

Early Year Funding Reform



**Analysing the cost of
delivering the nursery
education free entitlement in
the Private, Voluntary and
Independent sector**

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INTRODUCTION

1. The Department for Children, Schools and Families (DCSF) announced in June 2007, a number of changes to how the free entitlement to early learning and care for three and four year olds will be funded through local authorities.
2. To support the reform, local authorities are required to carry out an analysis of the costs of providing the free entitlement in the Private, Voluntary and Independent (PVI) sector in their area, and present this to the Schools Forum before setting the Schools Budget for 2008/09.
3. From 2009/10 all local authorities are required to introduce consistent pupil counting between the maintained and PVI sectors.
4. To support the extension to 15 hours and increased flexibility of the free entitlement to high quality early years education and care, local authorities are required to develop and introduce a single local formula for funding early years provision in the maintained and PVI sectors by 2010/11 at the latest.
5. An Early Years sub-group of the Schools Forum was established during the summer term 2007, to consider all areas of the reform. The group included wide representation from:
 - The PVI sector including full day care settings, sessional providers and childminders.
 - Maintained nursery providers
 - Local authority elected members
 - Local Early Years Partnership
 - Local authority early years and finance officers

A full sub-group membership list has been included in Appendix A.

6. This report covers the first step of the early years reform, analysing the costs in the PVI sector. The report will outline the process undertaken and the results determined.

EXECUTIVE SUMMARY

1. The Early Years Subgroup of the Plymouth Schools Forum report the average cost of early learning and care within the Private, Voluntary and Independent sector of the City of Plymouth as follows:

Average Total cost per child per hour at Full Day Care Settings £3.65
(Highest £5.89, Lowest £2.43)

Average Total cost per child per hour at Sessional Settings £3.33
(Highest £5.72, Lowest £2.06)

Average Total cost per child per hour for Childminders £3.00

2. This analysis concludes the first step of the early years reform only. Further elements of the early years reform will consider the appropriate level of funding for the free entitlement across all sectors. No conclusions or assumptions should be drawn from the above at this early stage.

PART A – WORKING IN PARTNERSHIP

1. Early buy-in to the analysis by key stakeholders was vital to achieving the objective. The parameters of the exercise were discussed and agreed by the early years sub-group, including how the exercise would be carried out and how providers would be fully involved.
2. Building a relationship of trust with the PVI sector was a key aim of the sub-group. It was recognised that providers would not be keen to share commercially sensitive data. A mix of communication methods were used to make all providers aware of:
 - a) Why this was being done – that the analysis is part of an on-going process to reform the funding of the free entitlement, working towards the introduction of a single formula and a more consistent and transparent approach to funding the free entitlement across sectors.
 - b) What the process involved, including key dates/milestones.
 - c) Who was involved, to ensure different types of provision were represented.
 - d) What information they would be asked to provide.
 - e) How commercial sensitivity would be respected and information shared would be anonymous.
3. Communication methods used included:
 - a) A flyer introducing the review and setting out what would be happening was sent to all providers (including mainstream). A copy of the flyer is shown as Appendix B.
 - b) The review was presented at the local Early Years Partnership meeting and provider events and information sessions.
 - c) A personalised letter was sent with the provider questionnaire, detailing all the points in paragraph 2 above.
 - d) Local members of the National Day Nurseries Association (NDNA), Pre School Learning Alliance and Child Minders Association who were involved in the review, promoted the review through their local forums.

PART B – DEVELOPING THE EVIDENCE BASE

1. The early years sub-group designed a questionnaire to be sent to all providers. The questionnaire built on a DCSF model published in August 2007, adding a more detailed section on financial data. A sample of the questionnaire is shown in Appendix C.
2. In order to minimise the administrative burden on providers, some information held by the local authority was pre-populated on the questionnaire.
3. All providers were sent a personalised questionnaire and return date. The form contained details of a helpline to contact with any queries.
4. Non-returned questionnaire were followed up by the sub-group, to maximise provider involvement. Providers were reminded at every event to return questionnaires and the importance of contributing to the review.
5. The response rate of PVI questionnaire can be seen in the table below, analysed by type of setting.

Type of Setting	Number sent out	Number Returned	% returned	No returned with finance data	% returned with finance data
Full Day Care	82	50	60.98%	41	50.00%
Sessional	23	12	52.17%	11	47.83%
Childminder	9	3	33.33%	0	0.00%
Total	114	65	57.02%	52	45.61%

6. Given the fact that child minders have not supplied any financial data, the analysis of PVI costs will concentrate on the Full Day Care and Sessional providers. The average hourly rate charged by child minders (**£3.00**), will be assumed as the cost of this type of setting.

PART C – ANALYSING THE DATA

1. The following steps outline the process undertaken to analyse the data received.

Step 1 – Identifying Limitations of the Data

Possible limitations to the data were identified and an assessment made regarding how the impact of limitations could be minimised, to provide maximum benefit from the data received.

i) The responses received should provide a good sample of the different provider groups.

An early assumption was made that costs, to some degree, would be linked to the type of setting i.e. Full Day Care, Sessional or Childminder.

Given that the majority of settings fit within the full day care or sessional categories and the response rate was 61% and 52% respectively, it was evident that a good sample of different provider groups had been gathered.

ii) Providers could have completed the questionnaire in different ways.

The questionnaire asked providers to split the financial information between the different age groups and type of cost. For example, Level 2 staff costs for under 2 year olds, 2 year olds and 3 and 4 year olds. Many providers found this task impossible to complete. With an incomplete data set in this area, costs could not be analysed accurately over the different age ranges. Given that many full day care settings will make losses on the 2 and under provision which is covered by surplus on 3 and 4 year olds, care should be taken when relating a 'total provider' cost per hour to funding for 3 and 4 year olds.

iii) Can we be assured that the data is accurate?

Although it is difficult to find methods of verifying data supplied by private providers, it has been possible to:

- a) Check for reasonableness. Provider costs were reviewed and compared to similar providers. The reasons for material

differences were assessed and a judgement made as to whether the costs would provide an accurate comparator.

- b) Cross check against other data sources where possible i.e. cross checking funded hours recorded against funding claim forms.

Step 2 – Identify Similarities

Qualitative factors supplied were reviewed to identify similarities in the characteristics of providers. Qualitative factors included:

- no of weeks open per year
- no of hours open per week
- owned or rented premises
- age range attending the setting
- ownership structure

This analysis allowed providers to be split into comparable groups.

Step 3 – Assessing Hourly Costs of Early Learning and Care

Providers were asked to provide a breakdown of costs based on the latest set of accounts. The total cost reported has been equated to an hourly cost of early learning and care for each provider. The following tables show the minimum, maximum and average cost per hour for the main areas of PVI expenditure.

Staff Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£1.34	£4.82	£2.74
Sessional	£2.31	£4.74	£2.69

Rental Premises Costs per hour			
	Minimum	Maximum	Average
Full Day Care	£0.20	£0.51	£0.37
Sessional	£0.13	£0.77	£0.31

Owned Premises Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£0.20	£0.66	£0.37
Sessional	£0.01	£0.53	£0.27

Resources Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£0.02	£0.25	£0.09
Sessional	£0.04	£0.26	£0.13

Admin Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£0.02	£0.30	£0.08
Sessional	£0.01	£0.17	£0.05

Catering Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£0.02	£0.31	£0.11
Sessional	£0.04	£0.09	£0.06

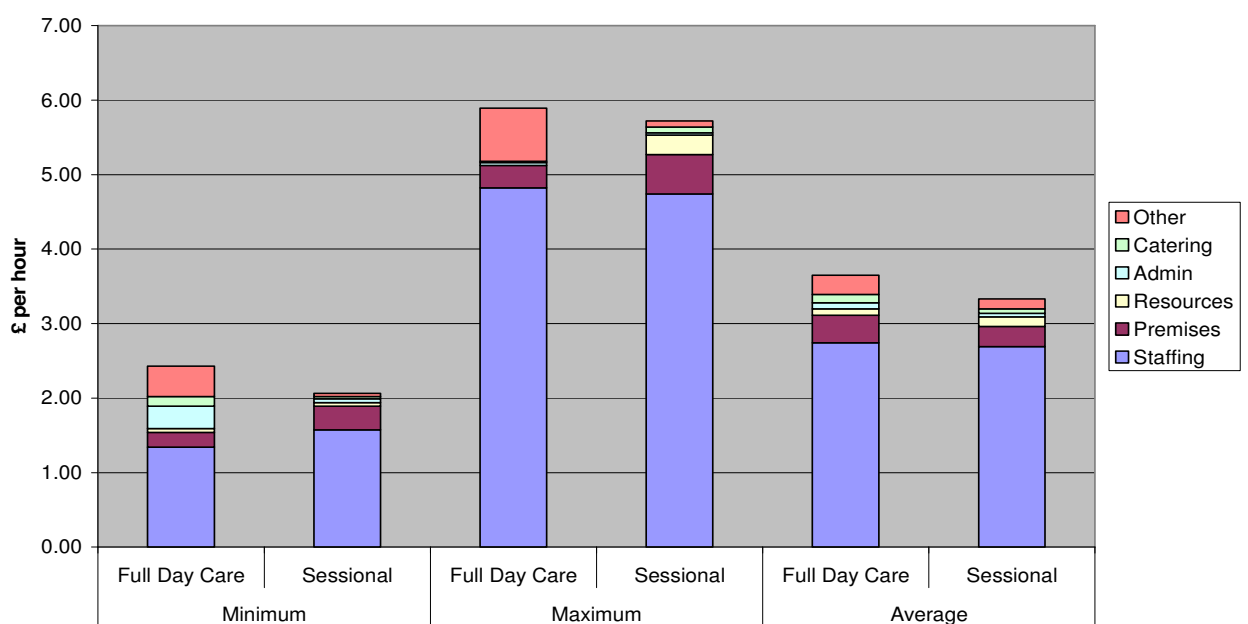
Other Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	£0.06	£0.71	£0.26
Sessional	£0.02	£0.41	£0.13

The above charts show the minimum, maximum and average for each component part of the costs identified. For example, the provider with the maximum staffing cost may be different from the provider with the maximum administration costs.

The charts below show the full day care and sessional providers with the minimum, maximum and average total cost, broken down into the component parts.

Total Costs per child hour			
	Minimum	Maximum	Average
Full Day Care	2.43	5.89	3.65
Sessional	2.06	5.72	3.33

Breakdown of PVI Costs per hour



Step 4 – Explore Differences

On reviewing the hourly costs of each provider, it became apparent that some providers with similarities in qualitative factors actually had very different hourly costs. Explanations for such differences were explored. The following example highlights one such difference.

Provider 1

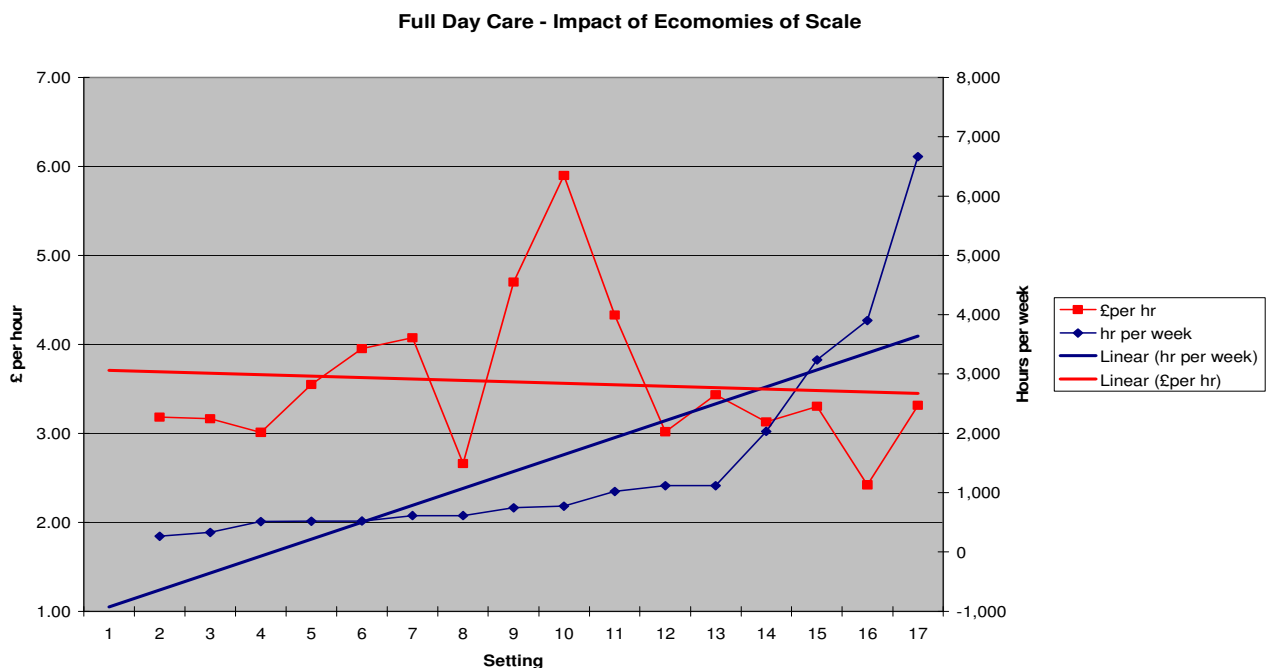
Open for 38 weeks per year
 Provides 290 hours of care per week over morning sessions
 Age range – 2 year olds to 4 year olds
 Operating in a church hall
 Cost per hour = £2.77

Provider 2

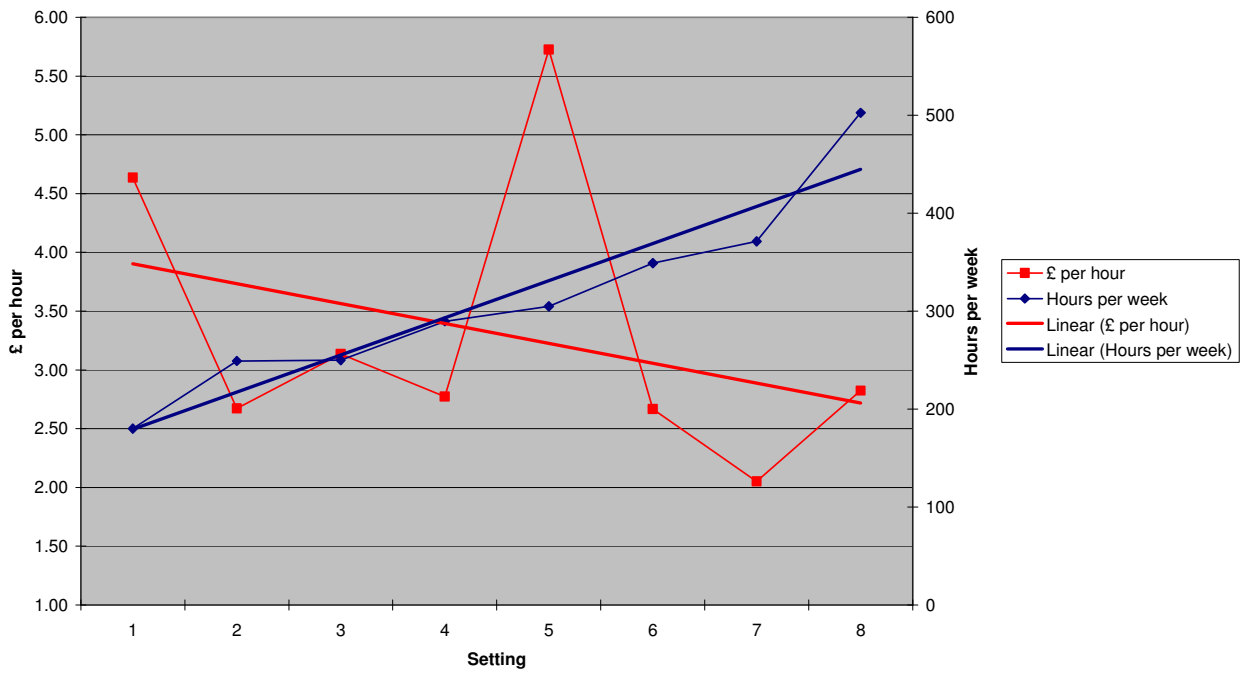
Open for 38 weeks per year
 Provides 250 hours of care per week over morning sessions
 Age range – 2 year olds to 4 year olds
 Operating in a church hall
 Cost per hour = £3.13

Difference is explained by Provider 1 receiving rent free premises from the church, whereas Provider 2 is charged rent.

Major differences between the minimum and maximum costs were proved to link to economies of scale. Larger providers were able to operate more efficiently, reducing the hourly cost. The following charts demonstrate the relationship between the number of hours and the cost per hour.



Sessional Providers- Impact of Economies of Scale



As the number of hours per week increase, the cost per hour decreases.

Step 5 – Draw a Conclusion

On the basis of the financial information provided and the consideration of similar provisions, the average total cost per hour for full day care, sessional and child minders has been determined as representing the most accurate position for PVI settings in Plymouth.

PART D – PRESENT AND PUBLISH

1. Plymouth City Council has a duty to ensure all 3 and 4 year olds have access to free early learning and care. The duty supports the Authority's wider responsibility to improve the outcomes for all young people and narrow the gap in achievement.
2. The following table shows how the free entitlement is delivered in Plymouth and the important role the PVI sector plays in it.

Type of Setting	Sector	No of Settings	No of Pupils
Full Day Care	PVI	71	1,904
Sessional Day Care	PVI	29	679
Independent Schools	PVI	4	85
Child Minders	PVI	4	6
Nursery Schools	Maintained	2	146
Nursery Units	Maintained	21	795

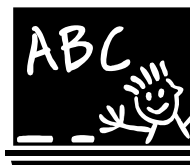
Data taken from the Spring 2007 Term Headcount

3. The report will be considered by the Schools Forum on 03 March 2008 and published on the Plymouth City Council website.
4. The analysis will underpin the future move to a single formula. It will enable the Authority to consider how funding is distributed to providers and the impact this is having on providers' sustainability and ability to invest in the services they are providing.
5. A similar analysis will be carried out to determine costs in the maintained sector.

APPENDIX A

NAME	ESTABLISHMENT	POSITION
Cllr Mary Aspinall	Plymouth City Council	Councillor
David Bradford	Elburton Primary	Headteacher
Sandie Roberts	Mount Street Primary	Headteacher
Lynda Chapman	Plymbridge Nursery	Headteacher
David Milon	Marlborough Primary	Governor
Allan Wright	Going Places Nursery	PVI Sector
Alison Roberts	Devon Childminders Association	PVI Sector
Natalie Harrison	Pre-School Learning Alliance	PVI Sector
Gay Hickling	Plymouth City Council	Officer
Viv Cox	Plymouth City Council	Officer
Maria Hollett	Plymouth City Council	Officer
Suze Boot	Plymouth City Council	Officer
Helen Maddaford	Plymouth City Council	Officer
Kay Fice	Plymouth City Council	Officer
Robert Owens	Plymouth City Council	Officer
Anita Martin	Plymouth City Council	Officer

EARLY YEARS FUNDING REFORM



!!! ATTENTION ALL PVI SETTINGS !!!



“A fundamental review of early years funding for both the maintained and PVI sector is currently taking place”

Why?

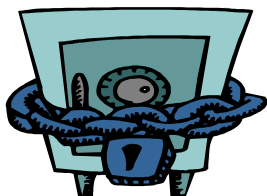
To support the extension to 15 hours free entitlement by 2010 with increased flexibility, the Department for Children, Schools and Families (DCSF) require all local authorities to:

1. Analyse the cost of PVI settings by March 2008
2. Introduce a consistent pupil count for maintained and PVI settings from 2009/10
3. Introduce a single funding formula for both maintained and PVI settings by 2010/11

How will this impact on you?

A questionnaire developed by the DCSF and the Funding Review Group will be sent to PVI settings on 29 October 07, requesting information on the cost of provision

It is vital that all questionnaires are completed as the success of the review depends on the information received



Your data is safe with the Review Group as the local authority will ensure that commercial sensitivity is respected and information shared will be anonymous

Local members of the NDNA, Pre School Learning Alliance and Child Minders Association are actively involved in this review as members of the Funding Review Group.

PRIVATE, VOLUNTARY AND INDEPENDENT PROVIDER QUESTIONNAIRE

APPENDIX C

For Queries please contact:	Robert Owens
Telephone Number:	01752 307428

Return Date:
09 November 2007

		Information Required	Please Insert Responses referring to the Notes for Guidance as required			
1	Please insert the name of your organisation	Name of Provider Organisation	Any Childcare Unit			
2	Please enter the name of the person completing the survey	Name of Respondent				
3	Please enter the position held by the respondent (for example – owner, manager, supervisor)	Position of respondent in Provider Organisation				
4	Please indicate which sector your setting is in	Please tick the relevant box to indicate whether you are a Private (P), Voluntary (V) Independent School (I) or (C) Childminder setting	P	V	I	C
	And please indicate whether you offer only sessional care or full day care.	Please tick the relevant box to indicate whether you provide Sessional (S) or Full Day Care (F) provision	S		F	

5	Please indicate whether your organisation is:	OWNERSHIP STRUCTURE	<i>Please tick whichever applies</i>		Number
		- Privately owned and managed			
		- Limited Company			
		- Member of larger voluntary sector group (identify the total number of nurseries/settings in the group)			
		- Other form of ownership			
		- Voluntary sector			

6	Please specify the ages of children who attend by the three age bands specified	Age range attending (please tick all the boxes which apply)	Under 2 years	2 years	3 and 4 years	Other

7	Please set out the days of opening per week and the hours you open each day	Opening Hours	Mon	Tue	Wed	Thur	Fri	Sat	Sun	
		- Days of opening per week (please tick every day you are open)								
		- Opening Times (please use 24hr clock)								
		- Closing Times (please use 24 hr clock)								
		Number of weeks open per year e.g. 38 weeks, 50 weeks								
	Please indicate whether you are closed at any times of day i.e. over lunch	Closure at particular times of day								

8	Please provide details of the hours of care per week for children attending by age band for week 15-19 January 2007:				
	Under 2 years	2 years	3 and 4 years	Other	Total
Total hours of care per week					
Funded hours of care per week					

Premises Costs:

Utilities

Insurance

Under 2 years	2 years	3 and 4 years	Other	Total
£	£	£	£	£

Business Rates

Commercial Rent

Cleaning

Maintenance

Total Premises Costs

--	--	--	--	--

Supplies and Services:

Resources

Admin Supplies

Catering Supplies

Total Supplies and Services

--	--	--	--	--

Other Costs:

Professional Fees

Directors' Drawings

Interest Paid

Other

Total Other Costs

--	--	--	--	--

TOTAL EXPENDITURE

--	--	--	--	--

Signed:

Print Name:

