

TELFORD & WREKIN COUNCIL

CABINET - 8 DECEMBER 2009

SINGLE EARLY YEARS FUNDING FORMULA

REPORT OF THE HEAD OF BSF, RESOURCES & SOCIAL REGENERATION

1. PURPOSE

- 1.1 From April 2010, all relevant Local Authorities are required by the government to introduce a single local formula for funding early year's provision in schools and the Private, Voluntary and Independent (PVI) sector. This report describes Telford & Wrekin's proposal and the process followed to arrive at the formula.

2. RECOMMENDATION

- 2.1 That the single early years funding formula described in this report, for implementation from 1 April 2010, be approved.**

3. SUMMARY

- 3.1 Around £4.5m of Telford and Wrekin's Dedicated Schools Grant (DSG) is currently (2009/10) allocated to schools and PVIs to provide education and childcare for 3 and 4 year olds, for up to 12.5 hours per week. Telford and Wrekin is also a pathfinder for an additional 2.5 hours per week free provision, which is funded from the Standards Fund. The funding for the core 12.5 hours is distributed to schools and PVIs using different allocation methods.
- 3.2 In order to ensure that all providers are equally able to provide high quality provision to children, the DCSF requires all LAs to introduce a single funding formula for schools and PVIs from 1 April 2010.
- 3.3 A working group has been set up to address this issue. Schools and PVIs have been consulted upon the group's proposals.
- 3.4 The resulting formula proposal consists of:
- a single hourly rate for all providers;
 - a deprivation supplement (based on tax credit data);

- an additional lump sum for standalone nursery schools (to recognise the unavoidable extra costs of running these schools);

- protection for financial year 2010/11 only. This ensures that no setting gains or loses more than 5% compared to the funding they would have received under the previous formula.

4. PREVIOUS MINUTES

4.1 Not Applicable.

5. INFORMATION

5.1 Background

5.1.1 Nursery education (3 and 4 year old children) in Telford & Wrekin is provided by the following:

- 2 maintained nursery schools, of which 1 has Children's Centre designation;
- 22 nursery classes in maintained primary schools;
- 64 PVI providers, of which 10 have Children's Centre designation;
- 1 LA managed Children's Centre;
- 11 (PVI) network childminders.

5.1.2 These providers are funded by the Authority to provide up to 15 hours of free education and childcare to 3 and 4 year olds. Like most other Local Authorities, the funding is currently distributed to schools and PVIs using completely different allocation methods.

5.1.3 Schools receive funding as part of their overall fair funding formula. This is based on many different factors including an annual count of pupil numbers, the size of the school's premises, etc.

5.1.4 PVIs receive funding based on termly censuses measuring the hours attended by 3 and 4 year olds. Each hour is funded at an hourly rate, currently (2009/10) £3.37.

5.1.5 In order to ensure that all providers are equally able to provide high quality provision to children, the DCSF requires all LAs to introduce a single funding formula for all schools and PVIs from 1 April 2010.

5.1.6 A working group, consisting of Headteachers, PVI representatives and LA officers was set up in 2008 to formulate Telford and Wrekin's proposals.

5.1.7 All affected schools and PVIs were invited to face to face meetings in July 2009. These were supplemented by an electronic (e-mail) consultation in September 2009.

5.2 Proposed Formula

5.2.1 The resulting formula consists of:

- funding based on termly counts of number of hours attendance by children;
- a single hourly rate of £3.27 for all providers;
- an additional lump sum for standalone nursery schools (to recognise the unavoidable extra costs of running these schools);
- a deprivation supplement in addition to the core hourly rate, amounting to 5% of total funding (around £0.18 per hour), distributed to settings based on tax credit data;
- protection for 2010/11 only, which ensures that no setting gains or loses more than 5% compared to the funding they would have received under the previous formula. In practice this is only likely to apply to schools, as the results of the formula mean that PVIs will be funded at similar levels to now.

5.2.2 The formula is intended to be:

- fair and consistent to all providers;
- easy to understand and administer;
- meet DCSF requirements (see section 5.3 below);
- ensure reasonable stability of funding for providers in 2010/11.

5.2.3 The formula is also intended to ensure that all settings remain financially viable, as long as they admit sufficient children to justify their provision. Section 7 of the Childcare Act 2006 contains a 'sufficiency' duty for Local Authorities, to secure a free minimum amount of early learning and care for all 3 and 4 year olds whose parents want it. In order to meet this duty, the Local Authority is able to provide additional 'sustainability' funding to settings where necessary. However it is intended that the formula, by being fair to all, minimises this need.

5.3 DCSF Requirements

5.3.1 Whilst each LA is developing its own local formula, there are DCSF requirements which all LAs formulas must meet, as follows:

- funding for all settings must be based on termly counts of actual hours of attendance by children;

- the funding formula must include a factor for deprivation

5.3.2 The proposed formula for Telford and Wrekin meets these criteria.

5.4 Equality and Diversity

5.4.1 By ensuring that:

- funding is provided on a fair and transparent basis to all early years settings; and

- 5% of funding is distributed based on deprivation;

the proposed formula promotes equality of access to early years provision for all children in Telford and Wrekin.

5.5 Environmental Impact

5.5.1 The proposal does not have any environmental implications.

5.6 Legal Comment

5.6.1 The proposal has been developed to meet the DCSF's requirements, which will be contained within the proposed amendments to the current national school finance regulations. These are planned to go through Parliament by the end of the calendar year.

5.7 Links with Corporate Priorities

5.7.1 By ensuring that all early years providers are appropriately funded, the proposal contributes to the corporate priority of giving children and young people the best possible start in their lives.

5.8 Opportunities and Risks

5.8.1 In proposing this decision, the Corporate Risk Management Methodology has been complied with. This approach is not intended to eliminate risks but to identify the risks and manage them. However not all risks can be managed all of the time and some risks may not have been identified.

5.8.2 The following key risks and opportunities associated with this decision have been identified and assessed and arrangements will be put in place to manage them (overleaf).

Risk	Action
<p>Settings are inadequately funded, leading to poor quality education and care or the removal of provision for children, if settings become financially unviable.</p>	<p>The proposed formula ensures funds follow the child, and also has 1 year protection to ensure that providers have time to adjust to funding changes.</p> <p>Additional costs of nursery schools are recognised by an additional lump sum.</p> <p>As part of the consultation with maintained schools it has been made clear that once protection ceases (i.e. from 2011) early years funding will be based purely on termly attendance of pupils. Therefore individual schools could see significant reductions in funding if their nursery classes are substantially below capacity (there could also be significant increases for individual schools if they are full or close to capacity).</p> <p>The proposed system is similar to existing arrangements for PVIs, so there should be a minimal degree of turbulence in this sector.</p>
<p>Government regulations are not complied with.</p>	<p>The proposed formula meets all DCSF requirements.</p>
Opportunity	Action
<p>Available funding is directed in a fairer way.</p>	<p>Under the proposed formula, there is consistent funding for children in all settings.</p>
<p>To make the system of funding more transparent and understandable.</p>	<p>The proposed formula is straightforward, particularly compared to existing arrangements for funding school nursery provision.</p>

5.9 Financial Implications

- 5.9.1 The financial implications of the proposal have been modelled. Actual costs will depend upon the number of children in settings during 2010/11, but based on available information it is estimated that the new formula will cost around 1% more than the existing funding arrangements in 2010/11 (i.e. around £45,000) and around 2% more in 2011/12 onwards (i.e. around £90,000), once the one year protection arrangements cease to operate.
- 5.9.2 These financial implications have been discussed with the Schools Forum and will be funded from within the Dedicated Schools Grant.

6. WARD IMPLICATIONS

- 6.1 Early years provision exists in all areas of the Authority and therefore the proposals have District wide implications.

7. BACKGROUND PAPERS

'Implementing the early years single funding formula – Practice Guidance July 2009' (DCSF)
Minutes of Schools Forum, 20 May 2009
Minutes of meetings of Early Years Single Funding Formula Working Group meetings

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