

<b>MEETING:</b>	<b>CHILDREN'S SERVICES SCRUTINY</b>
<b>DATE:</b>	<b>11 DECEMBER 2009</b>
<b>TITLE OF REPORT:</b>	<b>INTRODUCTION AND IMPLICATIONS OF NURSERY EDUCATION FUNDING (NEF) AND SINGLE FUNDING FORMULA</b>
<b>PORTFOLIO AREA:</b>	<b>CHILDREN'S SERVICES</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To note the background information on the scheme for Free Early Education for 3 and 4 year olds – also known as Nursery Education Fund (NEF) together with an update on recent, local and national developments.

### **Key Decision**

This is not a key decision

### **Recommendation(s)**

**That Scrutiny note the information provided in up dating on Nursery Education Funding.**

### **Key Points Summary**

- Nursery Education Funding – Free Entitlement
- Single Funding Formula, Statutory requirement that LA delivering from April 2010 for both Private, Voluntary and Independent sector and maintained local authority nursery classes. See *appendix 1 Ref DCSF guidance on delivery of the Single Funding Formula*. (Copies have been issued to members with the agenda. Copies are available to the public from DCSF Publications or on request)
- Funding allocated to Nursery Education Funding is Dedicated Schools Grant and is separate funding from General Sure Start grant which support Children's Centres.
- Disadvantage (deprivation) supplement, hourly rate per identified child ( by postcode)

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Further information on the subject of this report is available from  
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- Extension to the existing entitlement 12.5 – 15 hours for 25% most deprived ( delivered by setting) from September 2009 – universal provision Sept 2010
- 2 year old funding pilot, 15% of the most disadvantaged children ( by postcode) from Sept 2009

## **Alternative Options**

- 1 There are no alternative options available.

## **Reasons for Recommendations**

- 2 The delivery of Nursery Education Funding is a statutory requirement from the DCSF. Herefordshire was asked to implement additional hours to meet the Extended Entitlement for the 25% most deprived children in Herefordshire from September 2009. The full extension of the extended entitlement from 12 hours to 15 hours will be universal provision across Herefordshire September 2010. The introduction of 2 year funding for the 15% most deprived Children, 10 hours per week, was a direct request again from the DCSF, to commence September 2009. This project is funded for 2 years until September 2011. The implementation of a Single Funding Formula is also a statutory directive from DCSF to be in place in all local authorities for April 2010.

## **Introduction and Background**

### **What is the Free Early Education (NEF) scheme**

- 3 This scheme is part of the national Department for Children, Schools and Families (DCSF) Ten Year Strategy 'Choice for parents, the best start for children' and with effect from 1<sup>st</sup> April 2006, in line with the commitments in that strategy, the minimum entitlement for 3 and 4 year olds for free early Education is 12.5 hours per week, normally taken as up to five 2.5 hour sessions, and extended from 33 to 38 weeks per year.
- 4 Local Authorities, working with providers, have a statutory responsibility to ensure that all 3 and 4 year olds in their area are able to access a full 38 week entitlement. In particular local authorities have had to ensure that children attending Private, Voluntary and Independent settings benefit from an increased funded provision from the start of the Summer 06
- 5 The free entitlement may be delivered by a range of providers, including schools, nursery schools and classes, private and voluntary sector providers, independent schools and accredited childminders. Local authorities should ensure a suitably diverse range of providers in line with parental choice, offering uniformly high quality provision.
- 6 Local authorities should ensure that parents of all 3 year old are able to access the minimum entitlement for up to two years before they reach compulsory school age. Parents can access as little or as much of the minimum entitlement as they choose and may take up their free entitlement at more than one provider. Currently Herefordshire has a 95% take up rate.
- 7 From September 2009, following further DCSF requirements, Herefordshire settings in the 25% most disadvantaged areas are offering an extended free entitlement of up to 15 hours per week for 38 weeks. Parents are able to use the free entitlement flexibly across a minimum 3 days. From September 2010 the minimum entitlement of 15 hours per week for 38 weeks will be in place (universal provision) for all 3 and 4 year olds.
- 8 The Free Early Education scheme is funded by Central Government through the Dedicated Schools Grant (DSG). Previously the Free Early Education scheme was funded

separately by DCSF through the Nursery Education Grant (usually colloquially known as “nursery vouchers”) and this was incorporated within DSG on its creation in April 2006. Dedicated Schools Grant is ring fenced and must be used to fund the Total Schools Budget, which includes Individual School Budgets, central services for pupils (e.g. Special Educational Needs) and Nursery Education Funding subject to national funding regulations, it is for each authority, in consultation with their Schools Forum, to allocate funding to all these services as appropriately as possible.

- 9 For 09/10 the Government has provided separately a designated amount of funding to support the move from 12.5 hours to 15 hours for the 25% most deprived areas. This is ring fenced funding which sits within Standards Fund. At £8.72 per session Herefordshire currently pays one of the highest sessional rates for NEF nationally but receives from government the third lowest DSG funding .This was not considered a fair allocation of funding by the Schools Forum.
- 10 As part of the budget setting process for 2009/10, Schools Forum on 26<sup>th</sup> February 2009 recommended to, and it was subsequently agreed by, the Cabinet Member for Children’s Services that the payment rate for Private, Voluntary and Independent (PVI) nursery settings should be frozen to achieve parity with the average of Worcestershire, Shropshire and Gloucestershire. Schools Forum considered that PVI business operating costs would not be different in Herefordshire to those of our neighbouring counties. In light of the DSG budget reductions due to falling rolls it was considered reasonable to freeze the payment rate for an estimated four years rather than reducing the payment rate but over a shorter timescale. The freeze in payment has been considered in the development of the statutory requirement to have a Single Funding Formula across all settings including the LA nurseries. The proposed single funding formula for Herefordshire has fully considered the neighbouring local authorities formula’s and is comparably in line.
- 11 Herefordshire is also piloting 2 year old funding from September 2009 to the 15 % most deprived children. Funding has also been allocated for a second year 2010/2011. The identified target group for Herefordshire is some 50 places. A place equates to 10 hours per week. It may be that parents do not wish to take up the full 10 hours. In this instance the offer will be available to more than 50 children hence allocated as places.
- 12 Whilst ongoing development of the NEF has been taking place the local authority has also been charged with providing a Single Funding Formula across all settings including the Local Authority School nursery classes. This is a statutory requirement from April 2010, enabling a fair, equitable and transparent funding to settings. (Previously in LA’s schools, nursery classes have been funded on a block amount place led eg 26 places irrespective of how many children attend). The single funding formula must be based on actual pupil numbers and not simply places. The single formula must also include a disadvantage factor amount per pupil per hour from Year 1, while delivering against a basic hourly rate per child. Consideration also needs to include (as part of a phased approach) A supplement for Quality per setting per week, and a supplement for offering provision flexibly.
- 13 The potential impact of the EY formula on nursery classes in schools is as follows. If LA nursery classes are full, under the formula they will get more or less the same with some having increased funding. But if classes are half empty they will lose money. The LA have been working with schools helping, advising and consulting for 2 years so schools are fully aware of the potential impact of the Single Funding Formula. In some instances schools have reduced nursery class from all day to mornings only, some working closely in partnership with local private, voluntary and independent (PVI) providers. There is concern where LA nurseries are not working in partnership with local PVI to offer flexibility and full day provision.

## Key Considerations

- 14 The introduction of a single funding formula is a statutory requirement from April 2010 for all settings delivering Nursery Education Funding

## Community Impact

- 15 The delivery of several distinct funding streams and a single funding formula has proved quite challenging across the county for settings to take on board. The LA has endeavoured to communicate information as widely and promptly as possible. Full consultation has taken place, but with a poor response rate overall. The single funding formula has considered the cost implications ( where settings have made information available) from a range of settings. The formula for Herefordshire has developed with the support of Government and West Midlands ( GOWM ) officers and contracted consultants. Full consideration has been undertaken in gauging the West Midlands and neighbouring Local Authorities with single funding formula development.

## Financial Implications

- 16 From April 2010 the LA will be implementing a Single Funding Formula. Following a series of consultations and workshops, with the support of both DCSF and Government Office West Midlands (GOWM), Herefordshire has presented the following formula.

### Basic Revised Formula Structure – Phased Approach Following 3<sup>rd</sup> consultation

	Basic hourly rate per child	Fixed rate per setting per week	Supplement for quality per setting per week	Supplement for flexibility will be discussed from Sept 2010	Amount per setting in a disadvantaged area per week	Amount per hour per disadvantaged child from year 1	% areas of deprivation (note :the lowest % band is most deprived)
Year 1	£3.41	£27.00	0		0	7p	
Year 2	£3.23	£54.00	£5.00		£15.00	14p	
Year 3	£2.97	£86.00	£10.00		£40.00	24p	0-25% band
						12p	25-50% band
						4p	50-60%

- 17 Based on the formula given above and the numbers of settings delivering the funded places, the total amount of money required is shown in the table below. Estimates are provided for 2010/11 since actual funding can only be determined by pupil numbers in 2010/11.

Year	Funding	Total	Total Funded
2009/2010	<b>DSG:</b> 3 year olds 4 year olds LA nursery classes TOTAL DSG	£2,115,551 £ 768,032 £ 691,000 £3,574,583	£3,574,583
	<b>General Sure Start Grant:</b> 2 year olds	£ 133,050	£133,050
	<b>Standards Fund:</b> 3 and 4 year old extended entitlement – additional 2.5 hrs	£ 370,374	£370,374
			<b>£ 4,078,007.00</b>
2010/2011 <b>FORMULA RUN</b>	<b>DSG:</b> 3 and 4 year olds / 118 settings inc LA nursery classes (based on head count JAN 2009)	£ 3,603,849.70	£3,603,849.70
	<b>Standards Fund</b> Extended Entitlement	*£ 1,164,485.00	£1,164,485.00
	<b>General Sure Start Grant</b> 2 year olds	*£ 167,150.00	£ 167,150.00
			<b>£ 4,935,434.70</b>

\* provisional figs

## Legal Implications

- 18 There are no legal implications at this stage. Contracts /agreements are issued to each setting, legally contracting then to deliver Nursery Education Funding. These contracts /agreements will now also be extended to the 13 primary schools with LA nursery classes that are now to run under the Single Funding Formula. ( Previously the LA nurseries were funded place led ( set by LA) rather than as now under the formula ( participation, the number of children attending)

## **Risk Management**

- 19 The information held within this paper covers the requirements as laid out by the DCSF. However ref paragraph 11 if as an authority the decision is made to freeze payments to the PVI and nursery settings, then consideration will need to be highlighted as to how this may effect businesses. The report states that operating costs should be no more in Herefordshire than neighbouring authorities, however if a business has been used to an identified income and now over 4 years a freeze impacts, this could effect staffing levels and possibly the ability to provide quality service. The risk initially will be to individual business but the knock on effect could be a risk for the council.

## **Consultees**

- 20 A series of three formal consultations have taken place since October 2008. All of the settings, together with the LA nurseries have been involved. A Nursery Education / Single Funding finance sub group of the Early Years and Extended Services Forum has met termly, representation has been across a range of the PVI sector and the LA nurseries. The formula has been adjusted in direct response to the consultations and also in line with regular DCSF updates, the last of which was 30 September 2009. *See appendix 2 Consultation Paper – Early Years Reform For Free Entitlement of Early Education (September 2008) and Appendix 3 Final Consultation Early Years Funding Group - September 2009*

## **Appendices**

- Appendix 1 DCSF guidance on delivery of the Single Funding Formula (Copies have been issued to members with the agenda. Copies are available to the public from DCSF Publications or on request)
- Appendix 2 Draft Consultation Paper – Early Years Reform For Free Entitlement of Early Education (September 2008)
- Appendix 3 Final Consultation Early Years Funding Group - September 2009

## **Background Papers**

- None identified.