

	<p style="text-align: center;">Report for Schools Forum 10 December 2014</p> <p style="text-align: center;">Report from the Operational Director, Early Help & Education</p>
<p>For Information</p>	
<p>Benchmarking Brent's NEG 3 & 4 Hourly Rates</p>	

1.0 Introduction and Background

Deprivation levels in Brent have increased steadily in the past decade. In the 2004 IMD Brent ranked 81st most deprived and by 2010 Brent was ranked 24th (in 2007 this was 53rd) most deprived out of 325 local authority districts in the Index of Multiple Deprivation (IMD). This makes Brent one of the 15% most deprived local authorities in England.

Between 2006 to 2008 over a third of children in Brent were living in poverty. This is higher than both the London and England averages for this period. Where these families have children aged 2 – 5, access to free early education is extremely valuable. Research, including the EPPE longitudinal study of 2004, has shown that disadvantaged children in particular can benefit significantly from good quality pre-school experiences, gaining advantage in intellectual and social development when they start school and the advantages of having attended persisting for up age 7.

Take-up of the free entitlement in Brent for 3 & 4 year olds has steadily increased from 81% in 2010 to 92% in 2014. Take-up of the free entitlement for eligible two year olds has also increased and 1025 children are currently accessing a two year place with an approved NEG2 provider in the borough. The DfE monitor take-up of the free entitlements for 2, 3 and 4 year olds for each borough and we are under considerable pressure to increase take-up rates even further with a target of 1776 (80% of the estimated number of those eligible) for the two year entitlement and 95% take-up for the 3 and 4 entitlement..

- 1.1 The average hourly rate charged by PVIs in Brent was £5.22 in 2013 with the rates charged by providers to parents ranging from £3.70 per hour to £16. The concern was raised at SF that NEG 3 rates do not reflect the actual costs of childcare in the borough and discourage settings from participating.
- 1.2 In response to this concern this report updates SF on the current NEG 3 rates paid by a sample of London councils including those approached for a report to the January 2012 SF.
- 1.3 The report was presented to the November 26th Early Years Sub Group as part of the consultation process who approved the recommendations of this report;

- 1.4 In 2012 the DfE introduced the Early Years Benchmarking Tool (the Tool) offering a comparison of the planned spend on 3 and 4 year olds free entitlement for all English councils. The comparator was the average hourly rate of funding through the Early Years block of DSG. The latest figures available relate to 2013/14 and the funding for London councils is included at Appendix A. The overall average for London excluding Brent was £4.76 and the rate for Brent is shown at £4.51. The actual average NEG3 funding rate in Brent was £4.25 for all providers. The difference is created by the DfE including DSG funding that is not distributed directly to providers via the EYSFF such as centrally retained elements funded through the early years DSG block. Notwithstanding this technical issue the Tool shows that for 2013/14, Brent's average was at least 25p less than that for London overall.
- 1.5 SF members will recall that the Coalition government replaced the earlier Code of Practice for the provision of the free entitlement with new, much shorter (100 pages down to 26), Statutory Guidance in September 2012. The guidance places a duty on councils to ensure parents do not pay additional fees, or 'top ups', in order to access the free entitlement.
- 1.6 We have seen a steady increase in providers, including childminders, offering NEG 2, 3 and 4 year old places but this has been accompanied by feedback that the funding rate is not adequate. At the September 2014 Schools Forum (SF) members discussed the cost pressures on the PVI sector in terms of the adequacy of funding received, through the Early Years Single Funding Formula (EYSFF), to cover the cost of delivering the 15 hours free entitlement for nursery provision for three year olds. In parts of the borough, some providers have chosen not to offer funded places as they do not see the scheme as financially viable and this is affecting sufficiency in those areas. Some providers are also increasing their overall hourly rate in an attempt to clawback from parents what they see as loss of profits with the NEG scheme. This is making childcare even less affordable for a number of low income parents.
- 1.7 Discussions with other local authorities reveal that this is a problem across London and is not just a Brent issue.
- 1.8 There are concerns that if this situation is not addressed, this will affect sufficiency of childcare places in the borough. The Pre-School Learning Alliance has just published research indicating that one hour of free childcare for three- and four-year-olds cost providers on average £4.53 to deliver, putting the funding gap at 17 per cent nationally and 20 per cent in London. There are fears that providers will end up closing down and valuable childcare places lost.
- 1.9 On a wider note, the issue of the sufficiency of funding received by the LAs from the DfE for the free childcare entitlements for two, three and four year olds has also been raised at the House of Lords in a recent hearing. Following claims that some local authorities are topping up the funding they are forwarding on to providers in order to secure sufficient places, the LGA has advised that they would back a national study assessing the sufficiency of the funding provided for the scheme.

2.0 Recommendations

The Schools Forum is asked to approve the following:

An increase of 0.15p to the NEG 3 & 4 base rate of £3.73. This would be at a cost of £503,170 which would be affordable to the Early Years Block.

3.0 Survey Responses for PVI sector

3.1 The table below summarises responses from participating councils for their PVI sector NEG3 funding. To aid comparison councils were asked to supply averages of any supplements that were variable such as the deprivation supplement.

Council	Base Rate	Dep Child (Average)	Dep Setting Location (Average)	Quality (Average)	Flexibility (Average)	PTE Payment	Non-contact Time	Fixed Cost & Profit Overhead	2014/15 Total Equiv Hrly Rate	2011/12 Hourly Rate
Brent	3.58	0.73							4.31	3.96
Harrow	3.60	0.11						0.12	3.83	3.83
Hounslow	4.45	0.55		0.18					5.17	3.67
Hillingdon	4.02	0.36		0.18					4.56	4.68
Camden	3.21	0.06			0.15		0.49	0.88	4.79	4.59
Westminster	3.09	0.64	0.12	0.16	0.35				4.36	4.29
Barnet	3.76	0.28			0.13	0.18			4.34	
Haringey	3.91	0.48		0.11	0.40				4.90	
RBK&C	3.65	0.51							4.16	
Hammersmith & Fulham	3.57	1.22							4.79	
Average of respondents									4.52	4.20

3.2 Brent's current EYSFF structure reflects the agreement of SF in January 2012 to simplify the formula following exhortations from the Coalition Government. The meeting approved the ending of the quality and flexibility supplements with the funding transferred to the statutory deprivation supplement.

3.3 The average 2014/15 NEG3 hourly rate of the respondents is £4.52 compared to Brent's £4.31.

4.0 Financial Commentary

- 4.1 If NEG3 funding was increased by 15p to the sample average of £4.46 the full year cost would be around £500,000 to be funded from the early years DSG block. To assess overall affordability the table below sets out the financial impact of a range of incremental increases up to a 15p maximum. The working assumption is that any increase would be added to the base rate.

Increase p per hour	2014/15 Annual Hours	New Base Rate	Additional Annual Cost £	Average Dep	Total NEG3 Rate
0.05	3,354,466	3.63	167,723	0.73	4.36
0.10	3,354,466	3.68	335,447	0.73	4.41
0.15	3,354,466	3.73	503,170	0.73	4.46

- 4.2 NEG3 & 4 paid to all schools and PVI's is funded from the Early Years block of DSG:

Category	£m
PVIs (including childminders)	7,257
Maintained Nursery Classes	5,507
Maintained Nursery Schools	2,114
Children in Need/With disabilities (respite nursery provision)	1,027
Quality Assurance	577
Marketing, Training and Incentivising PVI's	154
Early Intervention	400
Total	17,036

5.0 Conclusions

- 5.1 The sample survey indicates that Brent's average EYSFF hourly rate of £4.31 for the PVI sector is 15p an hour below the sample average of £4.46. If Harrow at £3.83 were excluded then the sample average increases to £4.59. Harrow have not increased their rates since inception of the EYSFF in April 2010 and are currently out to consultation on proposals for an increase from April 2015.
- 5.2 Figures from the 2013/14 DfE Tool also illustrate that across London Brent's average funding rate at £4.51 is below the overall average of £4.76. The 2014/15 benchmarking Tool has not yet been published.
- 5.3 The pressure on the council to ensure sufficient places both for the two year entitlement and the 3 and 4 year entitlement remains. We have yet to reach the 80% target in take-up amongst eligible two year olds and the 95% for 3 and 4 year olds. It is essential that we have enough capacity of high quality places across the borough

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to meet this demand and there are still some Good and Outstanding providers in the borough who are choosing not to provide 2, 3 or 4 year old places as they feel it is not financially sustainable with the current rates.

- 5.4 Given the fact that Brent's funding rate has been consistently below average since 2011 and that this has led to settings potentially dropping out of the programme, a review of the funding rate would be timely in order to ensure that providers are being paid at a rate which makes delivery of the free entitlement sustainable for the provider.

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Appendix A

2013/14 DfE Early Years Benchmarking Tool Funding Rates for 3 and 4 Year Olds
(lowest to highest)

Richmond upon Thames	£3.68
Redbridge	£3.76
Bexley	£3.85
Barking and Dagenham	£3.87
Kingston upon Thames	£3.87
Croydon	£3.97
Enfield	£3.99
Bromley	£4.03
Harrow	£4.14
Havering	£4.14
Ealing	£4.31
Sutton	£4.34
Waltham Forest	£4.45
Brent	£4.51
Newham	£4.51
Barnet	£4.57
Hounslow	£4.58
Merton	£4.60
Greenwich	£4.61
Islington	£4.62
Hillingdon	£4.65
Haringey	£4.68
Lewisham	£5.41
Hackney	£5.43
Tower Hamlets	£5.47
Wandsworth	£5.52
City of London	£5.78
Southwark	£5.80
Lambeth	£5.88
Kensington and Chelsea	£5.89
Camden	£6.27
Westminster	£6.81
Hammersmith and Fulham	No Figures .

London average excluding Brent = £4.76