

Report of the Director of Learning, Culture and Children's Services

## **EARLY YEARS SINGLE FUNDING FORMULA – CONSULTATION RESPONSES**

### **Summary**

- 1 This report considers the responses received from schools and private, voluntary and independent (PVI) providers to the consultation document approved by the Executive Member in September 2009. The report also now reflects on the recent announcement by the DCSF to delay the statutory deadline for implementation of the new formula to April 2011.

### **Background**

- 2 The Executive Member will be aware that the DCSF has tasked all Local Authorities with reviewing their funding for the free entitlement to 15 hours per week early years education for all 3 & 4 year olds, to achieve the following:
  - Develop a single local formula for funding to ensure consistency and fairness in the method of funding for all providers. This does not necessarily mean that providers will all be funded at the same level, but that the same factors will be taken into consideration when deciding on the level of funding.
  - Change early years' pupil count arrangements to ensure consistency across maintained and PVI settings. This will mean that providers will be funded according to the actual amount of provision taken up and not full time equivalent places.
- 3 The DCSF are concerned that there is too much place-led funding in the maintained sector and too little stability in PVI funding. The new arrangements must achieve the right balance between getting value for money, investing in the sustainability of provision and enabling longer term planning and improvement.
- 4 In York the Schools Forum agreed that all of the detailed work on developing the new formula would be carried out by the Early Years Reference Group (EYRG). The group comprises a balance of representatives from across the PVI and maintained sectors and is independently chaired.
- 5 The total funding available to support the delivery of the new formula (at 2009/10 budget levels) is estimated a £5.06m. This figure is based on the new free entitlement of 15 hours per week and is made up of the following existing budgets:

**Table 1: Total Funding Available for the New Formula (2009/10 Budgets)**

	<b>£m</b>
PVI Base Budget	2.475
Pathfinder 15 Hour Extension Budget	0.874
Individual Schools Budget:(Maintained)	
Nursery Class Place Led Funding	1.370
SEN Formula Funding	0.013
Deprivation Formula Funding	0.035
Premises Formula Funding	0.173
Lump Sum (St Paul's Only)	0.078
Other Formula Funding	0.042
<b>Total Available Funding</b>	<b>5.060</b>

**Consultation Proposals**

- 6 The Executive Member, through her membership of the Schools Forum, has already received a number of updates over the past 18 months, particularly around the work done on the cost analysis survey and the theoretical cost modelling exercise that has been used in developing the basic funding entitlement. A report summarising the final pieces of work done by the EYRG, and setting out the group's proposals for consultation (subsequently endorsed by the full Schools Forum) was considered, and approved, by the Executive Member in September 2009. A full copy of the consultation document is included at Annex 1.

**Consultation Responses**

- 7 In response to the consultation document 34 replies were received, a response rate of 29%. Of these, 14 were from maintained schools (a 70% response from the sector) and 18 from PVI providers (a 19% response from the sector), 2 responses were anonymous. A full analysis of the responses is shown at Annex 2.
- 8 The Executive Member will be pleased to note that there was overwhelming support for all of the proposals within the consultation document. In relation to Proposal 4b (where maintained schools were asked to consider their preferred option for making the adjustments to reflect actual take up), there was a small majority in favour of option 1. It is therefore proposed to have the adjustment to actual hours taken up made during the year in the final monthly payment of each term (i.e. similar to the timing of the PVI adjustment).
- 9 As well as responding to the specific consultation questions, providers also made a number of additional comments or raised issues for clarification. It is proposed to respond to these by issuing a question and answer sheet to all providers.
- 10 The Executive Member should also note that the EYRG and Schools Forum have both met to review the results of the consultation, and have confirmed their endorsement of the proposals. However, members of the group would like to remind the Executive Member that their endorsement of the proposals is made on the basis that this is the best that can be achieved within the existing level of resources available. The theoretical cost modelling work, previously presented to the forum, suggested that additional funding of between 10% and 15% (30p to 50p per hour) would be required to meet all essential and desirable requirements.
- 11 The EYRG are also concerned that the current early years funding is being enhanced through the time limited DCSF Pathfinder grant to help providers move to delivering

increased flexibility. This equates to an additional 26p per hour in 2009/10, with the allocation for 2010/11 still being finalised. Due to the uncertainty as to the amount of funding York will receive from the DCSF from 2011/12 (once the Pathfinder funding ceases), the group are very concerned that the biggest effect on providers is going to be experienced when this short term funding ceases or reduces. This will clearly be something the Schools Forum and Executive Member will want to consider as part of their deliberations on the overall Schools Budget for the next three-year funding cycle commencing in April 2011.

### **DCSF Implementation Delay**

- 12 After the consultation exercise had been completed, and following extensive lobbying from both maintained and PVI sector providers across the country, the DCSF wrote to all Local Authorities in December 2009 announcing a delay to the statutory implementation of the new formula. The statutory deadline for implementation is now April 2011, with authorities who feel they are ready and able to implement in April 2010 being given the option to join an early implementation pathfinder group.

### **Options**

#### Option 1

- 13 Reject the proposed formula and ask the EYRG, supported by officers, to develop alternative proposals in time for the delayed implementation date of April 2011.

#### Option 2

- 14 Implement the proposed formula as planned in April 2010. This would entail the authority applying to the DCSF to become a pathfinder.

#### Option 3

- 15 Agree the proposed formula, but delay implementation until April 2011.

### **Analysis**

#### Option 1

- 16 The view of officers is that the proposed formula is the best that could be achieved within the constraints of the legislation and guidance laid down by the DCSF, and without a significant increase in the overall budget available. This view has been strongly supported through the consultation exercise by providers across all sectors. Option 1 is not recommended by officers.

#### Option 2

- 17 Option 2 has some merits as all parties feel that the proposed formula is the best solution available for York. An April 2010 implementation would allow an early start to be made on the road to merging the maintained and PVI base funding rates at the same level.

- 18 However, officers are concerned that the additional workload required from being a pathfinder authority may be difficult to resource as there will be no additional DCSF funding available. In addition the authority is already supporting two other early years pathfinders.

- 19 There are also some risks now associated with an April 2010 implementation. Although we are confident that the changed systems and processes proposed around the new formula are robust and workable, there has not been sufficient time to test them thoroughly. In addition, given there will be a general election prior to the revised April 2011 implementation date, it is possible that further policy changes may be made at a national level. In a worst case scenario we could implement the new formula in April 2010 but then be required to roll back to the original position for April 2011. Option 2 is not recommended by officers.

### Option 3

- 20 Option 3 allows the work of the EYRG to be formally endorsed as the best solution for York. In addition it allows time for some reflection on the proposals that have been developed in other authorities. Any risk of investing time and resources in implementing changes that are then negated by further revision of national policy is removed. Option 3 is recommended by officers and has also been unanimously endorsed as the most favourable option by the EYRG.

### **Financial Implications**

- 21 The move to the proposed single formula is cost neutral for the council, as it would be delivered within the total of the existing budgets available to PVI and maintained provision for 3 & 4 year olds.

### **Equalities Implications**

- 22 The proposed formula includes allocating a proportion of the overall funding available via a deprivation factor for the first time.

### **Other Implications**

- 23 There are no HR, ITT, Crime and Disorder or legal implications arising from this report

### **Recommendations**

- 24 The Executive Member is recommended to:
- agree that the proposals set out in the consultation document at Annex 1 (including option 1 under proposal 4b) be approved.
  - approve option 3, and agree to a delay in implementing the new formula until April 2011.
  - ask officers to report to her any further changes in national policy or guidance prior to April 2011.

Reason: To ensure that the new single formula for funding the free entitlement for 3 & 4 year old nursery provision is set and ready to be in place by the revised statutory deadline of April 2011.

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**Annex 1 – Consultation Document**  
**Annex 2 – Consultation Responses**

**Background Papers**

Early Years Reference Group reports and minutes April 2008 to January 2010, including cost analysis survey and theoretical cost models.  
Various DCSF guidance notes and updates