
Schools Forum 6 October 2009

Report of the Director of Children's Services

Introduction of a Single Funding Formula for Early Years Provision - Consultation

Purpose of Report

1. To advise Schools Forum of the draft consultation document shortly to be issued in respect of the introduction of a single funding formula for early years provision from 2010/11.

Discussed at HTCF – BWG

2. Yes - 29 September 2009

Schools Forum Role and Responsibilities

3. The Schools Forum Regulations state that the local authority shall consult the Forum on any proposed changes in relation to the factors and criteria or methods, principles and rules that have been adopted in their formula for allocating funds to schools.
4. Consultation must take place in sufficient time to allow the views expressed to be taken into account in the determination of the local authority's formula and in the initial determination of schools' budget shares before the beginning of the financial year.
5. In July 2009 the DCSF issued practice guidance 'Implementation of the Early Years Single Funding Formula'. The following is an extract in respect of Schools Forums role in the development of the Early Years Single Funding Formula (EYSFF):

"The Forum is the 'guardian' of the local Schools Budget, and its distribution amongst schools and other bodies, and therefore must be closely involved throughout the development process. Schools Forum membership now incorporates a mandatory requirement for representation from Private Voluntary and Independent (PVI) providers. The local authority, as required by the DCSF, has set up an Early Years Reference Group to ensure that all provider sectors have appropriate representation and that key LA departments are involved.
6. Other key issues for Schools Forums to consider include:
 - The affordability of the preferred formula, including whether the funding allocated is sufficient for all early years provision;
 - Whether transitional protection is required for settings affected adversely

- by the change, and if so, what form of protection and for how long;
- How the minimum funding guarantee (MFG) should be used to offer such protection;
 - The impact on schools admission policies, in particular the frequency of admission to nursery schools and nursery classes”.

Actions for Schools Forum

7. To note the proposal to implement a single funding formula for Early Year's provision from April 2010 and Director of Children's Services intention to enter a period of formal consultation from October 2009 until 8 January 2010.
8. To ensure that the DCSF guidance (paragraph 6 above) is considered before advising the Director of Children's Services.
9. The outcomes of the consultation will be presented to Schools Forum at the February 2010 meeting with a Director's recommendation for approval.

Attachments to Report

10. Appendix 1 – draft consultation document.
11. Annex 1 – Supplementary information to the draft consultation document - Netherton Park nursery.
12. Annex 2 – Supplementary information to the draft consultation document - Impact assessment using average hourly rates.
13. Annex 3 - Supplementary information to the draft consultation document - Impact assessment using existing resources.

Mirella Harris
Senior Principal Accountant - Children's Services
22 September 2009

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Introduction of a Single Funding Formula for Early Year's Provision - Consultation

Purpose of Report

1. To advise Schools Forum of the draft consultation document shortly to be issued in respect of the introduction of a single funding formula for early years provision from 2010/11.

Background

2. The Government announced in June 2007 that "local authorities (LAs) will be required to design and implement a single local funding formula for funding the Free Entitlement to early year's provision for 3 and 4 year olds across all sectors. The aim is to improve fairness and transparency in the way that funding is allocated to providers who deliver the Free Entitlement, and thereby support its extension to 15 hours, to be delivered more flexibly from Sept 2010."
3. Forum will note that this item has been discussed in detail at Forum meetings since October 2007.
4. The Early Year's Single Funding Formula (EYSFF) must be implemented across England from April 2010.
5. The DCSF practice guidance 'Implementation of the Early Years Single Funding Formula' issued in July 2009 indicates Schools Forums role. Paragraph 6 above refers.
6. The guidance issued by the Department for Children, Schools and Families (DCSF) identifies the following as being the issues that Schools Forums need to address:
 - o The affordability of the preferred formula, including whether the funding allocated to it is sufficient for all early years provision;
 - o Whether transitional protection is required for settings affected adversely by the change, and if so, what form of protection and for how long;
 - o How the minimum funding guarantee (MFG) should be used to offer such protection;
 - o The impact on schools admission policies, in particular the frequency of admission to nursery and nursery classes.

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Changes to Regulations

7. The Government is introducing primary legislation to amend the School Standards and Framework Act 1998 (section 47ZA Free of Charge Early Years Provision Outside a Maintained School: Budgetary Framework: England). Legislation will bring all early years funding under the Schools Finance Regulations.

The key changes to the regulations are:

- LA's will have to use EYSFF to distribute funding for the free entitlement to early years provision;
- Funding for PVI providers in the Schools Budget in a LA will move from the Centrally Retained Budget to the Individual Schools Budget;
- As a minimum, the counting of pupils to support participation-led funding must be on a termly basis;
- The EYSFF will be required to include a deprivation factor, as is the case with schools funding formulae;
- Funding must be given on the basis of participation – the number of children actually delivered to – not on the number of available places in a provider or similar factors;
- The regulations will permit a factor to be included for additional funding to support sufficiency and sustainability, but this must not be used widely, and must have clear criteria as to the reasons for its use.

Core Principles

8. The Dudley formula has considered the DCSF guidance which states that LA's must have regard to the following core principles in developing an EYSFF:
- Support effective and efficient distribution of resources at a local level;
 - Facilitate greater flexibility of provision so that parents have greater choice in how they use the free entitlement;
 - Preserve diversity and choice in the market;
 - Incentivise improvements in quality of provision and recognise the ongoing costs associated with quality;
 - Support the narrowing of achievement gaps and recognise the additional costs associated with children from deprived backgrounds;
 - Be clear and transparent.

With regard to the operation of the formula, the DCSF guidance includes:

- The same factors should be taken into account when deciding the level of funding for each sector;
- Decisions should be transparent and any differences between sectors should be justifiable and demonstrable;
- The level of funding should be broadly cost-reflective and all the main cost elements should have been considered explicitly;
- Settings should be funded on the basis of participation, not places or similar factors. Participation must be counted as a minimum, on a termly basis;
- An additional factor to support sufficiency and sustainability will be allowed but this must not be used widely and must have clear criteria;

- The formula must take into account the sustainability of all settings, giving sufficient stability to all sectors to plan for the future and improve quality;
- Transition from the current funding mechanism to the future funding mechanism must be planned and managed carefully, and based on a clear impact assessment;
- The application of the formula in different settings should be based on common operating principles wherever possible;
- All aspects of the proposed EYSFF must be the result of partnership working with all those involved and final decisions on structure and operation of the formula should be made only after widespread consultation.

Dudley's Proposed Formula

9. The proposed formula for Dudley, which will be effective from April 2010, is based on an hourly rate for each sector with an additional factor for deprivation; this is in line with the methodology used by many of the pilot authorities. Deprivation is the only additional factor in the proposed formula.
10. The information from the costing exercises (actual and theoretical) carried out in 2008 has been used together with information derived from discussions with early year's officers to arrive at the proposed range of hourly rates.
11. Early indications from this costing exercise suggest that an additional amount, estimated at £0.6m could be required to fully fund the estimated cost of the provision; this would need to be identified as part of the 2010/11 Dedicated Schools Grant (DSG) budget setting process in February 2010. However if no additional funding was available then the hourly rates would need to be scaled down to manage within existing DSG resources. The financial impact assessment of both options is attached at Annex 2 and 3 of the draft consultation document.
12. Changes to the current funding methodology will give rise to "gainers" and "losers". Transitional protection is proposed for one year only. This will guarantee all providers with a funding level that is no less than 70% of the previous year's funding.
13. The proposals have been discussed with a representative group of Dudley headteachers, the Early Years Provider Reference Group, the Private, Voluntary and Independent providers and all headteachers of schools with Nursery classes in Dudley schools.
14. The draft consultation document containing the proposals is attached at Appendix 1, together with Annexes 1, 2 and 3.
15. The consultation period will be from October 2009 to January 2010. A final report will be presented to the Schools Forum meeting on 23 February 2010 advising members of the outcomes and the resulting recommendations of the Director of Children's Services. Any request for additional funding will need to be considered as part of the 2010/11 DSG budget process.

Finance

16. The funding of schools is prescribed by the DCSF through the School Finance (Amendment)(England) Regulations 2008.
17. Schools Forums are regulated by the School Forums Regulations 2002 as already amended by the Schools Forums (Amendment) Regulations 2004 the Schools Forums (Amendment) 2005 Regulations and the Schools Forums (England) (Amendment) Regulations 2008.
18. From 1st April 2006, the Schools Budget has been funded by a direct DCSF grant: Dedicated School Grant (DSG).

Law

19. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

20. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

21. That Schools Forum advise the Director of Children's Services in respect of the proposal to:
 - o Implement a single funding formula for Early Year's provision from April 2010, taking into consideration the DCSF guidance to Schools Forums (paragraph 6);
 - o Enter a period of formal consultation from October 2009 until 8 January 2010 in respect of the proposals for implementing the Early Year's Single Funding Formula (as detailed in the draft consultation document attached at Appendix 1);
 - o Note that the outcomes of the consultation will be reported to Schools Forum on 23 February 2010 for final approval before implementation.



Mark Wyatt

Director of Children's Services

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