

SCHOOLS FORUM MEETING 24 JUNE 2009

UPDATE REPORT – EARLY YEARS SINGLE FUNDING FORMULA

Introduction

In June 2007 the DCSF notified local authorities and early years providers that from April 2010 a single funding formula, based on attended hours, will be applied across all Early Years settings. This includes private, voluntary and independent providers as well as nursery classes in schools and nursery schools. In response the Wirral Schools Forum set up an Early Years Working Group to evaluate options for the creation of an Early Years Single Funding Formula.

Current position for Wirral

The total budget for all Early Years providers in 2009-10 is £7.3m.

Funding is based on the following:

- 3 Nursery schools – 360 part time places (place funded)
- 47 Nursery Classes– 1546 part time pupils (pupil funded through the January Census)
- 121 PVI providers– for 2688 3 and 4 year olds (funded at £7.93 per session attended)

The average funding per session (from DSG) is:

- LA Nursery School £16.16
- LA Nursery Class £7.69
- PVI £7.93

Nursery school funding is currently twice the level of other providers. These schools have high oncosts including the statutory requirement for a Headteacher.

The Early Years Working Group

The Early Years Working Group has held a number of meetings to evaluate options for the formula. DCSF single funding formula legislation is currently not available (expected Summer 2009). Initial work has focused on provider costs and discussing appropriate elements to include in a Wirral funding formula. Initial modelling work has been undertaken to investigate the impact of including elements based on deprivation and quality. A further area under discussion is a flexibility element. In order to be included as an element in a funding formula, robust and timely direct or proxy indicator data must be available across all provider types.

Provider Costs

The costs of typical or “model” Early Years settings have been assessed and are included in Appendix 1, a comparison with the current level of funding is also shown. The consideration of different elements within the formula must take these costs into account in order that the formula represents the costs of provision. It is not the intention of the formula to create undue turbulence or to directly result in any closures. The DCSF accept that different types of provision – Nursery Schools in particular – will have different costs.

Deprivation

The Working Group has investigated models assigning 8%, 4% and 2% of the total budget to deprivation. The impact of this on each provider was evaluated. Initial indications are that 4% of the overall budget assigned to deprivation is appropriate. The cost implications within the total funding allocation will be further evaluated.

It was also felt that new money, when available, would be more appropriate for increased deprivation funding, rather than a redistribution of existing resources. Without some growth, amounts for deprivation would simply be offset by the need to protect existing budgets.

The Index of Multiple Deprivation (IMD) (2007), based on pupil post-codes, was selected as the most appropriate method for calculating a deprivation score for each setting. The IMD is a nationally produced data set, a measure of neighbourhood deprivation. It combines a number of indicators chosen to cover a range of economic, social and housing issues into a single deprivation score. The indices are already used nationally and locally to analyse patterns of deprivation and identify areas that would benefit from initiatives.

Deprivation models for each provider were calculated using the different methods outlined below:

- Method 1: Individual child IMD scores from their postcodes were added together to give a provider total. Funding was then allocated according to the provider total, with higher scores (more deprived postcodes) receiving more money. All providers would receive some funding using this method.
- Method 2: Individual child IMD scores from their postcodes were added together to give a provider total and the mean was calculated by dividing by the number of children on roll. Only providers with a mean score greater than the Wirral average of 27.9 were entitled to deprivation funding. Again, funding was allocated according to the provider total. By introducing a threshold, this method targets funding only at providers with children from the most deprived postcodes.
 - Method 1 is currently used in the schools funding formula.
 - Method 1 would ensure that all providers receive some funding, and that a 'cliff edge' effect could be avoided where some providers would gain or lose from being just above or just below the threshold.
 - Within Method 2 the importance of targeting deprivation funding was acknowledged, but it was felt that providers whose average score fell below the threshold may still have children from deprived areas who needed additional support.
 - The Working Group propose that Method 1 is used.

Quality

- A lump sum payment was calculated based on the costs of Qualified Teacher Status (QTS). All nursery schools and nursery classes employ teachers with QTS. 37 out of 119 PVI providers also employ teachers with QTS.
 - The lump sum was initially set at £15,384 - the difference in cost between employing a teacher with QTS and a level 3/NNEB qualified member of staff.
 - When paid as a lump sum to each provider employing staff with QTS, this took up 17.5% of the total budget, which was felt to be too high and unaffordable.
 - It was agreed that Early Years Professional Status (EYPS) should be included as this is a recognised professional qualification. This data is collected by the Early Years Census and is therefore readily available.
 - Further work is needed to reflect reduced adult child ratios with qualified staff and to consider other possible quality measures such as Ofsted.
- As part of the consideration of quality a lump sum payment was proposed for providers that employ a headteacher with responsibility for nursery children. This would only apply to the three nursery schools.
 - The Working Group accepted that nursery schools have the additional cost of employing a headteacher, and agreed that this element should remain in the formula.

The Working Group agreed that staff and qualifications was the best way of targeting quality money based on the evidence that better qualified staff lead to better outcomes for children.

Flexibility

The possible cost implications of delivering flexible provision were recognised. Further work is required in this area to evaluate appropriate indicators for use and the proportion of funding to allocate to this element.

Other Factors to Consider

As noted above legislation is not yet available, however it is likely that the Minimum Funding Guarantee (MFG) will apply as in the main school funding formula. This will protect settings based on pupil numbers. At this stage initial indications are that additional protection may be needed.

Termly reconciliation will apply to all settings.

Next Stages

Work will move forward in seeking further information from other Local Authorities to see how they have incorporated different elements into their proposed formulae and what proportions of their budget has been allocated to each element.

A range of models will be produced to evaluate the impact of these elements, singly and in combination compared to existing funding arrangements.

Once legislation is available the Working Group will evaluate the impact of this including MFG on funding formula options.

The Working Group will finalise their work with a range of models provided to the Schools Forum and schools for consultation.

The consultation process will be carried out in Autumn 2009 with feedback reported at the Schools Forum.

The new Funding Formula will be agreed by the Schools Forum for implementation from 1 April 2010, the national implementation date.