

Cabinet
2 November 2009**11. FAIR FUNDING CONSULTATION OUTCOMES 2009 -
NEW SINGLE FUNDING FORMULA FOR EARLY YEARS****Relevant Cabinet
Member**

Mr M J Hart

Recommendation

- 1. The Director of Children's Services recommends that, having regard to the consultation undertaken in June and July 2009 and the endorsement of the Worcestershire Schools Forum, the Cabinet approves the changes to the schools' funding formula to introduce a new local needs led Single Funding Formula for Early Years from April 2010 as outlined in Appendices 1 and 2.**

Background Information

2. The Council is required to consult schools and other consultees on any changes to the Fair Funding Formula. This is necessary in order for the Council to comply with the national statutory requirements for school and local authority funding.
3. The Government from April 2006, introduced multi-year funding for schools. 2008/09 saw the start of the second multi-year budget period to coincide with the national spending review timetable covering the three financial years 2008/09, 2009/10 and 2010/11. One of the requirements for local authorities resulting from this is the need to consult on any proposed funding changes that may take effect and be implemented at any time during the multi-year period. The Government announced in June 2007 that local authorities were required to design and implement across all sectors a single local formula for funding the free entitlement to Early Years (EY) defined as the existing provision for 3 and 4 year olds. So, in the Autumn Term 2007, consultees were therefore initially alerted to the requirement for a new local needs led Single Funding Formula (SFF) for Early Years (EY) and that there would be a period of consultation. This change is to cover provision across all providers in both the Maintained and Private, Voluntary and Independent (PVI) sectors. However, as this change is to take place during the current 3-year multi-budget period there is a requirement for further specific consultation on the detailed proposals.
4. The formulation of the proposals and the consultation process has been overseen by the Early Years Reference

Group (EYRG). This is a sub group of The Worcestershire Schools Forum (WSF) and is made up of representation from both the Maintained and PVI sectors. The group is supported by relevant officers. These groups advised on and considered the draft of the consultation paper prior to circulation. The consultation document was then widely circulated on 10 June 2009. Copies were sent to all members of the Council. Responses were requested by 17 July 2009. As well as the detailed document, three area meetings were held in early July 2009 for consultees to attend and discuss the proposals.

Consultation Results

5. The number of responses received from the consultation via the questionnaire pro-forma were as follows:

Provider	Number of Providers	Number of Responses	Percentage of Responses
Nursery/First/Primary with NC	55	9	16
Nursery/First/Primary without NC	123	3	2
Middle	21	0	0
Secondary/High	29	0	0
Special	10	1	10
Private, Voluntary, Independent and Childminders	320	45	14
Other	0	2	N/A
Total	558	60	11

Key: NC – Nursery Classes

Note – The percentage responses from purely the maintained and PVI early years providers is 15% of the early years sector providers.

7. In addition to these formal responses, at the three area consultation meetings held in early July 2009 the proposed changes were presented, discussed and feedback received. Officers and members of the EYRG attended these meetings. There has also been a meeting with the Headteachers of maintained schools with NC provision. A full response has also been received from one of the Teachers' Associations.

8. The consultation paper provided information on the statutory changes that the Department for Children, Schools and Families (DCSF) are introducing at a national level for the EY funding contained within the Dedicated Schools Grant (DSG). These are the need to:

- Develop a new local needs led SFF for funding the free EY entitlement for 3 and 4 year olds by April 2010. This

Required Changes to Early Years (EY) Funding

Potential Financial Implications

is to ensure consistency and fairness in the method of funding for all providers across all sectors and that such pupils are only funded for their free provision

- Require that the free entitlement to be funded via the SFF uses the same principles to fund all providers and is based on participation and provision taken up and not places.
- Change EY children count arrangements to ensure consistency across the maintained and PVI sectors. This will now be termly and is a requirement on all providers.

9. In total, consultees were requested to respond to nine questions that related to specific issues for the introduction of the new SFF for EY. Appendix 1 shows the responses from maintained and PVI providers to these nine questions. Recommendations resulting from the consultation are detailed in Appendix 2.

10. As well as the service delivery and operational aspects, there are specific financial implications to consider for the required introduction of the new SFF. The ultimate requirement is to have a SFF based on participation covering all providers, which can recognise the types of setting by providing for a differentiated hourly rate paid.

11. The current budget for delivering the free entitlement for 3 and 4 year olds in 2009/10 is £16m. This consists of £3m in the maintained and £8.5m in the PVI sector resourced from the DSG, together with £4.5m of Standards Fund Grant (SFG) to support the increase to 15 hours of free entitlement and the introduction of flexible provision, for which Worcestershire is a pilot authority.

12. At the strategic level, the current advice is that the above funding streams will continue until the end of 2010/11. However, given the DCSF review of the DSG and all grant funding streams to be introduced from April 2011, there is uncertainty on both the overall funding levels and the likely amounts to support early years and the free entitlement. The DCSF have yet to confirm and consult on their proposals for the DSG and the SFG but there are initial indications that the SFG will be mainstreamed into the DSG. Likewise, the DCSF have indicated they may consider whether there is a need to define and create an early years budget with the potential or not to ring fence the funding. All of these issues will contribute to overall future funding uncertainty and will have the potential to impact on and change the provider hourly rates. It is also worth noting that the take up of early years provision by parents is not statutory and therefore only by consideration of historic data can the number of children and hours be assessed, making it extremely difficult to provide an accurate forecast of the budgetary requirement.

**The Role of the
Worcestershire Schools
Forum and the Early
Years Reference Group**

13. At the sector level, there will be different issues for each type of provider. The consultation document provided some information on draft hourly rates for the different types of provider. These are based upon the agreed entitlement models aligned to the actual participation of children and overall budget for 2008/09. These rates are in the process of being updated to current prices and will be considered as part of the revised DSG notification for 2010/11 due from the DCSF later this term. These will be used to inform the detailed impact assessment required in order to measure the potential change for individual providers. However, given the nature of the change, the SFF can include some short term transition to facilitate its introduction and this approach will support the providers in the short term, as required.

14. For the maintained sector, the significant financial implication will be the change from place led to participation led funding. This will impact more on those settings with surplus capacity, which will result in a budget reduction. The impact will be individual to each setting. However, it is envisaged that the entitlement model for the sector will support some of potential shortfall and the transitional arrangements will be set to give schools time for Governing Bodies to change their staffing and operational aspects to adjust to the change in the funding level.

15. For the PVI sector, the provision is more fluid and volatile. The sector is more subject to parental choice and pupil mobility but with the distinct advantage of being able, within their OFSTED registrations, to admit younger fee paying children. The SFG to finance the extension of the free entitlement to 15 hours and for the introduction of flexibility has been used to temporarily increase the basic hourly rate paid to the PVI providers. So, for this sector the main financial implication will arise from the move from single enhanced rate for all PVI providers, to a rate for each type of provider predicated on the agreed entitlement model. These rates are likely to be lower than the current enhanced single rate. Conversely the PVI sector will be better served by the SFF having to apply to all providers and the continued use of termly actual participation as the basis for the allocation of resources.

16. As required the Worcestershire Schools Forum (WSF) continues to fulfil its statutory role as the principal consultation forum for matters relating to school funding.

17. There is a statutory requirement to consult the WSF on these funding proposals. As part of the process the DCSF recommended the use of an EYRG to lead on the development of any proposals. This has been set up as a sub-group of the WSF and has reported back to it. The

Conclusions

EYRG has held 6 meetings from the period November 2007 to September 2009 to discuss the issues. The last meeting on 21 September 2009 received the consultation outcomes which were also reported to the WSF at its meeting on 2 October 2009. A summary of the discussions and recommendations from these meetings are detailed in Appendix 3.

18. The responses detailed in Appendix 1 are summarised as follows and overall show support for:

- The principles recommended by the EYRG for the new local SFF for EY from April 2010
- The staffing ratios as detailed within the consultation document as the basis for the new SFF for EY
- An enhanced rate for PVI settings of more than 20 children
- The proposed entitlement models as detailed within the consultation to be used within the SFF for EY
- If the DCSF permit, consideration of the potential to ring fence the EY budget within the DSG
- The use of participation numbers as detailed within the consultation document to support the requirements of the new SFF
- The introduction of a deprivation model of disadvantage on an individual pupil basis as in the mainstream funding formula
- The funding of high cost/low incidence Special Educational Need to be initially outside of the new SFF for EY together with the development of further proposals in this area
- The need for some form of transitional arrangements for the introduction of the new SFF for EY.

19. It is therefore recommended to incorporate the above aspects, as detailed in Appendix 2, in the final SFF with effect from April 2010.

Supporting Information

- Appendix 1 - Consultation Responses, July 2009
- Appendix 2 - Recommendations resulting from the Consultation
- Appendix 3 - Worcestershire Schools Forum (WSF) and Early Years Reference Group (EYRG) Issues
- A copy of the written responses and a summary of the key comments from the consultation are available on request.

Contact Points

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Specific Contact Points for this Report

Background Papers

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In the opinion of the proper officer (in this case the Director
of Children's Services) the following are the background
papers relating to the subject matter of this report:

Fair Funding EY Consultation Document – June 2009