

WIRRAL COUNCIL

SCHOOLS FORUM - 24 JANUARY 2012

REPORT OF THE ACTING DIRECTOR OF CHILDREN'S SERVICES

EARLY YEARS SINGLE FORMULA REVIEW

1. EXECUTIVE SUMMARY

This report summarises an initial review of the Early Years Single Funding Formula. No changes are proposed to the structure of the formula, although this will be re-examined in 12 months time. An adjustment to the payment mechanism will be considered for 2012-13. Members are asked for their views on these changes.

2. BACKGROUND

A new Early Years Formula was introduced in April 2011 to fund the Free Entitlement for early years provision for all 3 and 4 year olds in nursery schools, nursery classes, day nurseries and pre-school playgroups. This was the outcome of a lengthy exercise, consulting representatives from all sectors to agree an approach that reflected costs, promoted quality and encouraged take up in a fair and transparent way.

DFE Good practice guidance suggests that Local Authorities should review the new formula 6 months after implementation.

3. THE EARLY YEARS SINGLE FUNDING FORMULA

The formula implemented uses a single base rate for all providers, together with a number of specific supplements for deprivation, quality, flexibility and a Headteacher supplement (for nursery schools only). The hourly rates are as follows:

	2011-12
	£
Base Rate	3.19
Deprivation	0.14
Quality	<u>0.16</u>
	3.49
Flexibility in school hours	0.18
Flexibility outside school hours	<u>0.18</u>
	3.85

The deprivation supplement is banded high, medium and low (£0.23, £0.14 and £0.05).

The resources identified for the formula are:

	£
Existing 3 and 4 year funding	4,175,800
Nursery and nursery class budgets	3,575,000
Extension and flexibility costs	2,030,200
Deprivation growth	200,000
Additional Places	262,000
Consolidation of grants – SSG, Extended Schools etc.	96,000
Other	<u>(75,100)</u>
	10,263,900

4. REVIEW OF FORMULA

All providers received a letter explaining the formula. The review process and a short questionnaire.(Appendix A)

Responses were received as follows:

Provider	Number of Responses	Out of	Response Rate (%)
Nursery School	2	3	
Nursery Classes	9	47	
Private/Voluntary/ Independent	<u>41</u>	<u>123</u>	
Total	52	173	30

The low response rate is not untypical and perhaps indicates that generally providers are able to work with the new formula.

The answers to the questions asked are summarised in Appendix B.

Questions asked

i. Is the formula understood?

45 out of 52 answered yes to this question; although comments in later questions indicate that some areas are not understood in the detail they should be.

ii. Comments on base rates and supplements

A number of providers commented that the Base Rate used (£3.19) is too low and should be increased - particularly those settings that do not qualify for other supplements. There were suggestions that the rate should increase to the levels paid by parents for childcare. A 10% increase for example would cost in the region of £800,000. The funding settlement for 2012-13 makes no provision for growth or inflation. Without changes to other supplements (which are not recommended at this time) an increase could not be implemented.

There was no consensus on the question “Does the base rate need to reflect the differences between settings?” It seems unlikely that this question was understood. The question was looking for views on using different base rates for nursery schools, nursery classes and PVI’s. We may need to re-examine this over the next twelve months depending on the position of nursery school finances.

Responses to deprivation funding were as expected. Generally those who were critical were those receiving the lowest rate. Those receiving additional funding identified uses such as additional staffing and extra activities.

Just over half respondents supported a quality incentive. In the current formula about 50% of providers claim this supplement, with a cost of £250,000. It may be useful if the supplement was reviewed over the coming years (it is the equivalent of about 10p on the Base Rate).

The flexibility supplement is supported, although some providers comment that the requirement to state their intention to be flexible before the start of the year is not possible (about 40% of providers currently deliver a flexible offer).

5. Comments on the Payment Mechanism

The Funding Formula makes payments to providers on the basis of head count data in the Summer, Autumn and Spring Terms. Previously provider payments were adjusted at each half term for changes in attendance. This no longer happens. Providers receive funding for all children attending in a term based on the numbers counted on each census date. If numbers reduce later in the term (because children have left) or increase (because there are new starters) no adjustment is made to payments. There are however some exceptions for example children not counted because they are sick. A number of providers comment that they would prefer the half term adjustment to be re-instated, whilst a few comment that the reduction in forms to be returned and administration is welcome.

A review seems advisable, with consideration of a trigger mechanism whereby providers could claim when a certain number of additional hours has been exceeded. A threshold of 120 hours per term i.e. 1 place for 8 weeks could be suggested, with claims for additional funding evidenced by additional costs incurred.

6. Affordability

The funding available for the EYSFF in 2011-12 is £10.3 m. The anticipated spend for the year is £9.2m, which would result in an underspend at the year end of £1.1m.

The reasons for this are:

1. Costs in summer 2011 were offset by a carry forward from 2010-11 of Standards Fund Grant to extend Early Years Entitlement £665,000
2. Fewer providers registered for flexibility than were expected, (the numbers are expected to increase in 2012-13) a reduction of £100,000.
3. There are fewer hours than anticipated – a reduction of £400,000. The budget for 2012-13 takes some account of this.

7. Early Education Funding Agreement

Good practice requires Councils to have a funding agreement with Early Years Providers. A draft agreement is attached setting out the responsibilities of the Council and providers. This covers areas such as:

Provision of data and documentation.
Quality improvement.
Funding.
Agreements between parents and settings.
Removal from the register.
Appeals.
Complaints.

8. Conclusion

The new formula is operating as intended. However it is too early to determine if the range of supplements offered provide incentives to improve quality or flexibility or target sufficient resources to deprivation. A further review should be undertaken in 12 months to include the impact of the formula on Nursery Schools.

A trigger mechanism for unfunded hours in settings should be introduced to avoid penalising providers who accept children after headcount dates.

9 Recommendations:

1. There is no change to the structure of the EYSFF.
2. That a trigger mechanism is introduced to fund pupils arriving after head count dates.
3. That a further review is undertaken in 12 months time.
4. A funding agreement is issued to all providers.

David Armstrong
Acting Director
Hamilton Building,
Conway Street,
Birkenhead,
Wirral
CH41 4FD

to All Early Years Providers

date 19 January 2012

tel 0151-666 4249 Please ask for Mr A Roberts
email andrewroberts@wirral.gov.uk

Dear Colleague

REVIEW OF EARLY YEARS FUNDING FORMULA

A new Early Years Formula was introduced in April 2011 to fund the Free Entitlement for early years provision for all 3 and 4 year olds in nursery schools, nursery classes, day nurseries and pre-school playgroups. This was the outcome of a lengthy exercise, consulting representatives from all sectors to agree an approach that reflected costs, promoted quality and encouraged take up in a fair and transparent way.

This letter starts an initial review of the formula. Whilst this is still quite soon after the changes were implemented, your views will help us to consider if any adjustments are necessary before the start of the 2012-13 financial year.

Attached is a sheet with a number of questions, together with space for any other comments you may like to add. It is intended to discuss feedback with representatives from Early Years providers following which the Schools Forum will consider any changes recommended.

I would be grateful if you would discuss this with your Management Committees / Governors and respond by Friday 18th November.

I look forward to hearing from you and will write again with an up-date on any decisions taken.

Yours sincerely



David Armstrong
Acting Director of Children's Services

- Does the quality supplement provide an incentive to recruit and train qualified staff?

 - Do you support the idea of a flexibility supplement? What additional costs are incurred as a result of offering flexible provision?

 - What demand is made by parents for flexibility?
3. Is the Funding Formula overly complex?
4. Do you have any comments on the revised payments procedures?
5. How useful is the indicative budget you receive in March?
6. What other comments do you have?

NAME: _____

ESTABLISHMENT: _____

PLEASE RETURN TO:

Andrew Roberts
Children and Young People's Department
Hamilton Building
Conway St, Birkenhead, CH41 4FD

EARLY EDUCATION FUNDING AGREEMENT 2011-12

Introduction

This document serves as a binding contract between Wirral Council and all Early Years settings registered in the Directory of Providers to offer the free funded early years entitlement for all eligible children.

The agreement addresses issues relating to the child's free entitlement, the responsibilities of both Wirral Council and providers in managing funding and support for providers for both financial and the quality of provision.

This agreement will be renewed annually and is subject to amendment in accordance with changes required by the Secretary of State for Education.

TERMS AND CONDITIONS OF EARLY YEARS ENTITLEMENT

Wirral guarantees a free, good quality early education place for all eligible 3 and 4 year olds, whose parents want a place. A child becomes eligible for a free early education place the term after their 3rd birthday. An early education place is provided for a maximum of 15 hours per week which can be delivered flexibly over a minimum of 38 weeks. Parents can take fewer hours if they wish.

The regulations prescribe that children become eligible for free early years provision on the dates set out below:

A child born in the period:	Will become eligible for a free place:
1 st April to 31 st August	1 st Sept following child's 3 rd birthday (Autumn school term)
1 st Sept to 31 st Dec	1 st Jan following child's 3 rd birthday (Spring school term)
1 st Jan to 31 st March	1 st April following child's 3 rd birthday (Summer school term)

All children entitled to free early years provision who are attending your setting will be paid by Wirral.

Cross-border arrangements are in place with neighbouring Local Authorities, which mean that children of Wirral residents will be funded when attending a non Wirral provision, and children of non Wirral residents will be funded when attending a Wirral provision.

Wirral has a responsibility to make sure that there is a choice of provision through the various sectors and that sufficient provision will be available to meet the local demand.

Wirral is responsible for registering providers for Free Early Education. The list consists of LEA Maintained Schools and Private, Voluntary and Independent

Providers, (this includes Independent Schools and Childminders who are part of Wirral's Accredited Childminding Network).

Early years providers claiming Early Education Funding in Wirral are required to:

- Regularly re-register with Wirral
- Abide by the conditions and requirements as set out in DFE Code of Practice on the Provision of Free Early Education Places for Three and Four Year Olds.
- Provide early education that meets the statutory requirements of the Early Years Foundation Stage Framework. (Childcare Act 2006).
- Ensure compliance with Disability Discrimination Legislation.
- .Submit to inspection of its provision for three and four year olds by registered Ofsted Inspectors (or their agents).
- Agree to the inspection of accounts and records by Wirral's Director of Finance or his representative.
- Ensure that the date of birth information supplied to Wirral is accurate by only submitting claims for children for which a member of staff has had sight of the child's original birth certificate.
- Retain (for audit purposes) original documentation signed by the parent, that confirms the child's personal details, and confirmation by the parents that the child is accessing only one entitlement.
- Ensure that the Families Information Service is kept up to date with any changes in provision including occupancy and staffing arrangements.
- Make sure that parents are not charged for any part of the free entitlement, no cheque back system is operated and no top-up fees are applied. Free must be free at the point of delivery.
- Be clear with parents about their free offer, and how this is delivered in terms of flexibility.
- Support parents in accessing tax credits and financial support to contribute to the costs of childcare (this can be achieved through signposting parents to Wirral Families Information Service).

Additional conditions

- Comply with Wirral's Quality Improvement Process and cooperate with the Quality Improvement Team, their actions and recommendations
- Maintain and have available for review by the Foundation Consultant a complete staff file confirming vetting and barring arrangements have been carried out on each staff member, and when.
- Maintain and have available for review by the Foundation Consultant, the QISP Action Plan for the setting.
- Nominate a named senior staff member with responsibility for the implementation of the Early Years Foundation Stage within the setting (who

ideally should have achieved Early Years Professional Status or is working towards, or who has achieved Qualified Teacher Status).

- Nominate a SEN Coordinator/Inclusion Officer with responsibility to identify and support children with Special Education Needs and ensure inclusive practices are in place, supported with effective policies and procedures.
- Nominate a Safeguarding Coordinator with responsibility for ensuring effective Safeguarding policies and procedures
- Ensure at least one staff member is trained and competent in undertaking a Common Assessment.
- Maintain and have available for review by the Foundation Consultant, a comprehensive training plan for staff, and evidence of improved practice and outcomes as a result of any training.

FUNDING AND CLAIM PROCESS

Single Funding Funded Formula – Wirral implemented a new Early Years Formula in April 2011 to fund the free entitlement for early years provision for all 3 and 4 year olds in nursery schools, nursery classes, day nurseries and pre-school playgroups. This was the outcome of a lengthy exercise, consulting representative from all sectors to agree an approach that reflected costs, promoted quality and encouraged take up in a fair and transparent way. Each setting receive their funding based on a calculated hourly rate which has been devised using the formula mentioned above.

The Single Funding Formula makes payments to providers on the basis of attended hours on each termly Headcount. The formula is made up of the following elements:

A single Base Rate and supplements for

Deprivation (banded high, medium and low)

Quality

Flexibility

Other including Nursery School Headteacher

In addition the formula includes some protection to providers who might otherwise lose funding. This is done through a Minimum Funding Guarantee and a Formula Floor and Ceiling.

Indicative Early Years Budget - Providers will be notified in advance with details of their indicative annual budget by the end of March of each year. The budget will show an estimate of the total amount to be paid termly and a breakdown of your hourly rate (calculated on the base rate plus any supplements your setting qualifies for).

Frequency and Calculation of payments – Each term providers will receive two payments, the first payment is an estimate payment and will be sent through automatically before the start of term. This payment will be calculated using 50% of the indicative termly budget based on the attended hours for the previous calendar year. The second payment will be made to you following the submission of any new application forms and registers and will be based on the actual children registered with your setting on the headcount date. Settings must remember that the estimate payment of 50% will be deducted from your second payment based on actual attendance levels. There is no half term adjustment. Settings are funded for a term

based on the children in the setting on the headcount day. There is no additional funding provided for children who arrive after that date. Similarly there is no deduction for any child that leaves

Termly Returns – Each term the Local Authority will write to providers individually with details of the forthcoming term. Attached to the letter will be a pack of application forms for any new children starting their funded place with you and also a register showing a list of children claimed for in the previous term. Any new children must be added to the register however, parents will not need to add their signature as this is covered on the application form. For any children who have left the setting the provider will then need to make any adjustments on the register. Once a child has been funded at a setting, the funding will remain in place for that term.

Staggered intake

In line with good practice for children new to a setting and to aid their transition, it should be possible to arrange a staggered intake at the start of each term. However, settings must ensure that children are attending by the headcount date, which will have been notified to you in advance. In the event that the headcount date would not normally be a day that the child attends, then the setting should ensure that the child is attending during that week.

Contractual agreements between settings and parents

Parent/Provider contracts must be in place for each claimed child, and be retained by the provider for audit purposes.

Providers can make a reasonable charge for meals provided to children during the day, but this must not be a condition of access to the free entitlement and the parent must be aware and agree to this charge in advance, or be given the option to provide a packed lunch.

Providers are reminded that the Free Early Education provision must be free at the point of delivery. **You must not allow parents to pay for any part of their child's early education, and you must not provide a cheque back at the end of a funded period. Parental invoices must show the entitlement in hours and not as a monetary value**

For those early years settings whose Early Education Funding is greater than the costs of childcare, any surplus funding issued can be retained by the setting but must be spent on goods, services or training that supports the age range of children who are eligible for this funding.

Bank Details - Providers are required to complete a banking details form By entering into a contract with Wirral Council to offer Early Education Funded provision you agree to receive payment from the Local Authority by Banks Automated Clearing System (BACS), directly into your bank account. **Please ensure that the account**

name is clearly entered on the bankers form, so that the funding may be paid correctly

If you have any other queries regarding the funding payment process, please contact Children's Financial Services on 0151 666 4649.

CHANGE OF DETAILS

If your details change in any way **you are obliged to inform OFSTED as a condition of your registration**. It is also important that you notify Wirral Children's Financial Services section as a condition of your contract with the Local Authority to receive early education funding.

You should complete and return the enclosed form entitled 'Change of Details Form'. You should clearly state the details of the change or amendment.

If your setting changes ownership or appoints a new nursery manager then you will be required to complete a new agreement form.

You should also use this form to notify the Local Authority if you intend to close your provision or cease to offer free early education provision, and wish to be removed from the list of Registered Early Education Providers. Please give as much notice as practical so that your details are not included in public information and childcare sufficiency assessments.

REMOVAL OF A PROVIDER FROM THE REGISTER

Removing a setting from the Directory of Providers of Funded Nursery Education is a most serious action, and last resort. It is hoped that this is never necessary. This would only happen when:

- The quality of the provision was so poor that it was failing to contribute to the positive experience and well being of children.
- An OFSTED judgement of Inadequate 2 will lead to immediate withdrawal
- Where there was failure to meet the Terms and Conditions of Funding.
- Where it is apparent that a fraudulent claim has been made.

The process for removal from the Directory of Providers

If removal from the Directory of Providers is being considered as necessary, it is important that the process is fair, clear and transparent

Where poor quality or failure to comply with the Quality Improvement Process is the reason for withdrawing funding, the setting will be given a maximum of 18 months to improve with a 3 months final notice of intended removal, and instructed to notify parents of eligible children that they may need to seek alternative provision if the setting fails to demonstrate an improvement within the final 3 month period.

Any funding paid to a setting removed from the list of registered providers, which results in an overpayment of Funding will be recovered.

Where the judgement of OFSTED is at Inadequate 2, then withdrawal from the Register of Providers will be immediate.

Where failure to comply with Terms and Conditions of Funding is the reason for withdrawing funding, the setting will be given notice of intention to remove them from the list of registered providers. Where the failure to comply is deemed as remedial and a minor breach in terms and conditions, advice will be given to the setting in order to ensure future compliance.

Where the intention to remove is due to a fraudulent claim, then the notice to remove would be with immediate effect and the setting advised to inform parents that free education will not longer be available at that setting, and the Families Information Service will support parents in identifying alternative provision. A fraudulent claim is a serious matter and will be referred to the Police in accordance with Local Authority procedures.

Settings not delivering Free Early Education for more than 2 consecutive funding periods will be asked if they wish to be removed from the register, but will be allowed to remain on the register and continue to comply with the Terms and Conditions of Early Years Entitlement

Where a setting wishes to voluntarily be removed from the register of providers, they should make appropriate arrangements for parents (and future customers) accessing the free early education entitlement to make alternative arrangements for their children. It is recommended that you provide at least 1 term's notice for parents. You can signpost parents to Wirral Families Information Service to support parents in seeking alternative free early education for their child(ren).

APPEALS PROCESS

An appeal against a decision to remove a provider from the register should be made within 3 months to The Chair of the Children First Strategic Board in the form of a written report, outlining the reason(s) for appeal.

A sub-group of the Children First Strategic Board will make the decision on the appeal on the basis of the written evidence presented, or they can request a personal representation from the setting. Where a personal representation is requested, the same would also be requested from the Quality Improvement Team or the Children's Financial Services section as appropriate. The setting would be notified in writing of the decision of the appeal within a maximum of 3 months. There would be no further appeal against this decision.

In the case of an Inadequate 2 judgement by OFSTED or a fraudulent claim, there is no right of appeal.

A setting would be permitted to re-register, after a period of 6 months, but would need to demonstrate that the quality of their provision was at least rated as Amber, with a clear Action Plan for improvement, and in the case of a re-registered setting, a period of 3 months would need to elapse before any funding would commence to

allow time for the Quality Improvement Team to assess the quality of the provision and the potential for improvement.

A provider who has been de-registered for failing to comply with the Terms and Conditions of Funding or who has made a fraudulent claim would not be allowed to re-register on to the Local Authority list of providers of funded early education.

COMPLAINTS

Where a parent has a complaint about the quality of provision at a setting, they should be advised to follow the setting's Complaints Procedure. The setting should ensure that their complaints procedure is clearly publicised and accessible to parents and is in accordance with their registration requirements. The setting can refer the parent to Ofsted (or their regulatory agent) where the parent remains unsatisfied after the complaint and the setting believes that it has done all it can to resolve matters.

Where a parent has a complaint that there is insufficient childcare or free early education provision for them to access, or where they believe that they have not received their free entitlement in an agreed manner according to the local definition of the offer and the national offer, then this concern is in relation to the Local Authority carrying out its' Childcare Sufficiency Duty, and parents should be signposted to the Quality Assurance Manager.

Where a setting has a complaint or concern that the Local Authority has not acted properly in discharging its duties in relation to Childcare Sufficiency or Improving Outcomes for Children through its' Quality Improvement Process, the setting should write in the first instance to the Quality Assurance Manager

If a complaint in relation to the Local Authority's actions or behaviour remains unresolved, then a complainant has the right to take this concern to the Local Ombudsman after exhausting the Local Authority complaints procedures.