

(extract from Early Years Reference Group meeting 10 July 2008)

1. Progress update on LA Formula Development Project

There are six LAs involved in the Formula Development Project (FDP): Hertfordshire, Somerset, Leeds, Rochdale, Croydon and Southampton. All six LAs will implement a single funding formula in April 2009.

**Extract from Formula Development Project – 2nd Update (May 2008)
(6 Pilot LA's)**

“The strongest message coming out of the pilot LAs is that developing a single formula is challenging and takes time. Their evidence shows how important it is to engage all stakeholders (maintained and PVI) in the process and to do so early. This is most successful where work on the formula is jointly driven by early years and school finance. Pilots report that engaging stakeholders as early as possible has particularly helped with the design of the cost survey and the response rate. Given that DCSF is expecting real change in 2010, it is critical that every LA starts work towards the formula now.”

2. 2009-10 Counting on the basis of participation

In 2009, DCSF expects all LAs to start counting on the basis of participation rather than places. This fits with changes to counting at a national level: this year the EYC collected information about hours rather than places and from 2009, the School Census will also be based on hours.

This is in hand for Dudley and the revised method of recording pupils on the School Census will be effective from January 2009.

3. Top tips for other LAs

- i. “Although the cost analysis provides essential background, it’s important to use a variety of information-gathering routes to establish actual provider costs.*
- ii. Early and regular sector-specific, face to face consultation is important.*
- iii. Establish project management set-up to include contacts in maintained / PVI / EY and good finance input.*
- iv. Include the Finance team in all discussions / meetings. They will be calculating the claims – the formula has to be easy to administer.*
- v. Ensure that your proposals fit with your local needs in relation to outcomes at the end of the Early Years Foundation Stage – in other words, consider how funding changes can incentivise improvement in quality, particularly in those settings working with children at risk of poor outcomes.*
- vi. Do not try to maintain or confine yourself to the status quo without fully assessing the strengths and weaknesses of other more comprehensive*

- reform options.*
- vii. *Don't forget about political realities – in other words, be fully aware of the complete impact of any changes you are considering on all providers and ensure that senior managers and elected members understand the implications”*

4. Formula Development Project – Summary so far

All six of the LAs involved in the FDP are considering a conceptually similar formula. The key characteristic of this is **a core unit of funding per hour per child**, which is broadly reflective of average provider costs, **supplemented by small specific incremental funding factors which reflect the individual circumstances within the six LAs**. The LAs have considered a range of incremental factors including **deprivation, SEN, premises, quality, and sparsity**. They have also considered the use of lump sum payments and the possible applicability of a minimum funding guarantee to address issues of sustainability. In general, however, the LAs are incorporating most of these cost elements into the core funding, and **moving forward with only a small number of incremental funding factors**.

There will be final update available during Summer 2008