

READING BOROUGH COUNCIL

REPORT BY FINANCIAL SERVICES

TO:	READING SCHOOLS FORUM		
DATE:	14 MAY 2015	AGENDA ITEM:	7
SUBJECT:	EARLY YEARS UPDATE		
SERVICE:	EDUCATION, CHILDRENS'S & EARLY HELP SERVICES	WARDS:	All
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JOB TITLE:	HEAD OF EARLY YEARS/ CORP FINANCE BUSINESS PARTNER	E-MAIL:	theresa.shortland@ reading.gov.uk russell.dyer@reading.gov.uk

1 PURPOSE OF REPORT

- 1.1 To update Schools Forum on the key issues on the early years block since the last meeting.

2. RECOMMENDED ACTION

- 2.1 To agree that block funding for nursery schools on rent and rates for 15/16 of up to £50k in total (pending the full review of the formula for 16/17) per the Report at Appendix 1.
- 2.2 To note per the earlier report that there has been a transfer of £0.7m of funding within the early years block to the high cost block, with the conditions to be agreed with the EYSFF group at its next meeting. Funding of circa £1.2m is being carried forward from 14/15 into 15/16 which will be sufficient for to meet commitments for 2 year olds places and also to hold in place a contingency for the change to participation funding in 15/16.

3 EYSFF GROUP

- 3.1 The latest group meeting was cancelled but a further meeting is being arranged.

4 BLOCK FUNDING OF RENT AND RATES FOR NURSERY SCHOOLS

- 4.1 At the last meeting the rates for 2015/16 were agreed. Given the benchmarking undertaken identified that rates paid for nursery schools and nursery classes in primary schools were slightly below average and therefore a review was undertaken to look at block funding areas in those phases where certain fixed costs have increased materially between 2011/12 when the rate was set and 2015/16, for example on rent and rates. For primary schools the rates are

funded through the schools block so the scheme would not be applicable to them. The PVI rate was found to be above the benchmark level and therefore block funding would not be applicable to that sector either.

4.2 A review was therefore commissioned and the report is attached as Appendix 1 to this report. School Forum is asked to approve these recommendations, namely:

- It is our proposal to block fund the £10k increase in rents at New Bridge Nursery for the 2015/16 financial year which would equate to £9,167 reflect that it would be from 1 May 2015.
- For the increases in rates between years for nursery schools (cost £28k. before transitional reliefs), we would propose to block fund the increase in rates as a one off basis in 2015/16. We understand that some schools where there have been large increases may obtain transitional reliefs so this figure will be reduced to reflect that.
- We would propose to block fund Caversham nursery £13k in 2015/16 given its unusually large rates bill.

4.3 The cost of the block funding identified above may be up to £50k and will be funded within the early years block.

5. BUSINESS RATES & CHILDCARE PROVIDERS

5.1 We have received the email attached as Appendix 2 to this report from the National Day Nurseries Association requesting LAs to consider granting rate relief to childcare providers, drawing LA's attention to the DCLG letter below and noting that in particular ministers encouragement to consider using powers "to provide relief to childcare providers where there is a clear community benefit, such as where it would help with narrowing the gap, school readiness, or maternal employment".

<https://www.gov.uk/government/publications/12015-business-rates-and-childcare-providers>

5.2 The Authority will be considering its position in this area post the election and will come back with any proposals.

6. 2 YEAR OLDS

5.1 The key update in relation to the above was the completion of the 4th round of capital and revenue bids with the decision of the Authority to award grant of £200k revenue and £100k, towards the creation of 118 places across the borough.

5.2 Take up of places has increase from 34% (Autumn 14) to 68% at the last count. This has been down to the actions of the Task Force set up by the Early Years Manager and this increase is the highest within the Southeast. There are further actions ongoing to improve take up and the supply of places and there has been a further round of capital bids to increase the take up further.

8 PROVISIONAL FINANCIAL OUTTURN

- 8.1 The provisional outturn for 2014/15 shows a carry forward from 2013/14 of £1.3m and the 14/15 underspend of £0.8m due to the phasing of 2 year olds giving a surplus of £2.1m, which was broadly in line with the forecast. Taking into account the need for revenue (including a place funding contingency of £0.2m) and place creation commitments of £1.4m (split: £0.2m capital and £1.2m revenue), this leaves a balance of £0.7m.
- 8.2 The EYSFF is satisfied that there is around £0.7m which can be transferred to the high needs block in 2014/15 to fund the identified pressure. However the EYSFF have stated that this transfer is conditional and these conditions will be worked up at the next meeting of the group.

Appendix 1:

Proposal to block fund exceptional increases in rent and rates in Nursery Schools

Background & Rationale

At the EYSFF group meeting it was agreed that the rates for 2015/16 would be as per table 2 below. Given the benchmarking undertaken identified that rates paid for nursery schools and nursery classes in primary schools were slightly below average and therefore a working group (Lisa Bedlow & Madeline Cosgrove supported by officers) has been set up to look at block funding areas in those phases where certain fixed costs have increased materially between 2011/12 when the rate was set and 2015/16, for example on rent and rates. The PVI rate was found to be above the benchmark level and therefore block funding would not be applicable to that sector.

The Group has agreed that a full review of the funding rates will be commissioned in good time for the 2016/17 financial year and this would also consider how the deprivation supplement will work with regard to the pupil premium. This will also take account for 2 year old funding rates.

Applicability to Nursery Classes in Primary Schools

Primary Schools have their business rates paid separately and also do not pay rent so this proposal would not apply to them.

Rents

The only nursery school which this applies to is New Bridge Nursery. The original rates were £17 pa. which was built into the EYSFF funding rates in 2011/12. There is a proposal to increase the rent to £27k pa w.e.f. 1 May 2015 (this is currently being challenged). When the rates were originally set in 2011/12 there was a £0.36 supplement in the hourly rate to reflect the rents factor (see Appendix 1 for detail & funding received v actual)

Recommendation: It is our proposal to block fund the £10k increase in rents at New Bridge Nursery for the 2015/16 financial year which would equate to £9,167 reflect that it would be from 1 May 2015.

Business Rates

Within the EYSFF there is a £0.24 supplement to reflect the costs of business rates when the rates were originally set in 2011/12 (see Appendix 2 for detail & funding received v actual). We have noted that there is a large variability in the rates paid by each of the nursery schools in 2015/16 (2011/12 in brackets) and an increase between years, as follows:

Norcot £11,609 (£3,249) = £8,360 increase

New Bridge £4,792 (£3,430) = £1,362 increase

Blagdon £18,155 (£4,655) = £13,500 increase - understand that £12,085 is payable 15/16 due to transitional relief

Blaggrave £6,196 (£1,667) = £4,529 increase

Caversham £24,206 (£24,999) = £793 decrease

Total Increases = £27,751, before transitional relief is applied

Total Decreases = £793

Recommendation: For the increases in rates between years as identified above, we would propose to block fund the increase in rates as a one off basis in 2015/16, less any transitional relief.

We have noted the unusually large business rates bill for Caversham we would propose to fund the average difference between the 2015/16 and the 2011/12 between it and the next highest bill which is Blagdon as follows:

2015/16 difference is £6,051

2011/12 difference is £20,344

Average to be block funded in 2015/16 is £13,198.

Recommendation: We would propose to block fund Caversham nursery in 2015/16 the above sum given its unusually large rates bill.

We are currently reviewing the applicability of reliefs to nursery schools and there is currently an appeal in place at Caversham Nursery. This needs to take into account day care and the recent ministerial call for rate relief for private nurseries including day care.

Funding of Block Funding

We will seek to fund the £50k identified above from any available headroom in the early years block. If this is not possible we may need to make an adjustment to the current rates payable within the sector.

Participation funding.

The nursery schools are funded on the basis of the take up of places which is another factor that can impact on the sustainability of their income.

The table below provides a picture of the take up of places for the early education entitlement in nursery schools in February 2015.

School	Am places	Pm places	Total	Full Time in Nursery				Part Time in Nursery				Vacancies
				N1	N2	R	TOTAL	N1	N2	R	TOTAL	
Nursery Schools												
Blagdon Nursery	80	80	160		6		6	23	85		108	52
Blagrave Nursery	40	40	80				0	7	71		78	2
Caversham Nursery	49	49	98				0	38	50		88	10
New Bridge Nursery	65	65	130				0	46	80		126	4
Norcot Nursery	90	90	180		1		1	109	42		151	29
	324	324	648	0	7	0	7	223	328	0	551	97

Appendix 2: Email to LA from NDNA

From: Lynn Hepworth (NDNA) [<mailto:Lynn.Hepworth@NDNA.org.uk>]

Sent: 08 April 2015 16:24

Subject: Business Rates and Childcare Providers

cc. Director of Children's Services, Head of Early Years

The following letter has been sent out to the Chief Finance Officer

Dear Chief Finance Officer

Business Rates and Childcare Providers

High quality childcare makes a significant impact in narrowing gaps for the most disadvantaged children and giving all children the best start in life. Childcare provision is also an essential ingredient for economic growth – nurseries provide childcare for one million children supporting parents to work and take up training and employ a workforce of 200,000. In recognition of the vital role of childcare in local communities, ministers recently wrote to Chief Finance Officers encouraging authorities to consider using their powers to provide relief to childcare providers – Business Rates Information Letter 1/2015

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395333/BRIL_1_-_2015_-_General_-_14_Jan.pdf

The letter reminds authorities that central will fund government 50% of the cost of any local discount granted.

As the national charity and membership association for nurseries, National Day Nurseries Association's mission is promoting quality in early years. A key issue for nurseries is balancing their books so they can deliver high-quality childcare, whilst remaining sustainable and keeping fees affordable for parents.

Affordable childcare in turn is critical to enabling children to access the benefits of early learning and supporting parents to be economically active. NDNA's most recent national nursery survey showed nurseries' average annual business rates were £16,000, with average rateable values of £30,000. A great majority of nurseries therefore are unable to benefit from existing small business rate relief. Nurseries are generally small businesses working on low margins, Department for Education research shows 35% do not make a profit and profit levels are modest with six in ten nurseries making an annual profit of less than £10,000, business rates therefore have a significant impact on sustainability.

NDNA has welcomed the ministerial move to encourage local authorities to offer business rates discounts. I would be grateful if you would let me know how your local authority is responding to the call from ministers and whether you will be moving forward with discounts for childcare providers.

We are encouraging our members locally to open a dialogue with their council to seek this discount and use the additional support to provide sustainable, high-quality childcare. At NDNA we would be very pleased to work with you to engage with nurseries and support further the development of a healthy, high-quality local childcare offer. We work with a number of local authorities across England delivering programmes to improve the quality, sufficiency and sustainability of childcare, focusing on constructive partnership between providers and local authorities.

If you would like to discuss how we could support you, please do contact my colleague Patricia Hanson, Director of Strategic Partnership and Development on telephone number 01484 407073, email patricia.hanson@ndna.org.uk

Yours faithfully
Purnima Tanuku

Purnima Tanuku OBE
Chief Executive
National Day Nurseries Association