

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	10 July 2012
SUBJECT:	Early Years funding arrangements – Childminder settings
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to provide an update on progress for establishing a new Early Year's Single Funding Formula (EYSFF) rate for childminder settings.

All Local Authorities (LAs) are expected to establish childminder networks to enable childminders to deliver the free early year's entitlement (EYE). Lincolnshire was one of a small number of authorities who do not currently have accredited childminding networks to enable Childminders and parents to access their EYE entitlement. We are part way through establishing accredited networks.

As part of this process, the LA is working in partnership with a number of internal teams and partners to set up appropriate systems for EYE registration and delivery.

This childminder hourly rate is separate to the current hourly rates established for the maintained sector (nursery schools and nursery classes) and Private, Voluntary & Independent sector (PVI), when delivering the 15 hours free entitlement across the agreed funding period.

The EYSFF is a Government-led funding system that required all LAs to implement the EYSFF from April 2011 across the maintained and non-maintained sectors, in order to improve fairness and transparency in the funding systems and to support diversity of provision. In line with the Government's expectations, Lincolnshire implemented the EYSFF in April 2011.

The formula for Lincolnshire was developed following the DfE guidance along with the key principles of objectivity, consistency, stability, transparency, justifiability and simplicity. Based on the DfE recommended theoretical cost model / evidence based approach, an hourly base rate was determined for each sector, i.e. for nursery schools, primary schools and infant schools with a designated nursery class, and PVI providers, which took into account the staffing and non-staffing costs required to deliver the free entitlement. The EYSFF was calculated at an hourly rate per pupil for each type of setting. Differences in the hourly rates reflected justifiable and transparent cost differences between the sectors.

DISCUSSION

Introduction

The Childcare Act 2006 places a duty on LA's to secure sufficient childcare to enable parents take up or to remain in work or to undertake education or training which could reasonably be expected to assist them to obtain work. Sufficiency of EYE places form part of this duty. In addition, the Code of Practice for LAs on 'Delivery of Free Early Years Provision for 3 & 4 Year Olds' (September 2010), set an expectation that all LAs would establish childminder networks to enable childminders to deliver the free entitlement. This will provide a more diverse market for families to choose where their 3 & 4 year olds can access their EYE.

A childminder network is made up of a group of registered childminder's who are supported by a Network Coordinator who is employed to manage the network and support the quality of early years delivery. Lincolnshire has commissioned the National Childminding Association (NCMA) to set up these networks during 2012-13. The NCMA are working closely with the LA to ensure systems for childminders are relative to the systems used for all other early years' providers delivering EYE (e.g. EYE registration, workforce requirements, quality, flexibility and value for money).

Development of the Formula

Officers have adopted the key principles as applied in developing the hourly rates for the maintained and non-maintained settings when completing the childminder setting's hourly rate i.e. objectivity, consistency, stability, transparency, justifiability and simplicity. The DfE documented the Government's expectations for the EYSFF in the form of guidance, which has been instrumental on designing and implementing the formula.

Key points to note are:

- There is no requirement for the 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.
- A deprivation factor is required by regulation.

The LA adopted the following approach for the EYSFF in line with DfE' guidance (the childminder hourly rate also followed this approach):

- 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. 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 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 the childminding sector, the staffing ratio is 1 to 6, which will consist of one Teaching Assistant for six children.
- The Early Year's Foundation Stage Welfare Requirements specify that childminders may care for no more than six children under the age of 8 yrs, of these children a maximum of three children may be under 5 yrs. The 1 to 6 ratio has been established, because it is recognised that a childminder can offer provision up to six children at any one time. It would not be equitable to spread the full childminding staffing and non-staffing costs across only the three children who could access the EYE, when the childminder can offer provision to a further three children and receive income for them that contribute towards the settings costs (i.e. avoid double funding).
- Childminders will be required to hold a level 3 qualifications to deliver the EYE. Staffing costs have been based on a Teaching Assistant level on the GLEA pay scale which is munificent to take account of the additional responsibilities managed by a sole childminder.
- 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. The same hourly rates for childminder settings are consistent with the PVI sector.

Lincolnshire EYSFF

The 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, PVI providers and childminder settings, to take into account the staffing and non-staffing costs required to deliver the free entitlement.

The EYSFF is 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.

2012-13 hourly base rates for the settings are based on the theoretical cost model / costing exercise referred to above:

	EYSFF
Nursery Schools	£5.94
Primary schools with nursery classes:	
Group 1 (< 1,000 units ¹)	£3.71
Group 2 (1,001 > 2,200 units)	£3.71

¹ The total unit score is determined in accordance with the number of pupils on the school register and at each key stage.

Group 3 (2,201 > 3,500 units)	£3.65
Group 4 (3,501 > 5,000 units)	£3.61
Infant schools with nursery classes:	
Group 1 (< 1,000 units)	£3.96
Group 2 (1,001 > 2,200 units)	£3.90
Private Voluntary & Independent	£3.52
Childminder's	£3.43

The childminder's formula has been adopted taking into account the following characteristics:

- Role of staff (support direct delivery): Based on those functions that relate to the direct delivery of the free entitlement, namely, set-up & put away and planning & pupil assessments, the number of hours assigned are consistent with the Teaching Assistants within the maintained and PVI sector, as they are not specifically related to child numbers.
- Role of staff (operational functions): For those functions that support the operation of the childminder setting, e.g. SENCO support, administration and meeting / liaising with parents etc, that would have been completed by the Graduate Leader (supernumerary) in the PVI funding model (based on a setting of 24 children), these functions do relate to the size of setting / number of children, therefore the contributing hours for these functions have been proportionately reduced to take account of this (i.e. the childminder's model represents 25% of the size of the model PVI setting).
- The member of staff undertaking the management and delivery of the setting has been assigned at a Teaching Assistant level on the GLEA pay scales through using equated pay. The scale point is one level higher than a PVI Teaching Assistant to take account of the additional responsibility of managing / supporting the whole operation of the setting e.g. SENCO support, admin and meetings with parents etc.
- The non-staffing costs that support the childminder's setting, namely, cleaning materials, learning resources (not I.T), mobile phone / internet connection costs and admin materials have had the same hourly rate as applied to the PVI sector and maintained (where appropriate).
- Central non-staffing costs such as finance assistance, insurance, CRB and subscriptions have had a share of the total costs assigned to the EYE part of the organisation. The justification for this decision is that a typical childminder setting would offer a wider provision and EYE is only a part of this, i.e. 8am-6pm (50 hours per week) and throughout the full year.
- For transparency, both the childminding and PVI settings have had rental costs included within the formula, which has been based on a rental value (£ per sq foot) assigned by Mouchel Property through considering typical terms & conditions, and the age & condition of a model building. The Ofsted standard space per child in a classroom of 2.3sqm has been applied. This approach was adopted across both sectors due to the variability of costs across all types of premise.

Childminder's meeting the necessary standards will access the funding from the autumn 2012 term.

The childminder setting's hourly rate is marginally below the median (published by the DfE for pilot authorities) and is approximately the mid-rate for LAs that have published childminder's rates. The hourly rate is also the same rate as the average NCMA childminding fees for Yorkshire & the Humber in 2011 (NCMA membership survey). East Midland's average has increased from £3.40 to £3.52 from 2010 to 2011. The Lincolnshire average hourly fee rate for a Childminder is £3.26 based on an average weekly rate of £163.00.

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. 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).

Childminder settings will be able to access deprivation funding where they meet this criteria. Deprivation funding is based on the pupils registered on the latest January census, and funding is profiled across the financial year. Childminder settings will be able to access the funding from 2013-14.

RECOMMENDATIONS

The group is asked to note and support 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 Single Funding Formula (EYSFF) - Nursery Schools	25 January 2011	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	Early Years funding arrangements from 2011/12	26 January 2011	County Offices, Newland, Lincoln, LN1 1YQ
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