

REPORT TO: Schools Forum

DATE: 16th October 2014

REPORTING OFFICER: Senior Finance Officer, Financial Management Division

SUBJECT: Early Years Funding for the Private, Voluntary and Independent Sector in 2015-16

1.0 PURPOSE OF REPORT

1.1 To report to the School Forum a request for an increase in funding to the Private, Voluntary and Independent Early Years providers in Halton

2.0 RECOMMENDATION

RECOMMENDED:

- (1) That the report be noted and
- (2) That School Forum acknowledges the increase in costs in the PVI sector and the required increase the overall funding provision by £100,000 for 2015-16.

3.0 SUPPORTING INFORMATION

3.1 The Early Years Single Funding Formula was introduced in Halton in April 2011. The aim was to improve fairness and transparency in the way that funding is allocated to all providers. The method of calculating the formula changed for April 2013 with the introduction of the revised funding regulations.

3.2 Since 2010-11 the level of DSG funding has not increased in real terms. Although this has put a strain on all areas the Private, Voluntary and Independent (PVI) providers of Early Years free entitlement for 3 & 4 year olds have been particularly hit by the lack of increase in funding.

3.3 PVI's by their nature employ some staff on the minimum wage. In 2010-11 the minimum wage for a person aged 21 or over was £5.93 per hour. From 1st October 2014 it is now £6.50 per hour. This is an increase of 9.61%. Within the maintained Early Years sector, employees are paid above the minimum wage.

3.4 The numbers of children taking up the free entitlement hours has increased over the same period from 743.11 full time equivalent (fte) children to 812.22 fte – a 9.3% increase.

3.5 The total funding allocated to the PVI sector has increased – from £2,465,488 in 2010-11 to £2,692,796 in 2014-15. This is an

increase of 9.2%.

3.6 While the total budget has almost kept up with the increase in participation, no account has been taken of the statutory increases in the minimum wage.

3.7 We also need to be aware of the new pension requirements that are coming into effect from April 2015 whereby the settings need to buy into a pension scheme on a staged basis between April 2015 and April 2017. This will require employers to incur set-up costs with finding a pension provider and then contribute 1% of employee earnings.

3.8 After careful consideration we are proposing to transfer £100,000 from the Primary budget to the PVI budget to allow for a small increase in the amount per hour paid. This will be an increase of 3.7% in their total funding. If we do not do this, there is an increased risk that some early years providers will no longer take in children under the free entitlement scheme as they will not be able to afford to do so. This in turn will require further provision from the maintained sector which by its nature is more expensive than the PVI sector.

3.9 In 2014-15 the total budget for primary Schools in Halton is £39,301,520. Therefore the reduction of £100,000 represents just 0.25% of primary school funding.

4.0 **POLICY IMPLICATIONS**

4.1 None

5.0 **OTHER IMPLICATIONS**

5.1 None