

LANCASHIRE SCHOOLS FORUM

Date of meeting 16 March 2023

Item No 13

Title: Recommendations of the Early Years Block Working Group

Appendix

Executive Summary

On 7 March 2023, the Early Years Block Working Group considered a number of reports/topics, including:

- Early Years Rates
- Early Years Recruitment
- Early Years Block Budget 2023/24
- Early Years Block Additional High Needs Funding
- Clawback

Recommendations

The Forum is asked to;

- a) Note the report from the Early Years Block Working Group held on 7 March 2023;**
- b) Ratify the Working Group's recommendations.**

Background

On 7 March 2023, the Early Years Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Early Years Rates

Steve Little (Principal Estates Surveyor) attended to provide further information regarding business rates (NNDR – national non domestic rates) .

He has thanked the group for invitation and presented a presentation on the topic which was shared with members after the meeting.

The group noted that the rateable values are initially set by the by Valuation Office Agency (VOA) which are supported by legislation in place and the VOA Rating Manual that applies to valuation principles and practices in arriving at rateable values for commercial properties.

In relation to valuation, it was explained that the basis of valuation may differ – with an initial preference towards a rental method where evidence exists but in the absence of such the contractors (rebuild cost) being adopted.

VOA practice notes state that separately assessed Local Authority nursery schools and Children's Centres are to be valued as vacant and to let, restricted to a use with the same mode and category but not specifically as a local authority nursery school. Therefore, it is not assumed that the local authority is the only potential occupier.

As a result, it is appropriate to think about whether a private operator would be likely to bid for the property if it was vacant and to let. If so, it should be valued based on comparable private nurseries and day-care facilities. If the hereditament (property) by virtue of its nature and/or location would not be likely to attract a private operator as a hypothetical tenant, then a rental/comparative basis cannot be used, and the contractor's basis should be adopted.

8.7 section of the manual states "Nursery elements which form part of a primary or all age school should be assessed in accordance with the guidance in Rating Manual Sections 590 and 820 as appropriate". Therefore, a nursery within a school would be incorporated within the school assessment and valued in accordance with section 590 which advocates the contractor's basis of valuation. Such nursery areas will be valued but no design size adjustment will be applied even if applied to the main school .

In summary the valuation approach is:

Contractor's Basis is to establish what it would cost to construct a substitute hereditament of the same size on a cleared site. This followed by various adjustments for age and obsolescence, location – over capacity to assess the rate.

The rental basis focuses on the evidence already available in the market and other factors like space and location.

Billing

Steve further explained how the rates are calculated and how future rates include a transitional period with consideration for increase in inflation;

Billing Authority is the local authority and not the county.

Rateable Value x multiplier = bill with the national multipliers based on RV level

Small business rate 0.4999 / standard rate 0.512 (below £51,000 / £51,000 RV or above)

Transitional relief – ups and downs – downward relief abolished going forward

To illustrate transitional relief if your bill is increasing from 1 April 2023 then this increase will be phased in in accordance with the percentages below

Rateable value	2023 to 2024	2024 to 2025	2025 to 2026
Up to £20,000 (£28,000 in London)	5%	10% plus inflation	25% plus inflation
£20,001 (£28,001 in London) to £100,000	15%	25% plus inflation	40% plus inflation
Over £100,000	30%	40% plus inflation	55% plus inflation

It is important to note that precepting authorities (LCC is a classed as a precepting authority) are not able to benefit from discretionary relief and in order to qualify for a relief the name on the bill is important.

Furthermore, rates reliefs were discussed e.g., how a small business value is less than £12,000 they do not contribute. For a small business that is expanding, bill increases, if they lose the eligibility or see reductions in Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR) will be capped at £600 per year from April 2023.

Charitable relief is when up to 80% relief is applied if the ratepayer qualifies and is something that PVI's could be set up as. To illustrate academies or foundations trust schools as well as public schools are usually set up under a Trust and structured to benefit from charitable relief. But this is decision to be made by private providers only, as there are some advantages and disadvantages.

Members stated that there are two local authorities that do not charge their nurseries for rates.

The local authority can case by case decide hardship relief.

A member inquired as to why nurseries are paying higher rates than primary schools. Steve has advised that without knowing the details he cannot provide advice unless he is given more information, which he could investigate.

In contrast to nurseries, schools have NOR in their calculations, which means that they could possibly pay less in rates if the school was built to accommodate 800 pupils but only had say 300 pupils as this influences the design size and hence the area valued with the calculation of the RV. This has further expanded the discussion, and the group has asked if they may question this with the VOA. Steve Little has provided his details and has indicated that he is willing to submit a case on behalf of the group to question to this since the EY think they would benefit from using the headcount, but he caveated that in terms changing the valuation

approach this would involve a national challenge and he would need to gain support from other representatives /ratepayers to lodge a Group Challenge .

Many factors are considered within rating hypothesis, including age and obsolescence , layouts, ages of buildings within the contractor basis. It is an agreed formula that is delivered nationally.

The 2017 rates are based on 2015 valuations. The Valuation Office Agency (VOA) has recently updated the rateable values of all business, and other non-domestic, property in England and Wales and these rateable values will take effect from 1 April 2023.

In case any questions regarding the rates arise in the future, Steve has indicated that he is happy to be contacted.

The Working Group:

- a) **Noted the information.**
- b) **Thanked Steve Little for delivering his presentation.**

2. Early Years Recruitment

Aby Hardy (Head of Education Improvement) provided an update about current recruitment process for Early Years.

The adverts are live on the radio last week and the contract will last for four weeks. Additionally, they had put together a website for Vacancies in early years settings - Lancashire County Council, which public could search for. This provides settings roles available and contact details only; for PVI's and MNS.

The Education Bulletin will be updated with this information. The Social Media strategy will include videos of EY practitioners describing what they do on platforms such as TikTok or Instagram.

It has been appreciated by members that this was managed promptly, and in particular to Lana, the Communications manager, who has assisted in this matter.

The Working Group:

- a) **Noted the information.**
- b) **Thanked Aby for the update and actions.**

3. Early Years Block Budget 2023/24

At the Schools Forum on 12 January 2023, decisions, and recommendations about the 2023/24 Schools Budget were agreed.

In connection with the Early Years Block, the Forum supported the 2023/24 Early Years Block proposals, including:

- The use of £1m Schools Budget reserves being used again in 2023/24, to mitigate transitional pressures in the Early Years Block budget to support the 3- and 4-year-old base rate, as the Schools Block headroom transfer is not available.

- As per DfE guidance the historic teachers pay grant (TPG) and teachers pension grant (TPECG) received by schools have now been rolled into the early years funding formula and is included within the increased base rate for 2023/24.
- Initial modelling on the early years block suggests the full £0.23 pence hourly increase can be funded from within Early Years Block Budget. School Forum understands that Early Years are facing considerable pressures within the sector. Therefore, for 2023/24 School Forum recommended that an additional 4p to be agreed above the national increase from DfE for the 3 and 4-year-old entitlements. This would provide a new rate of £4.75, an increase of £0.27 pence per hour. Final Early Years allocations will be received Summer 2023 and this additional 4p increase may be able to be funded from within the Early Years Block also, if there is no headroom, then DSG Reserve will be utilised.
- The passporting of other DfE Early Years funding increases to providers:
 - + £0.06 per hour 2-year-olds providing £5.43 per hour from April 2023
 - + £0.64 per hour for the maintained nursery schools supplementary funding providing £4.31 per hour from April 2023.
 - + £0.02 per hour for Early Years Pupil Premium providing £0.62 per hour from April 2023, equivalent to up to £353 per eligible child per year.
 - + £28 per eligible child the disability access fund (DAF) providing £828 per eligible child per year from April 2023.
- The continuation of Deprivation Supplements on the existing methodology for 2023/24.
- The continuation of the SEN Inclusion Fund at £500k for 2023/24.

On 19 January 2022, the County Council's Cabinet formally approved the Schools Budget for 2023/24. Some elements of the Schools Budget require compliance checking by the ESFA and approval was received on 20 February 2023.

Early Years budget statements for 2023/24 were prepared and issued on 22 February 2023.

Deprivation Rates 2023/24

There was a communication sent from School Forum on 21 February 2022, entitled 2022/23 3&4 Years Old Early Years Budget Statement. Unfortunately, it was later identified that there has been an error in the deprivation rate calculations that were detailed in the budget statement.

The error identified in calculation was where the data used included settings postcode rather than a pupil. At the School Forum meeting held on 17 March 2022, members were provided with this issue and consulted on the options to move forward.

The analysis showed that if the data was recalculated using correct data, 503 of 934 providers would have changed their deprivation rate.

The LA has contacted providers affected by the change and included details of their specific rate change.

"Feedback from the Forum was sought on the principle to be applied to the correction.

- Option 1: Simply apply the correct data meaning that the deprivation forecast for 503 settings will change, either up or down.

- **Option 2: Use the corrected calculation for settings where the value of the deprivation factor will increase but honour the original deprivation level where the corrected data results in a reduction. This would protect 159 settings for 2022/23 only. The cost of the protection is estimated at between circa £70k and £80k, which would be underwritten by the DSG reserve.**

Members considered the information and supported the use of option 2, to honour the original deprivation level where the corrected data results in a reduction."

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The methodology for calculating the deprivation rates has not changed and is still based on the postcode of children that were in attendance in the autumn term headcount; the rates also remain the same at £0.00 to £0.40 per hour. The deprivation rates for individual settings can therefore change year on year, as it is dependent on where the children live. It is important to note that some settings may see a change for deprivation rate for 2023/24, as Option 2 referred to 2022/23 only.

It was discussed how the deprivation rates for 2023/24 has given a bad press for the county as it was shared over Facebook how the rates were reduced.

Members noted that the nurseries that would have their rates changed were notified last year and provided with further information explaining the change. This nursery was contacted again to demonstrate that the communication had previously been shared and to explain that the local authority is the only county that provides 100 percent funding to the early years.

The Working Group:

- a) Noted the information.**
- b) Expressed views relating to the information provided.**

4. Early Years Block Additional High Needs Funding

During the Schools Forum on 12 January 2023, decisions and recommendations regarding the School Budget for 2023/24 were made.

Along with the additional funding provided through the NFF uplifts, Lancashire has also received additional funding through the High Needs Block.

As per government guidelines, at the last School Forum, it was discussed about the allocation of the supplementary high needs grant and a distribution methodology that includes payment to all Special Schools and PRUs in accordance with DfE guidelines.

In accordance with the school forum agreement, a further additional high needs funding supplementary grant allocation will be made for any settings that have early years pupils with an EHCP as per the May 2022 SEN data (Lancashire Pupils Only). Based on the May 2022 SEN data, this amount is estimated to be £493 and will be multiplied by the total number of early years pupils WPN on the May 2022 SEN data.

In 2023/24, supplementary allocations for high needs schools will be distributed according to the DfE's payment terms, such as one-off payments or two instalments.

There has been some concern raised by a member that May 2022 data will not include pupils with ECHP who come through summer holidays and may miss out on some funding. In the long discussion, it was between October or May data, and members agreed that May data works better.

Additionally, Sapphire Murray has added that her team is looking on improving processes for Inclusion Fund by changing the approach and to meet the level needed. Members have thanked Sapphire for her hard work and are looking forward on seeing future improvements.

A Task and Finish Group was discussed during HNB in order to determine how the remaining funds (£2.5m) from the high needs supplementary grant should be used. As the HN working group supported the Chairs in making the decision regarding the methodology, members are encouraged to submit their ideas to the school forum email or to their Chair by 23 March 2023. The School Forum will be asked if they are in agreement on 16 March and will be reported back if a decision is made.

The Working Group:

- a) Noted the information.**
- b) Expressed views relating to the information provided.**

5. Clawback

In July 2022, the Forum considered the School Balances and Clawback Policy for 2022/23 and agreed that clawback should be reintroduced on excessive revenue balances at March 2023.

Clawback Exemption Requests 2022/23

Following notification of the Forum's decision, the request has been received from a Lancashire nursery school requesting an exception to the policy at March 2023.

Request (1)

The nursery in question would like £61,471 to be exempt from the clawback. Their current reserves are forecast at £118,575 at 31 March 2023. They are estimating for the project to start in mid-April 2023 and finish in May 2023. They evidenced a budget estimate from the contractor (£61,471), and they are currently undergoing the planning process. The project is for additional space for intervention and work with SEND children.

School has reported that it is a slow process, to plan the build, get plans drawn up and then finally submit them to planning. Further information from nursery was provided where;

"Data demonstrates that over the last 2 years, SEND support has increased by 8% and a significant increase in the number of complex cases who cannot manage to follow the universal school's curriculum has also risen by 7%. This data demonstrates that approximately a quarter of our children (24%), receive above our universal offer and require additional intervention support, with nearly half the number of children (46%) requiring intensive language support. This figure of 46% is a significant increase this year by 22% from any other years previously. The extra space is required to facilitate this. The reason that there had been a delay is because this wasn't in the budget plans for 22-23. As a nursery school,

you do not know what needs are always coming your way. The LSIP show a rising trend in the numbers in SEND, and the impact of Covid particularly this year has demonstrate that children are entering with abilities well below their age. We are having to support this. Plans for this build started at the beginning of the autumn term, because the need was very obvious straight away and I had to cap numbers on admission in Sept 22, due to the needs of the children. This is the first time I have ever had to do this. Without this build, we will struggle to meet the children's needs in September, as I am already aware of a 5% increase in children who have complex needs, who will be starting in sept 23. If we are claw backed, this is the difference in whether we can go ahead with this modular build or not. If we lose money I am very likely to have to put a stop to all plans, which in turn will consequently impact on the quality of education for our children. I have tried my hardest to get everything moved through as quickly as possible, but genuine timescales of planning permission etc must be followed."

This report further provided the group with decision made by latest meeting held by Chairs on 10 February 2023. The group was presented with the minutes of the meeting. The meeting was held to consider a clawback suspension due to request received. However, clawback was not suspended because it will apply for the entire year and some schools have accumulated balances over the past few years as clawback was suspended due to COVID.

It is important to note that the final outturn position against schools delegated budgets at 31 March 2022 was an underspend of £5.173m. This meant that school balances had increased by £5.173m in 2021/22, to a total of £95.325m.

As a result of recent meetings surrounding clawback, it was noted that there was no deadline or a clear indication of the steps that need to be taken in order to review the request. During this meeting, it was discussed how schools and the authority would benefit from a deadline and guidance on what is expected to be submitted as part of the request. School Forum will be asked to review additional information below to be added to clawback policy 2023/24;

"Applying for Clawback Exemption

To apply for clawback, please email schoolsforum@lancashire.gov.uk

The deadline for requests to be reviewed is 31 October.

The schools should provide details following details;

- School Number and Name
- What is the planned project including dates for start and completion of the project
- Details of the quote (Evidence provided)
- Amount you are requesting to be exempt from clawback for one year
- Clarity and justification for the project
- Estimated reserves at 31 March

Depending on the school type the request will be reviewed by appropriate working groups.

The team will be working on a template that will be available electronically, to improve this process."

There has been a question raised by a member regarding why the exemption is £61k when there is a lower risk of clawback based on the forecasted reserves. Having noted that the

reserves are forecasted, the nursery wishes to ensure that there are funds available to complete this project in early 2023/24. The working group have fully supported to exempt the nursery from clawback for 2022/23.

Members have welcomed the addition of this to the clawback policy for 2023/24 and noted that it will be discussed again at the next meeting scheduled for School forum on 16 March 2023.

The Working Group;

- a) Noted the information;**
- b) Approved the request for a clawback exemption in 2022/23 for a nursery school.;**
- c) Supported Chairs decision to not suspend the clawback;**
- d) Supported changes for a clawback policy in 2023/24.**

The Forum is asked to ratify working group recommendations.