

Early Years DSG Funding Reform 2008-11

Summary

How the free entitlement to Nursery provision is funded in both Maintained and Private Voluntary and Independent (PVI) Early Years settings will fundamentally alter over the next 3 years. To support the expansion of the free entitlement up to 15 hours, and the flexibility in how this can be taken, the Government is requiring all Local Authorities to implement changes that will bring the Maintained and PVI funding mechanisms together.

The Early Years Working Group (EYWG), which is established as a sub group of Bradford's Schools Forum, will lead on implementing these changes. The EYWG is composed of representatives from each type of PVI Early Years provider and maintained Nursery and Primary school providers, with support from officers from Bradford's Early Years and Childcare Service and Education Bradford. A member of the EYWG is also a member of the Bradford Schools Forum.

In advance of this major funding review work, in October and November 2007, following Government requirements, Bradford Early Years and Childcare Service undertook a survey of the costs of providing the free entitlement to nursery education in nurseries, playgroups and childminders registered in Bradford for the Nursery Education Fund.

Attached with this summary is the report, written by the EYWG in January 2008, which discusses the outcomes of this survey. Bradford's Schools Forum considered this report, in meetings in January and February, to make recommendations on the allocation of the Dedicated Schools Grant (DSG) for 2008-11. This report, the key recommendations and next steps, were also discussed with PVI providers at a consultation session held on 12th March.

In response to this report and the recommendations from the EYWG, based on work carried out so far:

- *The value per pupil per 2 ½ hour session has been increased to £10.00 for ALL PVI providers in 2008/09. This is an increase from £8.40 in 2007/08. This increase is allocated specifically to PVI providers to help address the shortfall vs. current costs highlighted by the survey and other evidence*
- *The EYWG will aim to implement the 'Single Early Years Funding Formula' from April 2009. Provision has been made by the Schools Forum within the Dedicated Schools Grant to support the potential additional costs of this new formula. However, this is a very tight timescale and the Single Formula is not required to be in place by the DCSF until April 2010*
- *The Schools Forum and the EYWG has identified that funding review work must be accompanied by discussions on 'quality assurance' and maximising standards in all Early Years settings.*

The review will potentially have significant implications for the funding for both Maintained and PVI Early Years providers. A single local formula to fund the free entitlement across all maintained & non maintained settings will establish a greater level of equity in the approach to funding and greater level of consistency and fairness; the same set of factors will be taken into account to calculating the level of funding for every provider. For PVI providers, this will mean a more sophisticated approach to funding, including differentiation of funding between types of providers and a consideration of additional needs of individual pupils.

Following the timetable to implement the Single Formula from April 2009, the EYWG will seek to model the impact of formula change as soon as possible, with the aim of publishing an initial consultation paper, showing the potential impact on providers, towards the end of the summer term. If on track for April 2009, a formal consultation, managed by the Schools Forum, will take place in autumn 2008.

Stakeholders will be able to keep track of the progress of the review from the minutes of EYWG meetings, which will be placed on the Schools Forum area of the www.bradfordschools.net website from the beginning of April 2008. Regular consultation sessions will also be organised with both Maintained and PVI providers throughout the year. We would like to encourage stakeholders to provide evidence and feedback for the review to consider> you can do this via the EYWG representatives or directly to the Early Years & Childcare Service.

If you have any queries on the funding review in general, or on the attached report, or you would liked to submit feedback or evidence for the review to consider, please contact:

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This report was tabled at the meeting of the Bradford Schools Forum on 23rd January 2008 and considered by the Forum in making recommendations on the allocation of the Dedicated Schools Grant for 2008-11, at meetings held on 5th and 28th February 2008

Early Years Funding Reform

Analysing the Costs of Delivering the Free Entitlement to Nursery Education in the Private, Voluntary and Independent Sector in Bradford

All Local Authorities have been required, by the Department for Children, Schools and Families (DCSF), to carry out an analysis of the costs of delivering the free entitlement to nursery education in the Private, Voluntary and Independent (PVI) sector. This report discusses the cost analysis work in Bradford and makes recommendations for the Schools Forum to consider in the allocation of the Dedicated Schools Grant (DSG) 2008-11.

1) Background & Introduction

The current early years entitlement for 3 and 4 year olds is to 12 ½ hours free early learning and care per week for 38 weeks a year, accessible from the term following a child's third birthday. Local Authorities have a duty to secure the entitlement in response to parental demand. Securing delivery of the free entitlement is a key part of Local Authority's new commissioning and market facilitation role, set out in the Childcare Act 2006. Securing the free entitlement is one of the key levers that Local Authorities have to meet their new statutory duties to ensure there is sufficient childcare for local families, to improve child outcomes at age 5 and to narrow the achievement gap.

The Government's 10 year childcare strategy made a commitment to increase the length and flexibility of the free entitlement, to 15 hours by 2010, which can be taken flexibly between different settings. This is being gradually rolled out across Local Authorities. Currently 20 Pathfinder authorities are delivering 15 hours and exploring how the entitlement can be made more flexible.

The free entitlement may be delivered by a range of providers, including maintained Nursery schools, Nursery classes in maintained Primary schools, Private and Voluntary sector providers, Independent schools and accredited childminders. Non maintained providers are collectively known as the PVI sector (Private, Voluntary, Independent). PVI providers have an important part to play in delivering the free entitlement in Bradford. The number of Part Time Equivalent (PTE) pupils recorded in each setting in Bradford, at January 2007, is shown in the table below.

January 2007	No. of Settings	Total Pupils (PTE)	PTE Pupils as (%) Total
Private Day Nurseries	88	1,233	14.4%
Playgroups	33	565	6.6%
Childminders	15	39	0.5%
Independent Schools	5	178	2.1%
Total PVI Settings	141	2,014	23.5%
Maintained Nursery Schools	7	622	7.3%
Classes in Maintained Primary schools	114	5,944	69.4%
Total Maintained Settings	121	6,547	76.5%
Combined Total	262	8,561	100%

At January 2007, 23.5% of 3 and 4 year olds in Bradford nursery provision took their free entitlement in the PVI sector. An analysis of the distribution of provision across Bradford also shows that PVI settings provide access to the free entitlement in areas where maintained provision is more limited. For example in Shipley and Keighley constituencies, the PVI sector provides almost half of nursery education places (46% and 43% of nursery education places respectively in 2006-07). It is important therefore, that funding for the delivery of the free entitlement is allocated via an equitable and transparent mechanism to both maintained and PVI providers.

2) Funding Early Years Provision

Funding for the costs of delivering the free entitlement in both maintained and PVI settings is allocated to Local Authorities within the Dedicated Schools Grant (DSG). However, the mechanisms for allocating funding locally to maintained and PVI settings are currently very different. In maintained settings, funding is allocated via a needs-led formula, where the emphasis is on predictability and stability, where levels of funding are set at the start of each financial year and where the formula takes account of differences in circumstances between settings. In PVI settings, funding is allocated on a simple flat amount per session, which applies equally across all providers and is updated on a termly basis. There is currently no common formula for the allocation of resources and no common process for establishing the levels of funding in maintained and PVI settings.

However, how the free entitlement is funded in both maintained and PVI settings will fundamentally alter over the next 3 years. To support the expansion of the free entitlement, and the flexibility in how this can be taken, the DCSF is requiring all Local Authorities to implement changes that will bring the maintained and PVI funding mechanisms together. From April 2009, provision in maintained Nursery schools and Nursery classes in Primary schools must be calculated on the hourly take up of each pupil. This is very different from the current Full Time Equivalent (FTE) calculation and will potentially have a significant impact on the budgets of some maintained schools. Then from April 2010 (through LAs are encouraged to implement this from April 2009 where possible), all Early Years Nursery provision across the authority, whether in maintained or non-maintained PVI settings, must be funded via a common single formula.

Further information on these changes can be found on the DCSF's Teachernet website, via the following link <http://www.teachernet.gov.uk/management/schoolfunding>

A newly established Early Years Working Group (EYWG), which is a sub group of Bradford's Schools Forum, will lead on implementing these changes and on developing a single early years funding formula. The EYWG is composed of representatives from each type of PVI provider and maintained Nursery and Primary school providers, with support from officers from Bradford's Early Years and Childcare Service and Education Bradford.

In advance of this wholesale formula review work, following DCSF requirements, Bradford Early Years and Childcare Service undertook in October and November 2007 a survey of the costs of providing the free entitlement to nursery education in nurseries, playgroups and childminders registered in Bradford for the Nursery Education Fund (NEF). This cost analysis has been discussed fully by the EYWG and this report therefore, summarises the results of this PVI cost survey and reviews other sources of local PVI cost and funding information.

3) The Survey of PVI Costs

a) Purpose of the Survey

The survey was carried out, using guidance from the DCSF, to provide evidence to inform the 2008-11 school budget setting process, to enable us more clearly to:

- compare the current costs of delivering the free entitlement in the PVI sector with current levels of PVI funding
- identify any 'short term' sustainability issues in the PVI sector, prior to the implementation of the single Early Years formula
- begin to discuss formula issues, such as the differentiation of funding levels between PVI settings, prior to the implementation of the single Early Years formula

The survey has provided data on current spending levels in the PVI sector. The limitation of this is that current spending is influenced by current levels of funding. The evidence from the survey therefore, has been considered alongside other information, especially the funding of the free entitlement in the Maintained sector and has been discussed in the EYWG with reference to the current and future spending pressures on PVI providers in the delivery of the free entitlement and the management of change.

Following DCSF guidance, this survey has been limited to collecting information on the costs of PVI providers. The funding for the provision of the free entitlement in maintained settings will be fully considered in the review work, which will lead to the implementation of the single early years funding formula from April 2010.

b) PVI Costs Survey Methodology

Following a consultation and information session held for all PVI providers, on the 9th October, a self-complete questionnaire, with guidance notes, was sent to all Nursery Education Fund (NEF) registered nurseries, playgroups and childminders. Individually tailored questionnaires were developed for each type of NEF provider, following consultation and piloting. A sample copy of a questionnaire is attached at Appendix 1.

To boost response rates, and in acknowledgment of commercial confidentiality, the questionnaires were kept anonymous. Telephone support was provided by the Business Support Team and Childminding Co-ordinators in the Early Years and Childcare Service. The table below gives a breakdown of the number of questionnaires sent and received back and the number of complete responses that were used in the cost analysis.

PVI Provider	No. PVI Providers	No. Responses	Total Response Rate	No. Complete Responses	Complete Responses as (%) Providers
Nurseries	85	34	40%	31	36%
Pre-school playgroups	37	21	57%	19	51%
Childminders	39	17	44%	10	25%
Total	161	72	45%	60	37%

While overall response rates were good, the level of completeness of financial information provided varied by sector. Although the survey responses for nurseries and playgroups cover 36% and 51% of the respective sectors, only 25% of childminders provided sufficiently complete information for their survey data to be used in analysis. One of the ten complete childminding responses was further eliminated from the analysis, as this childminder worked on a significantly larger scale than any of the other childminders, and it was felt that this response would skew results. Thus only nine childminder questionnaires

were used in the cost analysis. It is worth bearing in mind, however, that childminders account for less than 1% of delivery of the early years' entitlement.

c) Quality of the Data & Caveats

Non Salary Costs

The view of the Local Authority and the EYWG view is that the costs survey provides a reasonably complete and accurate set of non-salary costs for nurseries and playgroups. The childminding data need to be treated with a degree of caution, due to the small sample size. The survey collected information on the following non salary costs for the sector:

- premises costs: rent, mortgage payments or equivalent lease value
- electricity, gas, water rates, and hygiene charges
- food, toys, stationery, cleaning materials and other consumables
- insurance, subscriptions, bank charges, write-off of bad debt, legal, professional and accounting charges
- repairs, maintenance and depreciation
- printing, postage, stationery, telephone and computer costs
- staff training, volunteer costs, transport costs

The average total non salary costs per type of provider, per session per pupil, collected from the survey, are shown in the table below.

PVI Non Salary Costs per pupil 2.5hr session			
	Nursery	Playgroup	Childminder
Premises Costs per 2.5hr session	£0.84	£0.69	£0.79
Other non-payroll costs per 2.5hr session	£1.97	£2.08	£2.10
Total Non Salary Costs	£2.81	£2.77	£2.89

Salary Costs

The view of the Local Authority and the EYWG is that salary costs for day nurseries and childminders in the survey are significantly under stated. The clean results from the cost survey show a salary cost per 2 ½ hour session per pupil in full day care settings of £5.24 across all children aged 0-4, the figure falls to around £3.10 if salaries are allocated to different age children in line with the staffing ratio requirements of the National Standards. In nurseries employing staff at local authority pay scales and in line with children's centre staffing rotas, we would expect this to be around £6.38. Part of the discrepancy is likely to be due to some nurseries paying lower rates of pay than the Local Authority. But we also believe that the under stating of salary costs is significantly influenced by the fact that owner-managers and directors of nurseries often work long hours in the business but take their income in the form of profits rather than paying themselves a salary.

The majority of childminders work on their own, and take their earnings in the form of profit, or total income net of tax deductible expenses. These childminders therefore recorded zero payroll costs on the cost survey. Among those childminders who do employ staff the average payroll cost per session is £1.72. If childminders were paid at the same rate as an NVQ3 children's centre staff member, we would expect this figure to be £6.95.

Recognising this under statement of salary costs for the clean data from the nursery and childminder surveys, the EYWG has considered alternative modelling of salary costs for full daycare providers, based on the Children Centre funding formula. We believe that the

results of this modelling give a more realistic assessment of total salary costs in these settings, which can be added to the more robust non salary costs from the survey, to provide a more useful cost analysis.

For pre school playgroups, we believe that the salary costs are also under stated insofar as the majority of playgroups are run by voluntary management committees and unpaid volunteers contribute a significant amount of time. However, we feel that the degree of understatement is much less than for full daycare providers and have therefore, chosen to used this information for the analysis of costs for these providers. The clean analysis of the survey results shows a salary cost per 2 ½ hour session per pupil of £6.54 for play groups.

The other main caveats to state for the survey data are:

- Survey respondents provided information from the records from their most recent tax year, which in the majority of cases was year ending 31st March 2007. The 2007/08 age-weighted pupil rate of inflation of 6.2% has therefore been applied to the cost survey results to bring them up to 2007/08 levels.
- The costs information does not include a level of profit or reserves, which would be appropriate and prudent to expect a non-maintained PVI setting to seek.
- There is some inconsistency in recording of non-contact time in survey responses, and more work needs to be carried out to agree a suitable level in the future funding formula.

d) The Results of the Costs Survey

i) The Costs of Delivering the Free Entitlement in Full Daycare Settings

As stated above, rather than taking the salary information from the costs survey, which we believe to be significantly under stated, the Children’s Centre funding formula model for staff costs has been used in conjunction with the non-salary costs derived from the survey, to provide a more complete picture of the total costs of providing the free entitlement to nursery education in day nurseries.

The Children’s Centre funding formula was developed by Bradford Early Years & Childcare Service in Spring/Summer 2007, using local authority pay scales and staffing ratios in line with National Standards for Full Daycare. Other cost information was informed by the experience of Neighbourhood Nurseries, and development of the formula was overseen by a working group with representatives from Private, Voluntary and Maintained sectors.

The costs per child per nursery education session are strongly affected by occupancy levels. Occupancy rates of 70% have been used in this analysis, as this represents a mid point between the 73% occupancy levels recorded by survey respondents and the 66% average occupancy levels recorded by Bradford Early Years & Childcare Service audits.

The result of adding the salary costs from the Children’s Centre funding formula model to the non salary costs taken from the survey is a total cost per child per 2 ½ hour session in full daycare settings in 2007/08 of £9.19. This is shown in more detail in the table below.

Costs of Nursery Education in Full Daycare	
Direct Staff Costs – (per Children’s Centre model)	£4.13
Indirect Staff Costs – (per Children’s Centre model)	£2.25
Premises Costs – (per cost survey)	£0.84
Other non-payroll costs - (per cost survey)	£1.97
Total Cost per 2 ½ Hour Session Per Pupil	£9.19

As stated in the caveats on the previous page, this per session cost of £9.19 does not include any allowance for non-contact time. If this were to be included, at a rate of 20% of direct staff costs (as in the maintained funding formula model), then the costs of delivering a 2 1/2 session, would be fractionally over £10.

This cost is higher than the current level of funding per session per pupil for all PVI providers, which in 2007/08 is £8.40.

ii) The Costs of Delivering the Free Entitlement in Pre-school Playgroups

Although we have identified the potential understatement of salary costs in pre school playgroups survey, we feel this information is more robust and that it is correct for us to use the salary information from the survey in the cost analysis for these providers. Therefore, for playgroups, the cost analysis has been carried out solely on the basis of the survey data.

The analysis of the survey shows a total current cost per child per 2 ½ hour session in pre school playgroups of £9.31. Many playgroups take children from the age of two and a half, and although different staffing ratios apply to children aged under and over three, in practise it is very difficult to differentiate between the costs of early education for the two age groups in a playgroup environment. The costs presented in the table below therefore, relate to the average across both age groups.

Costs of Nursery Education in Pre-school Playgroups	
Staff Costs - (per cost survey)	£6.54
Premises Costs – (per cost survey)	£0.69
Other non-payroll costs - (per cost survey)	£2.08
Total Cost per 2 ½ Hour Session per Pupil	£9.31

The estimated cost of £9.31 is based on an autumn term occupancy level of 70% (from information supplied from the survey). It is worth noting that this is somewhat lower than the 80% levels recorded in the recent BEYCS childcare audits. At 80% occupancy, cost per child per session would be around £8.15. However this figure does include 'hidden costs' absorbed by voluntary help and unpaid work done by staff. One pre-school playgroup has estimated that 20% of staff time is voluntary or unpaid. If these hidden costs were factored in then cost per child per session would be £9.29 at 80% occupancy levels.

As with full daycare providers, this cost of £9.31 per pupil per session is higher than the £8.40 current level of funding.

iii) The Costs of Delivering Nursery Education for Childminders

Childminders are self-employed and work from their own homes. They do not tend to pay themselves a salary as such, but derive their living from the fees they charge net of expenses. An estimation of the costs of delivering a 2 ½ hour session has been made by combining the operational costs of childminding with the salary that a childminder might expect to earn if they were working as an NVQ3 member of staff in a children's centre (£8.20ph). The results are shown in the following table.

Costs of Nursery Education for Childminders	
Hypothetical staff costs per session	£6.95
Average operating costs per session	£2.89
Total Cost per 2 ½ Hour Session per Pupil	£9.84

Again, this cost is higher than the current funding level per pupil per session of £8.40.

It is interesting to note that childminders' costs emerge as the highest of the three sectors. To some extent this is because childminders work the longest hours (53.5 on average per week, including non-contact time) but we feel it is also because, although the salary calculation is more hypothetical, there are fewer 'hidden costs' that are apparent in the costs information for the other types of providers.

e) Conclusions from the PVI Cost Survey

The main general conclusions from this cost analysis work are:

- It is very difficult to gather one clear definitive picture of costs, due to the differences between PVI settings. This cost survey, in itself, provides good evidence on which to base the discussions on how formula funding in the future should differentiate between the different PVI providers
- This cost analysis only provides information on current spending based on current levels of funding. This is a limited analysis therefore, and it is likely that the headline per session figures are understated to varying degrees, due to 'hidden costs'
- It will potentially be helpful for this cost analysis to be repeated at other times of the year, for example, to provide more information on the impact of changing occupancy levels on costs cross providers
- The results of this analysis need to be discussed in much more detail over the next year in the development of the single early years formula

The main conclusion however, in terms of PVI funding levels, for the Schools Forum to consider in the short term, prior to the implementation of the single formula, is that the current level of funding per pupil per session of £8.40 is lower than the current level of cost across all settings. This has implications, not only in the delivery of the current levels of free entitlement, but also in the role that PVI providers will have in securing the expansion of the free entitlement. It has implications for the delivery of quality provision in PVI settings in the capacity of PVI providers to recruit, train and retain quality staff.

To test this conclusion using other available evidence, the EYWG has looked at the relationship of PVI funding with maintained funding levels and levels of funding in other local authorities.

4) Analysis of Funding the Free Entitlement in Maintained Settings

Maintained Nursery schools and Nursery classes in maintained Primary schools in Bradford are funded using a needs-led formula i.e. funding is based on an assessment of what staffing and non staffing resources are needed to deliver the free entitlement. This is a very different approach from the current method of funding PVI providers, where the £8.40 per pupil per session is a figure based on an historic budget, which has been simply increased by inflation year on year.

To provide more evidence to test the conclusions from the cost analysis, we have converted the funding for maintained provision into a cost per pupil per 2 ½ session, so that we can directly compare maintained funding levels with the £8.40 PVI figure. In the first instance, we have used the funding for Nursery schools only. For 2007/08, the figures are:

Maintained Nursery School	£ Funding Per Pupil Per Session
Per Pupil AWPU Funding * 1	£8.48
Additional Formula Funding * 2	£4.63
Total Funding Maintained Nursery	£13.11
PVI Funding Per Pupil Per Session	£8.40
Difference	+£4.71

* 1: the funding allocated to schools via the AWPU + small school protection (the FTE per pupil value in 2007/08 is £3,222)

* 2: non-AWPU funding i.e. all other funding factors, SEN, AEN, base allocations, funding for building maintenance, insurance, rates etc. This is calculated on an average across all 7 Nursery schools

In 2007/08, maintained nursery schools received an average £4.71 more funding per pupil per 2 ½ hour session than PVIs. This evidence requires further detailed analysis and discussion, to more clearly assess in what areas funding levels should be the same across maintained and PVI providers and where funding levels should be different i.e. how much of the £13.11 equally applies to PVIs. The EYWG will be looking more closely at this is the development of the single early years formula. We will also be looking at whether the £13.11 is a correct figure for all providers or whether this needs to be adjusted.

The initial view of the EYWG is that it is fair to conclude that the £13.11 should apply at least to the full day care providers, as these settings are very similar in composition to the maintained nursery schools. The EYWG is less confident of how much of the difference between the £13.11 and £8.40 figure should apply for the other types of PVI provider. This will be discussed as part of the further formula review work.

However, recognising that further work needs to be carried out, this evidence, in combination with the results of the cost analysis, strongly suggests that there is inequity in the funding of PVI providers and that additional funding should be allocated to the PVI budget from April 2008 to address this. To increase the value of funding per pupil per 2 ½ hour session for all PVI providers to £13.11, for example, would cost an estimated additional £1.95m.

It is important to recognise that, with the development of the single formula, a greater level of equity in funding between maintained and PVI providers will automatically need to be introduced. So, in identifying that the funding for PVI providers now is a long way behind that of maintained schools, and that in the establishment of the single formula we would not be seeking to reduce the level of funding for maintained provision, we can also identify that we will need to increase the level of funding for PVI providers at the very least at the point at which we implement the single formula. This will either be in April 2009 or April 2010. Our recommendation is that we work to try to establish this from April 2009 but that, recognising the significant cost pressures and the level of under funding now, the Schools Forum should seek to increase the PVI budget from April 2008 to prepare the way for establishing the single formula. This is discussed further in the conclusions and recommendations in paragraph 6.

The size of the current gap between maintained and PVI per session funding levels has been accentuated by the differing sizes of increases in budgets over recent years. For example, the maintained nursery AWPU value increased by 8.4% in 2005/06, by 11.2% in 2006/07 and by 6.2% in 2007/08. In comparison, the funding per session for PVI providers increased by 2.3% in 2005/06 and by 2.9% in each of 2006/07 and 2007/08. This again provides evidence, which supports a proposal to allocate an above inflationary increase to the PVI budget in April 2008.

5) Statistical Neighbours PVI Funding Comparison

A further piece of evidence to add to an assessment of the current and future levels of funding of the free entitlement for PVI providers is the comparative funding position in other authorities. The Schools Forum, for a number of years, has used comparisons with the average of our statistical neighbour authorities as a piece of evidence to inform recommendations of the allocation of funding between phase and between schools.

In early 2007 the statistical neighbour comparison model was altered from the old OfSTED framework to Every Child Matters indicators. This has produced significant changes in some of our funding comparisons and these changes do cast some doubt on the continued validity of statistical neighbour comparisons as a piece of information on which to allocate funding between schools. To a greater extent also, the implementation of the DSG system, the continuation of the Minimum Funding Guarantee, the Central Expenditure Limit, and the increasing number of Ministerial Priorities, especially around the funding for deprivation, have eroded the need to use statistical neighbour comparisons to benchmarking our level of total spending on education. Statistical Neighbour comparisons however, can still highlight differences in funding between phases and between central and delegated Schools Budget funding.

The comparison of funding for PVI providers for 2007/08 shows that the total level of funding in Bradford is £984,174 below the average of our statistical neighbour authorities. This is shown in more detail in the table below.

Local Authority	Total PVI Funding 2007/08	Total DSG EYC Pupil No.s	£ Per PVI Pupil
Blackburn with Darwen	3,422,091	607	£5,671
Bolton	3,520,800	839	£4,196
Calderdale	3,808,586	882	£4,318
Coventry	3,725,619	1,053	£3,538
Derby	2,316,284	662	£3,499
Kirklees	4,742,000	1,462	£3,244
Oldham	3,239,410	693	£4,674
Peterborough	4,091,151	1,126	£3,633
Rochdale	3,174,722	814	£3,900
Walsall	2,314,515	250	£9,258
Total / Average	34,375,178	8,388	£4,098
Bradford	3,474,600	1,088	£3,194
Difference (Per Pupil)			-£905
Difference (Total Budget)			-£984,174

This should be put into the context of the maintained Nursery funding comparison. Further work is being carried out on this, but the evidence suggests that the funding level for maintained Nursery schools is also lower than the average of our statistical neighbours. Recognising the caveats and difficulties with this comparison, this data does provide a further piece of evidence, which does suggest that the Forum should consider increasing the funding for PVI providers from April 2008 by more than just inflation.

6) Conclusions and Recommendations

This report has considered the evidence collected from:

- The survey of costs of providing the free entitlement in PVI settings
- A comparison of the funding of the free entitlement in maintained Nursery schools
- A comparison of PVI funding against our statistical neighbour authorities

In summary, for PVI funding this evidence shows that:

- The current costs per session per pupil of providing the free entitlement in PVI settings are higher, in all types of PVI provider, than the current £8.40 per session funding level
- The current equivalent funding per session per pupil in a maintained Nursery school is £13.11, which is £4.71 higher than the PVI value. To increase the funding for all PVI providers up to the maintained level would cost approximately an additional £1.95m
- The level of PVI funding per session has only increased by inflation over the last 3 years, whereas the funding for maintained provision has increased at levels well above inflation
- Our total level of spend on PVI provision is £984,174 below the average of our statistical neighbour authorities

Our recommendations therefore are:

- **We seek to implement the single early years formula as soon as possible. Although we are not required by the DCSF to implement this until April 2010, we will work to introduce this from April 2009 for the 2009/10 financial year. Therefore, all recommendations on the allocation of the DSG headroom 2008-11 should be made on this basis. The EYWG will lead on this formula development work, with the Forum receiving regular updates.**
- **The cost survey has highlighted the need to fully explore the extent to which funding should be differentiated between types of PVI provider vs. the current flat rate approach. We do not have the evidence to be able to implement a variable rate approach for PVI providers from April 2008. The implementation of the single formula from April 2009 however, will solve this. Therefore, we do not plan to adjust the PVI funding formula in 2008/09. For 2008/09, the key priority is to increase the level of funding for all PVI providers.**
- **In recognition that at the point of introducing the single formula in April 2009, the funding for PVI providers will need to be increased, we recommend that additional funding is found from the DSG headroom in 2 stages, in 2008/09, and then in 2009/10, rather than waiting until April 2009.**
- **In 2008/09, we recommend that the Forum considers increasing the funding per pupil per session for all PVI providers from £8.40 to £10.00. This will cost approximately an additional £662,000. Recognising the costs figures shown from the survey, this increase will help address current cost pressures and will allocate additional resources to support the changes in the requirements of the foundation stage from September 2008.**
- **For the 2009/10 budget, the Forum considers holding a reserve to cover the additional costs of the full implementation of the single formula i.e. the additional costs of increasing PVI funding further from £10.00 up to the maintained level, recognising that the £13.11 may alter and that not all PVI providers will necessarily be allocated the same funding per pupil. The total additional costs of the single formula can be confirmed with the Forum in January 2009. We estimate that this may cost in the region of an additional £1.3m, which the Forum will need to set aside prior to April 2008.**

7) Quality Assurance of PVI Provision

We recommend that any increase in funding for PVI settings allocated by the Schools Forum is accompanied by discussions with PVI providers on the expectations of how this additional funding will be used, re-affirming the requirements and priorities for early years education in Bradford. A consultation and discussion session is planned for PVI providers in February 2008.

Early Years Foundation Stage guidance states that it is important that all providers consider how best to create, maintain and improve a setting, so that they meet the highest standards and offer the best experience for young children. All providers must continuously look for ways to improve what they are offering to children and families. This includes using self-evaluation tools, becoming involved in local authority or national quality improvement initiatives and ensuring that the views of parents are understood and considered.

The Early Years & Childcare Service in Bradford has an already established framework for supporting and challenging PVI settings to provide high quality child care, for example, through

- Providing a team of Childcare Development Officers, Foundation Stage Advisory Teachers, Area SENCO's, Childminding Co-ordinators, Business Support Officers and Play Workers who all monitor, support and advise providers in maintaining a quality experience for all children in their care.
- Monitoring OFSTED inspections and supporting early years settings to meet the recommendations identified in the reports
- A 6 monthly audit of all funded settings (not childminders), using the Early Childhood Environment Rating Scale (ECERS). This data is then used to target support.
- Publishing a bi-annual comprehensive training prospectus for all early education and childcare practitioners.

In addition, all settings sign a contract before qualifying for funding. A condition for receiving funding is the obligation to comply with quality improvement processes. Funding will be withdrawn where a provider fails to meet the obligations described in the contract.

We also now have the Early Years Working Group, a sub group of the Schools Forum, which will provide a link between the Forum, the Local Authority, maintained schools and PVI providers on funding and improvement issues.

Costs of Delivering Nursery Education Survey

1. Is your nursery:

Please delete as appropriate	
A private business	yes / no
A voluntary or not-for-profit group	yes / no

2. Do you have more than one nursery? yes / no

If yes, you may complete a single questionnaire for all your nurseries if you find this easier, but you will need to remember to add together the total number of places and children covered by your combined registrations in answer to questions 5 to 9

3. What are your opening hours?

	Monday	Tuesday	Wednesday	Thursday	Friday	Sat/Sun*
From:						
To:						

* if you are open at weekends, please give details

4. How many weeks a year are you open?

Number of weeks open each year	
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5. How many children is your nursery (nurseries) registered for?

Maximum number of children/babies under two	
Number of children aged 2-5	
Total registration	

6. How many children are currently on your register(s)?

Please refer to the total number of children on your register to attend in week commencing 29th October 2007, this should include any children who would normally attend, but may be off sick or on holiday

	Monday		Tuesday		Wednesday		Thursday		Friday	
	am	Pm	Am	Pm	Am	Pm	Am	Pm	Am	pm
0-2s										
2's										
3-4's										

7. How many children are registered with you for NEF?

Total number of children registered with you for NEF week commencing 29 th October 2007	
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8. How many NEF sessions are different children registered for?

For example you might have a total of 12 NEF children: nine registered for five sessions a week, two registered for four sessions a week and one registered for two sessions a week

Number of NEF sessions	Number of children
1 NEF session per week	
2 NEF sessions per week	
3 NEF sessions per week	
4 NEF sessions per week	
5 NEF sessions per week	

9. How has the number of NEF-funded children changed in 2007?

	Spring term 2007	Summer term 2007	Autumn term 2007
Total number of children registered with you for NEF			

10. Do you pay staff who deliver nursery education additional non-contact time for NEF planning and record keeping?

Yes/No (please delete as appropriate)

**11. What fees do you charge?
eg the cost to parent per week/day/half day or session**

Please give details

11. What are the dates of your most recent complete financial year?

Date of most recent financial year eg. April 2006- March 2007	
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12. What were your total staff costs for the latest financial year?

Total staff costs for most recent financial year (please include all paid staff, including administration, cooks and cleaning staff). The	
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total should include holiday pay, employers NI and agency staff	
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13. Do you own your premises outright or have a mortgage or lease?

Please delete as appropriate	
Own premises outright	yes/no
Pay mortgage on premises	yes/no
Pay rent on premises	yes/no

14. What were your premises costs in the latest financial year?

Please give details of your total rent/mortgage repayments for the latest financial year	
If you own your premises outright, please give details of the equivalent lease value of your premises if known* (if not known, leave blank)	
Local authority rates	

* The equivalent lease value is often calculated at between 8-12% of the value of commercial premises. It represents the income you might reasonably expect to receive if you leased your premises to another business

15. What was the combined total of all other costs in the latest financial year?

This figure should include all running costs not covered by questions 12 & 14 above, for example:

- electricity, gas, water rates, and hygiene charges
- food, toys, stationery, cleaning materials and other consumables
- insurance, subscriptions, bank charges, write-off of bad debt, legal, professional and accounting charges
- repairs, maintenance and depreciation
- printing, postage, stationery, telephone and computer costs
- staff training, volunteer costs, transport costs

Total other costs in latest financial year	
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16. Do your nursery profits provide an income/dividends/pension for any owners or directors who work in the business?

This question is only applicable for private day nurseries. For example if you own the nursery and work full or part-time in the business but take all or part of your income in the form of profits, which will not be reported as part of staff costs

Yes/No (please delete as appropriate)

16a. If yes, approximately how many hours a week do the owners/directors of the business work for the nursery?

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17. Do any volunteers regularly provide unpaid help in your nursery?

Yes/No (please delete as appropriate)

17.a If yes, please give details of the volunteer roles undertaken and approximately how many hours a week/month the volunteers work?

18. And finally, do you have any additional comments about the funding of Nursery Education provided by day nurseries?

Thank you very much for taking the time to complete this survey. All Information provided will be treated in strictest confidence for analysis purposes only and will help us to improve the way we fund nursery education.

If you have any queries concerning this survey, please contact Susan Moreau on 01274 431390 or susan.moreau@bradford.gov.uk

Your completed survey should be sent to Susan Moreau, Business Support Manager, Bradford Early Years and Childcare Service, The Wool Exchange, Hustlergate, Bradford. West Yorkshire BD1 1RE by November 15th 2007. (SAE enclosed)