

# CHILDREN & YOUNG PEOPLE CABINET MEMBER MEETING

## Agenda Item 39

Brighton & Hove City Council

<b>Subject:</b>	<b>Early Years Single Funding Formula From April 2010</b>		
<b>Date of Meeting:</b>	<b>4 January 2010</b>		
<b>Report of:</b>	<b>Director of Children's Services</b>		
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CYP13311</b>	
<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Early Years Single Funding Formula (EYSFF) was intended to be implemented in every local authority from April 2010. The aim is to provide greater consistency and transparency in the funding of the free entitlement for three and four year olds. The Government decided on 10 December to postpone the formal implementation date for the EYSFF by one year until April 2011 because the majority of local authorities were not ready. The Government has invited all local authorities that are confident they are ready to implement their formulae in April 2010 and wish to do so to continue as planned. These local authorities will be able to join a pathfinder programme which currently involves 9 local authorities.

#### 2. RECOMMENDATIONS:

- 2.1 That, subject to approval by the Early Years Funding Group and the Schools Forum, the Cabinet Member agrees that Brighton and Hove should become a pathfinder and implement a Single Early Years Funding Formula based on the following factors:
- (i) Three basic hourly rates: private, voluntary and local authority (PVI) group childcare providers; childminders; maintained and independent school nursery classes and schools (includes a quality supplement).
  - (ii) A deprivation supplement for children who live in worst 20% Super Output Areas amounting to 5% of the total budget.
  - (iii) Quality supplements based on four levels of quality based on achievement of quality assurance programmes and staff qualifications. The formula allows PVI providers to be paid at the same rate as maintained nursery classes if they employ an Early Years Professional.

- (iv) Not to include a supplement for flexibility (to be reviewed for 2011/12).
- (v) Additional funding for children with significant special needs in maintained schools – this is already in place for PVI providers.
- (vi) Additional sustainability funding for maintained nursery schools and small group providers with less than 24 places.
- (vii) To base funding on termly counts of participation and adjust funding for children who leave or join after the head count day.
- (viii) Transitional protection – to reduce any losses for PVI providers and nursery schools by 50% after inflation. Maintained schools with nursery classes will be protected by the Minimum Funding Guarantee.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 Since April 2004 all 3 and 4 year olds have been entitled to part-time free early learning and childcare. The entitlement is being extended from 12.5 to 15 hours from September 2010. The new offer aims to improve child outcomes by increasing access to good quality early years providers and by helping parents to balance work and family life – both of which reduce the effects of child poverty.
- 3.2 The Government announced in June 2007 that local authorities must design and implement a single local funding formula for funding the free entitlement to early years provision for 3 and 4 year olds across all sectors. The formula is not about a single rate of payment. The aim is to introduce a consistent method of funding based on a set of core principles to improve the fairness and transparency in the way that funding is allocated to providers. The paper at appendix 1 includes full details of the proposed Early Years Single Funding Formula.
- 3.3 The Government announced the postponement of the EYFSS on 10 December. Local authorities who wish to become a pathfinder have to apply by 29 January (details are at appendix 2). The application has to be agreed with the Early Years Funding Group and the Schools Forum. The next Schools Forum meeting is on 25 January. The DCSF expect to notify local authorities of their decision by 15 February. This leaves very little time prepare for implementation.

### **4. CONSULTATION**

- 4.1 A consultation paper was issued to all early years providers on 2 October with a deadline for responses of 9 November. A series of consultation meetings were held with early years providers. These included two meetings with private voluntary and independent providers, an evening meeting for childminders, a meeting for maintained heads and two round table sessions at the head teachers business conference and individual meetings with both nursery schools.
- 4.2 Thirty three providers responded to the consultation. A summary of the consultation responses is attached at annex 1 and a summary of comments at annex 2. The majority of responses were positive with 84% in favour of all the questions and 16% against. Key themes in the comments were:

- Different base rates (82% yes) – the main concern is that the level of funding is less than many providers charge parents at present. Providers argue that they need a higher level of funding to sustain their whole business including the higher costs of younger children.
- Deprivation( 86% yes)– general agreement but concerns about deprived children living outside worst 20% Super Output Areas.
- Quality (70% yes) – concern that quality is under-rewarded compared to deprivation, does not reflect the cost of an EYP, issues around the status and pay of qualified teachers and Early Years Professionals, some concerns around using quality assurance as a measure, funding should be the same for all.
- Flexibility (86%) – need for more work on the real costs and greater clarity for providers
- SEN (92% yes) – high level of support
- Sustainability lump sums (76% yes)– some questioning of nursery schools whether the levels for small providers are correct.
- Transitional protection (88% yes)
- Counting and budgets (77 – 80% yes) – concern about the impact on schools, impact on small settings where small changes in numbers can have a big impact, very strong support for keeping termly adjustments.

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 Funding for early years free entitlement will transfer to the Individual Schools Budget (ISB) and it will be necessary to apply the correct proportion of the Dedicated Schools Grant (DSG) for this purpose. It should also be noted that budgets of individual providers have to be adjusted in line with participation and this means that the level of the ISB will vary during the year.

It is anticipated that introducing the early years single funding formula is cost neutral after taking account of protection arrangements. However, within this context, there will be winners and losers across all sectors. For 2010/11, for maintained nursery schools and PVI providers, it is proposed to incorporate a protection mechanism that will reduce any losses by 50% and it will be necessary to seek Schools Forums approval to exclude maintained nursery schools from the minimum funding guarantee (MFG). For maintained schools with nursery classes it is not proposed to operate the 50% protection as the MFG arrangement will be in place.

*Finance Officer Consulted: Steve Williams*

*Date: 24/11/2009*

### Legal Implications:

- 5.2 The Legal and policy background to the requirement to develop and implement an Early Years Single Funding Formula and the opportunity to be a pathfinder authority prior to the revised statutory implementation date is set out in the body of this report. DCSF Guidance on implementation is provided as a background document which together with the outcome of full and proper consultation informs the recommended approach.

Local authorities that wish to be pathfinders will need to apply to the Secretary of State for additional arrangements to be made under the School Finance

(England) Regulations 2008 in order to disapply certain regulations. This is explained in the proforma in appendix 2. Given the likely impact of the Funding Formula it is essential that properly interested and affected parties are consulted as is demonstrated in the Consultation section of this report. In addition the approval of the Early Years Funding Group and Schools Forum is required prior to the Local Authority applying to be a pathfinder.

The Apprenticeship, Skills, Children and Learning Act 2009 amends the Schools Standards and Framework Act 1998 to ensure clarity in terms of the duties imposed upon the LEA to ensure Early Years Provision free of charge and transparency and equity in the provision and funding arrangements. There are no specific Human Rights Act implications arising from this report save for that already identified in the requirement for full and proper consultation to ensure observance of interested and affected parties' Right to a Fair Hearing provided by Article 6 European Convention on Human Rights.

*Lawyer Consulted: Sandra O'Brien*

*Date: 21/12/2009*

Equalities Implications:

- 5.3 Good quality early years education improves outcomes for all children and particularly those who are most disadvantaged. An Equalities Impact Assessment has been completed.

Sustainability Implications:

- 5.4 Provision of early years provision in local communities supports the sustainable communities goal, as well as reducing climate change and energy use.

Crime & Disorder Implications:

- 5.5 Research shows access to good quality childcare supports children and young people's learning and achievement in later life.

Risk and Opportunity Management Implications:

- 5.6 The proposals are cost neutral. There is a risk that some providers who charge high fees will no longer offer the free early years entitlement reducing choice.

Corporate / Citywide Implications:

- 5.7 The relevant corporate and CYPT objective are: Reduce child poverty and health inequality and Promote health and well-being, inclusion and achievement.

Health Implications

- 5.7 The Early Years Foundation Stage supports children to take exercise and eat a healthy diet.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 The advantages and disadvantages of becoming a pathfinder have been considered. A large amount of work has been done on constructing the formula and consulting with providers so that Brighton and Hove is ready for implementation. The key advantage of starting the formula in April 2010 is that the four per cent increase in the Dedicated Schools Grant for 2010/11 has been used to minimise the impact on providers who loose under the new system. It is very likely that future increases will be at a much lower rate. Providers are

expecting the new system and those with good quality provision and/or disadvantaged children will gain funding. The new formula also introduces increased funding for children with SEN in maintained schools for the first time. However the new formula is more complicated for parents and providers and does not resolve the gap between funding levels and the charges of the more expensive nurseries.

- 6.2 The rationale for each of the elements of the formula was considered by the Early Years Funding Group. Highly hourly rates were considered but were not affordable within the existing budget. Different levels of deprivation funding were considered but rejected because they were not consistent with the approach to funding deprivation. Ofsted inspection results were considered as a quality factor but were rejected because they only take place every 3-4 years.

## **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The recommendations follow the guidance published by the Department of Children Families and Schools on the implementation of the Early Years Single Funding Formula. More information on the proposals is included in annex 1.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Paper on the Early Years Single Funding Formula in Brighton and Hove
2. EYFSS Pathfinder Letter (18 December 2009) and application form

### **Background Documents**

1. DCSF Guidance on Implementing the Early Years Single Funding Formula

