

**REGULATORY AND OTHER COMMITTEE REPORT**

<b>NAME OF COMMITTEE:</b>	Schools Forum
<b>DATE OF MEETING:</b>	26 January 2011
<b>SUBJECT:</b>	Early Years funding arrangements from 2011/12
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<b>IS THE REPORT EXEMPT?</b>	No
<b>IS REPORT CONFIDENTIAL?</b>	No

**SUMMARY**

The purpose of this report is to provide an update to the Schools Forum on progress for implementing the new funding arrangements for early year's provision in the maintained and non-maintained settings from 2011/12.

On the 10 December 2009, the previous Minister for Children, Young People and Families took the decision to postpone implementation of the Early Years Single Funding Formula (EYSFF) by one year. There had been uncertainty in the future of the EYSFF until the 26 July 2010, when a Ministerial Statement disclosed that all Local Authorities (LAs) would be required to implement the EYSFF from April 2011, in order to improve fairness and transparency in the system and to support diversity of provision.

**DISCUSSION**

**Introduction**

To support better outcomes for children at age five, the DfE requires LAs to introduce a more consistent funding arrangement for the maintained and non-maintained sectors from April 2011.

This will improve fairness and transparency in the way that funding is allocated to providers. LAs are therefore required to design and implement a single local funding formula across all sectors for the three and four year old free entitlement of early year's provision.

As indicated above, currently there are different funding arrangements for early years provision in maintained and non-maintained settings, e.g. in terms of the funding formula used. The key objective is to bring greater consistency to these arrangements from April 2011, and the DfE wishes LAs to introduce a system that is fairer, more consistent, transparent, objective, stable and simple.

There will be funding implications for both the maintained and non-maintained settings, including nursery schools, primary schools and infant schools with a designated nursery class, and the private voluntary & independent (PVI) sector. The LA has reviewed the funding implications and will apply transition arrangements where necessary.

### **DfE Guidance**

The DfE has documented the Government's expectations for the EYSFF in the form of guidance, which has provided assistance to LAs on how the formulae should be designed and implemented. Officers have also worked with a number of LAs that had piloted the new arrangements, to draw upon good practice and lessons learned.

Key points to note are:

- There is no requirement for the Early Years Single Funding Formula (EYSFF) to provide the same rate of funding to all sectors. The unavoidable costs that providers / sectors face vary, so a single rate would not be fair or reflective of the needs of providers and would not cover the costs of delivering the free entitlement.
- The funding formula must be based upon participation rather than places purchased. This will provide greater consistency between maintained and PVI providers.
- A deprivation factor is required by regulation. Other supplements should be considered to ensure the EYSFF supports wider early years policy objectives, in particular supplements should be considered as a means for incentivising improvements in service provision i.e. the EYSFF should recognise the costs associated with quality and encourage a culture of continuous improvement.

### **Development of the Formula**

Officers had undertaken a significant proportion of the work in 2009 to achieve the implementation of the formula for 2010/11. The LA however decided to postpone the implementation of the formula by one year in light of the Minister's decision due to uncertainty over its future. The work was revisited by officers in light of the DfE publication on the 26 July 2010 that all LAs would be required to implement the EYSFF from April 2011.

The LA adopted the following approach in line with DfE' guidance:

- Develop a typical cost model for each setting type, based on agreed staffing ratios and setting characteristics.
- The typical cost model considers all the activities it takes to provide the free entitlement and costs these. Each activity should be costed for each category of setting. Some costs may be common to all categories of setting, whereas some may apply to only one category.

The theoretical cost model approach takes into account the same factors when deciding the level of funding for each sector, and any differences between the sectors can be justified and relate to demonstrable cost differences. The base rates have been established from an analysis of existing and anticipated / forecasted costs that take into account setting structures and characteristics.

Key points to note:

- For the maintained sector, there is a legal requirement for a 1 to 13 staffing ratio in each nursery class, which will equate to one Qualified Teacher and one Teaching Assistant for each class of 26 children.

- The DfE has confirmed that head teacher costs can be included within the EYSFF for the maintained sector (i.e. unavoidable cost).
- The staffing ratio for the PVI sector is 1 to 8. It is proposed that this will consist of one Graduate Leader and three Nursery Assistants for 24 children. The Graduate Leader does not deliver free entitlement, but supports the operations of the PVI setting by being a supernumerary.
- Qualified teachers and Graduate Leaders have been assigned to the main teacher pay scale, which will provide transparency between the sectors and will help drive quality in settings by having staff with the appropriate level of qualifications. Teaching Assistants have been assigned to the GLEA pay scales through using equated pay.
- For all sectors, the roles of staff have been analysed to assess how many hours are required to support the delivery of the free entitlement, e.g. in terms of set up time, delivery, administration, SENCO, etc. This has then been costed at appropriate rates of pay.
- Non-staffing costs in each sector have also been analysed to ensure that these will be funded adequately.
- There are no plans to increase or reduce the funding currently available from the Dedicated Schools Grant for early years provision, through introducing the EYSFF.

### Lincolnshire EYSFF

The new formula has followed the DfE' guidance along with the key principles of objectivity, consistency, stability, transparency, justifiability and simplicity.

Based on the theoretical cost model / evidence based approach, an hourly base rate has been determined for each sector, i.e. for nursery schools, primary schools and infant schools with a designated nursery class, and PVI providers, to take into account the staffing and non-staffing costs required to deliver the free entitlement.

Within the infant and primary schools, base rates have been established based on the group classification of the school. Group classification of schools is based on the school's January census, where weightings are provided for each key stage group. The Teachers Pay & Conditions Regulations provides guidance on the group size calculation<sup>1</sup>.

The EYSFF will be calculated at an hourly rate per pupil for each type of setting. Differences in the hourly rates will reflect justifiable and transparent cost differences between the sectors. The base rates are sufficient to support the extension of the fully flexible offer and quality is sufficiently supported and incentivised within the funding system.

Provisional 2010/11 hourly base rates for the settings are based on the theoretical cost model / costing exercise referred to above:

	EYSFF	Current	Diff
Nursery Schools	£5.09	£5.07	+£0.02
Primary schools with nursery classes:			
Group 1 (< 1,000 units <sup>2</sup> )	£3.71	£3.93	-£0.22
Group 2 (1,001 > 2,200 units)	£3.71	£3.93	-£0.22
Group 3 (2,201 > 3,500 units)	£3.65	£3.93	-£0.28
Group 4 (3,501 > 5,000 units)	£3.61	£3.93	-£0.32
Infant schools with nursery classes:			
Group 1 (< 1,000 units)	£3.96	£3.93	+£0.03
Group 2 (1,001 > 2,200 units)	£3.90	£3.93	-£0.03

<sup>1</sup> Different group sizes have been used to reflect the fact that in each school, the early years cohort can represent a larger or smaller share of the total school population and therefore should have varying amounts of school related costs assigned to them, e.g. head teacher costs.

<sup>2</sup> The total unit score is determined in accordance with the number of pupils on the school register and at each key stage.

## Deprivation

Meeting the needs of deprived or disadvantaged children is a key part of the Government's objective of narrowing the attainment gap between children from different backgrounds.

The mandatory deprivation factor will be based on the government's deprivation measure: Income Deprivation Affecting Children Index (IDACI). The IDACI data takes into account various poverty and social factors, and uses postcode data for each child to determine an overall deprivation rating for each setting, which will be scored nationally (100% = most deprived and 1% = least deprived). The proposed approach is to focus funding on the most deprived and disadvantaged children rather than spreading it generally across all children, as there would be no material benefit for the child in terms of additional funding. Deprivation funding will be targeting using both a cut-off point for eligibility and a graduated scale of funding for those settings that qualify<sup>3</sup>. This will target the funding to those settings serving the most deprived children. Using a graduated scale of funding recognises variations in need and avoids 'cliff-edge' type funding.

In terms of the cut-off point, it is proposed that those settings that qualify for funding will be those deemed to be in the top 35% most deprived areas nationally (i.e. 65% and above IDACI score).

Using 2009/10 modelling data, it identified that 67 schools / settings qualified for deprivation funding. This included 4 nursery schools, 23 maintained schools with a designated nursery class and 40 PVI providers.

## Impact Assessment

An impact assessment through implementing the EYSFF was undertaken based on 2009/10 data. This identified the following:

- Losses are expected to be less than 1% in the PVI sector prior to distribution of deprivation funding. The Early Years Pathfinder Formula Analysis showed the Lincolnshire PVI rate to be around the median when making comparisons;
- Infant schools with nursery classes are expected to gain overall;
- Primary schools with nursery classes are expected to lose funding prior to deprivation funding. This is a result of the hourly rate being lower than the current funding rate (a group 4 school is 8% lower<sup>4</sup>) and the autumn numbers are generally lower across the sector compared to the spring and summer terms. It must be noted that some primary schools have lost funding due to a reduction in the number of children from spring 09 to spring 10; therefore they would have had a reduction in funding through the existing system;
- Nursery school funding is currently place-led which provides stability in funding, however four of the schools are not full, and have therefore been significantly impacted financially by moving to a participation-led approach. These schools will meet the deprivation criteria; however the additional funding they will receive will not cover the losses (based on 2009/10 modelling).

Transition arrangements for the nursery schools are currently being considered by the Directorate Management Team and Portfolio Holder, and will be communicated in due course.

## Charging Policy

The guidance to enable the maintained sector to charge for early year's places over and above the statutory entitlement will be required to be amended to incorporate nursery schools following the implementation of the EYSFF. This guidance currently only applies to primary and infant schools with designated nursery classes.

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<sup>3</sup> This is similar to the system currently used to allocate deprivation funding through the new SEN funding formula that was implemented in 2010/11 for the primary and secondary sector.

<sup>4</sup> The losses in a Group 4 school represent less than 1% of the total budget share.

## Primary Schools Admitting Nursery Aged Children

A number of primary schools are currently admitting nursery age children ('Early Fours') into their reception classes. These schools receive an AWPU of £222.54, however under the EYSFF; the AWPU funding will no longer exist. It is proposed that funding for nursery age children into reception classes will cease, and therefore a more formal approach will be required for those schools without a designated nursery class status. These schools will be required to set up a pre-school under school governance (subject to approval from the Birth to Five Service), which will be funded through the PVI route.

### Next steps

It is proposed that the development of the EYSFF will be taken forward as follows:

- January 2011. The Schools Forum will be consulted formally over the LA's plans for the EYSFF.
- February 2011. Formal Portfolio approval.
- February 2011. All schools and PVIs will be notified of the LA's proposals.
- March 2011. The funding arrangements under the EYSFF (e.g. hourly rates per child and deprivation funding per qualifying setting) will be communicated to all settings.
- April 2011. The new funding arrangements will be introduced.
- April 2011 to March 2012. The LA will keep the new funding formula under review.

## RECOMMENDATIONS

The Schools Forum is asked to note the content of this report.

## BACKGROUND PAPERS

The following reports were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	Early Years funding arrangements from 2010/11	7 October 2009	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	Early Years funding arrangements from 2010/11	22 April 2009	County Offices, Newland, Lincoln, LN1 1YQ