed.
- 5.10 Mandatory deprivation must be based on the circumstances of the child, rather than the provider or setting. The Slough EYSFF currently includes an additional educational needs supplement based on the provider. A statistical analysis is carried out each January based on the children attending each setting and is used to split providers into 4 bands. The setting then gets an uplift to its appropriate inclusive classroom hourly rate based on the provider band. In the short term, a robust case can be made that this supplement is based on the circumstances of the child.
- 5.11 The funding for Early Years for 2012-13 through the ISB is shown in the table below:

Early Years ISB	£
Nursery EYSFF	2,468,705
Primary EYSFF	3,454,552
PVI EYSFF	2,006,236
<i>Total EYSFF</i>	<i>7,929,493</i>
Nursery	
Pupils with statements	4,567
Teachers Pay Grant	40,095
Mainstream Grants	303,691
Chalvey Assessment Centre	121,929
<i>Total Additional Nursery</i>	<i>470,282</i>
Total Early Years ISB	8,399,775

5.12 The five nursery schools have continued to receive additional funding for two factors through the main Schools fair funding formula, namely Teachers Pay Grant (£40k 2012-13) and Mainstream Historic Grants (£304k 2012-13). These factors are no longer allowed and all early years funding must in future be distributed through the EYSFF. Schools Forum is asked to consider how this funding should be distributed under the new arrangements. Options would include distribution to the nursery schools through one or more factors permanently or for a time limited period, distributing to all EY providers through one or more factors, or retaining the funding in the notional Early Years Block for future allocation.

5.13 Under the new arrangements, there will be separate minimum funding guarantee (MFG) arrangements for early years and 5-16. MFG protection will extend to all providers of free early education for three and four year olds. The MFG covers only base rates and is set at -1.5% in line with the 5-16 MFG protection. The Early Years MFG does not include lump sums or supplements. The DfE does not wish to lock in lump sums at current levels, which could prevent local authorities responding to changes in local circumstances. Supplements are designed to change over time and are responsive to the circumstances of the child (deprivation) or setting (flexibility). The DfE has indicated that it would be responsive to requests for the suspension of MFG to enable local authorities to improve the fairness of the EYSFF between providers.

5.14 The Slough EYSFF for 2013-14, incorporating the changes in the preceding paragraphs, is attached at Appendix B.

Free Early Education for Two Year Olds

5.15 Slough Borough Council is a pathfinder authority for free early education for two year olds. The current pilot is delivering free early education to 100 two year olds based on eligibility criteria of low income. A local hourly rate has been set at £5.10 per hour based on marginal cost work undertaken within the Quality Care and Learning Team of the Education and Children's Services Department. On the basis of an estimated 85% take-up, a budget of £250,000 has been allocated out of the Council's Early Intervention Grant for 2012-13.

5.16 As reported to Schools Forum at the meeting on 12 September, the Education Funding Agency (EFA) has consulted on how funding for disadvantaged two year

olds should be brought into the Dedicated Schools Grant (DSG) and EYSFF. A Slough response has been submitted supporting local discretion as to whether to apply a deprivation factor, to fund on the basis of places and whether to have a mandatory quality factor. It is not known when a decision will be made on the outcome of the consultation, although indications are that there will not be a requirement for a mandatory deprivation factor and that place-based (as opposed to participation based) funding will be permitted for a time-limited period.

- 5.17 From September 2013, there will be a legal requirement under phase 1 of the extension to two year olds to ensure that two year olds whose families meet the criteria also used to establish school-aged children's eligibility for free school meals or who are looked after by the local authority are offered free early education for 570 hours a year. It is anticipated that an estimated 500 two year olds in Slough will be eligible under the eligibility criteria. There is discretion in the regulations to extend the eligibility criteria to fit local circumstances, subject to affordability.
- 5.18 The funding for two year old free early education, supplemented by additional funding to support the phase 1 extension, will transfer into the DSG from 1 April 2013. A report elsewhere on the agenda for this meeting provides details of the current DFE consultation on this and other extension issues, as well as a draft response.
- 5.19 From 1 April, free early education for eligible two year olds must be funded through an Early Years Single Funding Formula. Since Slough is operating a pilot programme, it will be essential for Slough to have an appropriate Slough EYSFF in place. As this is an extension of the three and four year old entitlement, and is likely to be delivered by many of the same providers, it is sensible it is funded through the same mechanism.
- 5.20 Requiring an EYSFF for two year olds does not mean that LAs are expected to extend their current EYSFF for three and four year olds to apply to two year olds. Given the higher costs associated with provision for two year olds, it will be necessary to determine a two year old specific funding rate. The EYSFF approach will require that officers work with providers to determine the cost of delivery and calculate fair funding rates accordingly. It is anticipated that the marginal cost work undertaken to date will support this.

Summary

- 5.21 The new arrangements and extension of the free entitlement will require detailed work to ensure that appropriate arrangements are implemented in Slough. In order to support this work, it is recommended that Schools Forum establish a Task and Finish Group including representation from all providers.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

- 6.2 The financial implications of the proposed changes will be managed within the Dedicated Schools Grant funding envelope. The specific financial implications for the local authority, maintained schools, Academies and the PVI are being kept under review and will be reported to Schools Forum as appropriate.
- 6.3 In the meantime, it is concerning that local authorities are required to develop a two year old EYSFF rate in advance of an announcement on the level of funding available for the financial year 2013-14.

Access Implications

- 6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None.

Method of Consultation

- 7.2 Not applicable.

Representations Received

- 7.3 Not applicable.

Background Papers

DfE School Funding Reform: Next steps towards a fairer system (March 2012)
DfE School Funding Reform: Final Arrangements 2013-14 (June 2012)
Schools Forum papers – April to July 12 (including Schools Budget 2012-13; School Funding Reform - various)
DfE 2013-14 Revenue Funding Arrangements: Operational Guidance for Local Authorities (June 2012)
EFA Consultation on School Finance Regulations 2013 and additional grant conditions for DSG (July 2012)
DfE Consultation on Extending Free Early Education to More Two Year Olds (July 2012)

Contact for further information

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