

**Directorate of Children's Services**

# **Consultation on Early Years Single Funding Formula**

*'Putting children and young people first in Dudley'*

**October 2009**

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2004-2005  
*Transforming the School Workforce*



## Directorate of Children's Services

### Consultation Document

Consultation on: The introduction of a Single Funding Formula to be used to distribute funding to Early Years providers from 1st April 2010

Summary: This consultation sets out proposals for changes in the Council's arrangements for the distribution of funding to early years settings. It proposes a single funding formula to be used to determine funding for early years providers in both the maintained and private, voluntary and independent (PVI) sectors from 2010/11. This will result in some providers receiving different levels of funding to their current levels.

Deadline: All responses must be received by **8 January 2010**

Consultees:

- Chairs of Governors
- Children's Trust Executive Board
- Councillors
- Directorate Staff
- Dudley Association of Governing Bodies
- Dudley Council Directorates – Corporate Board
- Headteachers
- Members of Parliament
- Roman Catholic Diocesan Schools Commission
- Select Committee for Children's Services
- Standing Advisory Council on Religious Education
- Unions and Professional Associations
- Worcester Diocesan Board of Education
- Early Years Providers – Private, Voluntary and childminders

Public Access: Consultations, plans and policies will be published as follows:

- Public Libraries
- Dudley MBC website [www.dudley.gov.uk](http://www.dudley.gov.uk)
- Westox House

Responses to:           CONSULTATION RESPONSES  
Executive Support Team  
Directorate of Children's Services  
Westox House  
1 Trinity Road  
Dudley DY1 1JQ  
[director.children@dudley.gov.uk](mailto:director.children@dudley.gov.uk)

*Your responses will be co-ordinated by this team.  
Any responses will be provided by the appropriate responsible  
officer for this consultation.*

All responses may be published. A **large print version**, and translation into other languages is available on request to the above address.

A handwritten signature in black ink that reads "Mark Wyatt". The signature is written in a cursive, flowing style.

Mark Wyatt  
Director of Children's Services

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## **Glossary**

AWPU – Age Weighted Pupil Unit

DSG – Dedicated Schools Grant

EPPE – Effective Pedagogy of Pre-School Education

EPSE – Effective Provision of PreSchool Education in Secondary

FTE – Full Time Equivalent

HTCF BWG – Head Teachers Consultative Forum Budget Working Group

IMD – Index of Multiple Deprivation

ISB – Individual Schools Budget

LA – Local Authority

MFG – Minimum Funding Guarantee

PPA – Planning Preparation and Assessment

PVI – Private, Voluntary and Independent including childminders

SOA – Super Output Area

## Directorate of Children's Services

### Introduction of Early Years Single Funding Formula

#### Executive Summary of Introduction of Early Years Single Funding Formula

The Department for Children, Schools and Families (DCSF) require local authorities to implement a number of changes that will affect the Early Years Foundation Stage during the next two years. These changes include the implementation of a single funding formula from April 2010. The aim of the new formula is to improve fairness and transparency and harmonise the way that funding is allocated to providers of early years education.

This consultation will influence Dudley's final early years funding formula. The new formula will affect early years' providers at Netherton Park Children's Centre, maintained primary schools with nursery classes and the private, voluntary and independent sector.

The single funding formula proposed is based on a costing exercise undertaken across the range of early years' providers. This exercise has resulted in proposed basic rates in excess of current funding and will therefore require additional resources to be identified in order to implement at this funding level. Schools Forum will discuss these issues together with the outcomes of the consultation in February 2010.

Transitional arrangements have been proposed for those providers who will be disadvantaged by this change.

The requirement to have a single funding formula for all early years' providers means that the counting of children needs to be standardised across all providers. The DCSF guidance is clear that unless circumstances are exceptional, funding should be based on participation. The Private, Voluntary and Independent (PVI) sector is currently funded on participation and will not experience any change in the process. However, the maintained nursery classes are funded on the actual number of pupils based on the schools' census data in January and Netherton Park Children's Centre is funded on a planned place basis. Therefore to accommodate this change a termly count will be introduced for these early years' pupils and this will form the basis of the funding provided for the maintained sector.

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Mark Wyatt  
Director of Children's Services, October 2009

## **Introduction of Early Years Single Funding Formula**

### **Purpose**

1. The purpose of this consultation document is to provide information concerning the introduction of a single funding formula for early year's provision. It invites views regarding the proposed formula which will be used to fund pupils in early year's settings in maintained schools, private, voluntary and independent (PVI) sectors from 1 April 2010. The consultation period closes on 8 January 2010. All responses to the consultation must be received by this date. The outcomes of the consultation will be reported to Schools Forum on 23 February 2010 for final approval.

### **Background**

2. The Government's Department for Children, Schools and Families (DCSF) require local authorities to implement a number of changes that will affect the Early Years Foundation Stage during the next two years. These changes include the implementation of a single funding formula from April 2010. The aim of the new formula is to improve fairness and transparency and harmonise the way that funding is allocated to providers.
3. The requirement to have a single funding formula for all early years' providers means that the counting of children needs to be standardised across all providers. The DCSF guidance is clear that unless circumstances are exceptional, funding should be based on participation.
4. In order to support the implementation of the local Early Years Single Funding Formula the DCSF will be changing the legal framework for the funding of the free entitlement for 3 and 4 year olds.

### **Legislative Requirements**

5. The Schools Budget is funded by the DSG (Dedicated Schools Grant), which is a ring fenced grant from the Department for Children, Schools and Families (DCSF). Within the Schools Budget the majority of the budget is allocated to schools via the Individual Schools Budget (ISB). Currently, maintained settings are funded from the Individual Schools Budget, and PVI settings are funded from the Centrally Retained part of the Schools Budget. Following passage of the Apprenticeships, Schools, Children and Learners Bill, both maintained settings and PVI settings will be funded from the Individual Schools Budget.
6. The School Finance Regulations will say that in respect of early year's providers:
  - o Local authorities will be required to have a single funding formula to distribute funding to their early years providers (both maintained and PVI) from 2010-11;

- This formula must include a factor for deprivation;
- This formula can contain factors already set out in Schedule 3 of the School Funding Regulations and in addition can contain factors on quality and flexibility; this Schedule specifies additional factors or criteria which may be taken into account in a local authority's formula.
- This formula can contain different criteria and values for the various factors if these are justified by provider's circumstances;
- Local authorities must give indicative budgets to settings before 31st March 2010;
- Funding must be based on planned attended hours and then adjusted to reflect actual attendance;
- Funding can only be based on places for reasons of sustainability or to ensure that the local authority meets its duty to secure sufficient childcare.

Please see following link for details: <http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/IG00611/>

### **Current Funding Arrangements**

7. Early year's settings in Dudley that provide the free entitlement to early year's education are very diverse and include Netherton Park Children's Centre, nursery classes in maintained primary schools and private, voluntary and independent providers (PVI). The current funding methodology for these providers is shown in Table 1 below.

**Table 1 Current Funding Methodology**

<b><u>Type of provision</u></b>	<b><u>Number</u></b>	<b><u>Equivalent Hourly Rate</u></b>	<b><u>Basis of Funding</u></b>
Netherton Park Children's Centre	1	£7.91	Place Led 53 fte
Maintained Nursery Classes	39	£3.04	Actual pupil numbers at school census day x 0.5 fte x 0.8 (awpu)
Private, Voluntary, Independent and Childminders	86	£3.14	Participation led up to 12.5hours a week
Total	126		

## **Developing the New Funding Proposals**

8. To develop the new funding proposals a number of approaches have been taken to collect information. These include :
  - A review of theoretical average costs of provision in the maintained sector and the different types of PVI providers.
  - Two actual cost surveys to determine average costs for each type of provider (Autumn 2007 and Autumn 2008).
9. Twelve local authorities have been working ahead of schedule to implement the single funding formula as part of a pilot introduced by the DCSF, with the aim of implementing their formulae in April 2009 – a year early. The experience of these authorities has helped to inform the guidance for all local authorities.
10. In preparation for the implementation of the early years single funding formula in Dudley, an Early Year's Reference Group was established in 2008. This group was made up of relevant stakeholders. Detailed discussions have also taken place with Primary Head's Forum, Head Teachers Consultative Forum-Budget Working Group (HTCF-BWG), Schools Forum and PVI providers.

## **Proposed Funding Formula**

11. The structure of the formula should include a base rate. This can be one single rate or multiple rates differentiated by type of providers according to variations in unavoidable costs.
12. It is proposed that the overall funding formula for an individual setting will be made up of the following elements:
  - Basic rate per child per hour
  - Deprivation funding
  - Transitional arrangements (first year only)

## **Basic Rate**

13. This will be the main factor in the Early Years Funding Formula. This funding represents an amount per child for each hour of their free entitlement. This move to funding per hour is to support the implementation of flexible provision, which should be available to all three and four year olds from September 2010. Counting participation in hours allows providers to move away from simply offering a set pattern of 2.5 hour sessions.
14. The hourly rate for each type of provider has been developed by considering both the average and actual costs for:
  - Staff – management; administration; support staff;
  - Equipment/ learning resources;



- o Premises.

15. In addition the base rate varies for individual settings as follows:

- Netherton Park Children’s Centre’s funding reflects its status as Dudley’s only nursery school. The Government is committed to the preservation of nursery schools and the ‘unique contribution’ they make to early years education in the UK. For further details refer to Annex 1.
- Maintained nursery classes have been funded at a staffing ratio of 1:13 and are based on the 2008/09 average teacher and teaching assistant costs. This averaged out at approx 5p an hour per pupil more than average costs of the PVI sector. This reflects the cost of Planning, Preparation and Assessment time and a proportion of the cost of employing a headteacher within the school.
- Private, Voluntary and Independent sector settings have been funded on a staff ratio of 1:8, at 2008/09 average staffing costs for the sector.

16. These key differences result in the following basic rates:

**Table 2 Basic Rate Using Average Costs**

<b><u>Provider</u></b>	<b><u>Proposed Rate per child per hour at 2009/10 Prices £</u></b>
Netherton Park CC	7.86
Maintained	3.41
Private	3.36
Voluntary	3.36
Childminders	3.50

Q1. Do you agree with the issues that have been considered to develop the basic rates?

**Deprivation**

17. There is a requirement to have a deprivation factor in the funding formula.

18. It is proposed that the Early Years Funding Formula includes a deprivation factor which is applied consistently to all settings. Funding will be allocated on the basis of an amount per child per hour.

19. Deprivation funding will be based on matching the child's postcode to a Super Output Area (SOA). The relative deprivation of each Super Output Area will be measured using the Index of Multiple Deprivation Factors (IMD). This identifies the number of children in each setting analysed by Super Output Areas (SOA) in 10% bands. Settings with children from the most deprived 20% will be allocated additional funding, which equates to 10p per hour. Settings should use this funding to provide additional support for these children. The 10p is a notional figure that will be reviewed annually, with a recommendation that increasing funding for deprivation will be considered a priority for any future year's growth.
20. The total of the basic rate and any deprivation funding will generate a rate per child per hour.

Q2. Do you agree that funding should be allocated to those children from the 20% most deprived backgrounds?

Q3. Do you agree that the deprivation funding should be 10p an hour per child from the 20% most deprived backgrounds?

### Transitional Arrangements

21. The introduction of the Early Years Single Funding Formula will create some significant funding changes for some providers. Therefore transitional arrangements are proposed for one year only to allow providers to adjust to changes in funding levels. Protection will be given to those providers who are worse off as a result of the new funding arrangements. This will take the form of a minimum funding guarantee. Providers will receive funding protection up to the value of 70% of the previous year's funding.

Q4. Do you agree with the proposed transitional arrangements?

### Additional consideration should be given to the following:

22. It is recognised that average costs have been used in developing this formula and there will be differences for individual providers.
23. The elements of the basic rate are not intended to determine the spending in settings. Actual levels of spending are subject to local managerial decisions.
24. At present the costs of running a school with a nursery are funded through the mainstream schools funding formula. In developing the Early Years Single Funding Formula consideration has been given to the overhead costs (e.g. for premises etc), which are already included in the school's mainstream formula funding. In order to avoid double funding schools with nursery provision a corresponding adjustment to reduce funding within the

mainstream budget will be made. Proposed changes to the School Finance Regulations (England) Regulations 2010 permit this adjustment.

The value of this funding based on 2009/10 formula is on average 43 pence an hour; however this will be reviewed on an annual basis to reflect actual levels of funding.

### **Funding Requirements**

25. To implement the proposed basic rates shown in Table 2, which are modelled in annex 2, would require approximately £662k additional resources annually. Schools Forum was made aware of this potential funding shortfall at the meeting of 2 June 2009 and the final decision regarding the extent to which this shortfall can be met from the Schools Budget will not be made until February 2010, when more information is available regarding the Dedicated Schools Grant for 2010/11.
26. The rates that would be payable if no additional resources were available are shown in Table 3 and modelled in annex 3.

**Table 3 Basic Rate Using Existing Resources**

<b><u>Provider</u></b>	<b><u>Proposed Rate per child per hour At 2009/10 Prices £</u></b>
Netherton Park CC	7.86
Maintained	3.08
Private	3.03
Voluntary	3.03
Childminder	3.17

27. An analysis of the rates of funding for nursery provision for our statistical neighbours in 2008/09 shows that Dudley's funding of maintained nursery classes is the lowest out of 9 authorities and for PVI's, Dudley's funding was the 9th lowest out of 10 authorities. Netherton Park's funding was ranked 3rd out of 6 authorities. Dudley's DSG funding per pupil is the 7<sup>th</sup> highest out of the 11 authorities.

### **Impact Assessment**

28. An exercise was carried out to show the impact of applying the hourly rates shown in Tables 2 and 3 to the actual hours children attended individual settings between summer 2008 and spring 2009 for PVI's and based on January 2009 pupil numbers for maintained nursery provision.

29. In Annex 2, only 7 out of 126 providers would receive a lower level of funding under the new funding methodology; these are maintained nursery classes with surplus places. Transitional arrangements will be available as detailed in paragraph 21.

30. In Annex 3, 98 out of 126 providers would receive a lower level of funding. This recognises inequalities in the current method of funding those maintained nurseries with higher levels of participation, by re-allocating funds from some maintained nurseries with surplus capacity and PVI providers, to childminders and to those maintained nurseries that are maximising capacity.

31. Why is additional funding from Schools Forum Dedicated Schools Grant required?

- The Childcare Act 2006 places a duty on local authorities and their partners to improve outcomes for all children and reduce inequalities between them. Fulfilling this duty requires Dudley to focus on the resourcing and provision of high quality early learning and care.
- Children who experience high quality early years provision are well placed to achieve better outcomes in school and beyond and develop better social, emotional and cognitive abilities necessary for life-long learning. The Effective Provision of Pre-School Education (EPPE) Research which underpins the Government policy on Early Years shows that the impact of quality experiences in Early Years lasts into KS2. The research is now exploring a lasting impact into KS3/4 through the Effective Provision of Pre-School Education into Secondary (EPSE) Project.
- In order to provide high quality early years provision, with high quality practice leading to high quality outcomes Dudley needs to take an integrated approach at all levels, from investing financially to strategic planning through to front line delivery which maximises access and benefits to children and their families.
- Dudley will not be successful in raising quality standards if we fail to tackle child poverty which has far-reaching effects on all outcomes. Children who grow up in workless households are much more likely to be poor in adulthood but children who are lifted out of poverty are more likely to flourish, gaining a solid foundation for later life. Dudley has a leading role in supporting parents to make the transition to work and, by doing so reduce child poverty and tackle workless ness which has a direct correlation to improved outcomes for all children. Research shows that children who experience a high quality pre-school tend to be less likely to commit crime.
- The universal free entitlement for all 3 and 4 year olds which is properly financially resourced which maximises access to early years provision plays an important part in delivering this agenda.

Q5. Do you support the need for additional funding of approx £662k being transferred into early years from the schools budget?

## **Implementation**

### **Counting pupils**

32. It is proposed that the Early Years Single Funding Formula will count the participation in the settings based on a single termly count. This means that if children join or leave the setting after census date, funding will be unaffected for the remainder of the term.
33. For the PVI sector the current arrangements will continue i.e. headcount 3rd Thursday of each term.
- Term dates for PVI providers will continue to be:
- |        |                             |
|--------|-----------------------------|
| Spring | 1 January – 31 March        |
| Summer | 1 April – 31 August         |
| Autumn | 1 September – 31st December |
34. For all providers the proposal is to issue an indicative budget at 1st April based on the average pupil numbers on the previous 3 terms participation. Actual funding will be adjusted each term to reflect participation as recorded on school census or PVI count.

### **Minimum Funding Guarantee**

35. The Minimum Funding Guarantee (MFG) is a statutory requirement and applied to the mainstream school funding formula. Its purpose is to ensure a set increase in funding per pupil. It currently only applies to the maintained sector
36. The introduction of an Early Years Single Funding Formula means the principles of the Funding Formula must be applied to all providers. As one of the main principles of the formula is that funding follows participation. It is proposed that funding for early years is excluded from the MFG for all maintained schools. This will ensure all providers are treated in the same way, and keep the formula simple and transparent.

### **Census-Data Collection**

37. All settings providing nursery education now complete data returns to the LA on a termly basis and this process will continue.
38. Maintained nursery providers will be required to provide additional information for the January census in 2010. This has been introduced in order to align with the method of counting hours already used in the PVI sector. The census collects the number of LA funded hours accessed by 3 and 4 year olds on the week date of the census, to the nearest half hour.



**Comments on the consultation for Early Years Single Funding Formula**

Please return this form to:

**CONSULTATION RESPONSES**

Westox House  
1 Trinity Road  
Dudley  
West Midlands DY1 1JQ

Email: [director.children@dudley.gov.uk](mailto:director.children@dudley.gov.uk)

Fax: 01384 814202

Name: ..... Organisation: .....

If you wish to receive an acknowledgement of receipt for your response please provide an email or postal address:

Contact address .....  
.....  
.....

**1. Do you agree with the issues that have been considered to develop the basic rates? (paragraph 13-16)?**

Yes                       No                       No opinion

**Comments**

Large empty rectangular box for providing comments.

**2. Do you agree that funding should be allocated to those children from the 20% most deprived backgrounds (paragraph 19)?**

Yes

No

No opinion

**Comments**

**3. Do you agree that the deprivation funding should be 10p an hour per child from the 20% most deprived background (paragraph 19)?**

Yes

No

No opinion

**Comments**



**4. Do you agree with the proposed transitional arrangements (paragraph 21)?**

Yes  No  No opinion

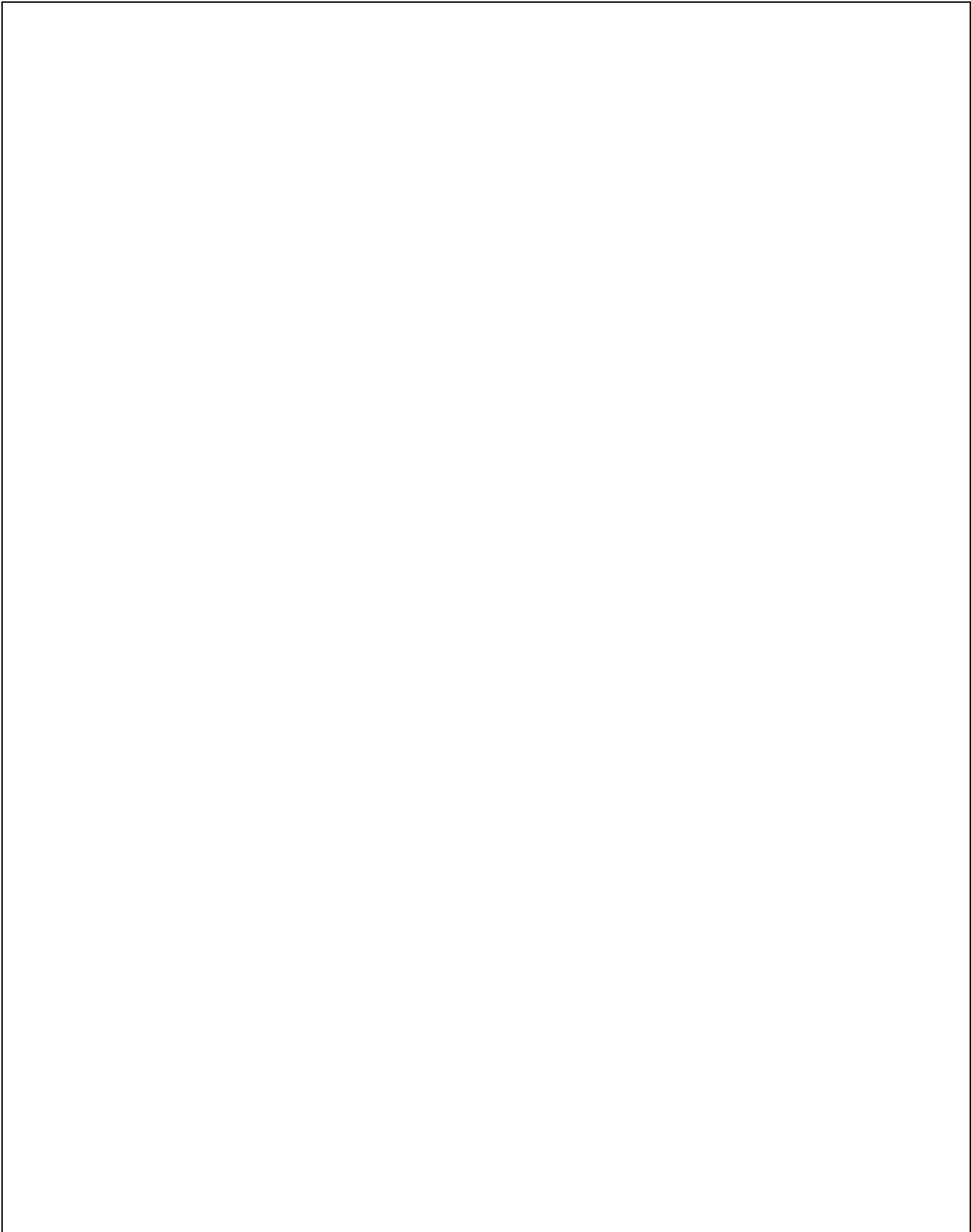
**Comments**

**5. Do you support the need for additional funding of approx £662k being transferred into early years from the schools' budget? (paragraph 25)?**

Yes  No  No opinion

**Comments**

**Additional Comments:**



**Customer Service feedback on Early Years Single Funding Formula**



# Equality monitoring of DMBC consultations

The information you give on this form will be used to enable Dudley Council to assess the impact of its policies on all sections of the community.

The details you provide will be treated confidentially and will be used to ensure that the views of a wide range of groups and individuals are included in the consultation process and given the opportunity to shape Council policies.

If you are completing this form on behalf of an organisation please try to answer the questions in general terms about the people your organisation represents.

**1. Please indicate whether you are responding as an individual or on behalf of an organisation:**

<input type="checkbox"/>	Individuals response
<input type="checkbox"/>	Organisations response

**2. I would describe my ethnic group, or the ethnic group/s represented by my organisation as:**

**ASIAN OR ASIAN BRITISH**

<input type="checkbox"/> Bangladeshi	<input type="checkbox"/> Indian	<input type="checkbox"/> Pakistani
<input type="checkbox"/> Any Other Asian background		

**BLACK OR BLACK BRITISH**

<input type="checkbox"/> African	<input type="checkbox"/> Caribbean	<input type="checkbox"/> Any Other Black Background
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**CHINESE OR OTHER**

<input type="checkbox"/> <b>Chinese</b>	<input type="checkbox"/> Other
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**MIXED**

<input type="checkbox"/> Asian & White	<input type="checkbox"/> Black African & White	<input type="checkbox"/> Black Caribbean & White
<input type="checkbox"/> Any Other Mixed background		

**WHITE**

<input type="checkbox"/> British	<input type="checkbox"/> Irish	<input type="checkbox"/> Any Other White Background
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**RANGE OF ETHNICITIES**

<input type="checkbox"/>	_____
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**3. I would describe my religion/belief or the religion/beliefs of the people represented by my organisation as:**

Buddhist

No Religion

Christian

Sikh

Hindu

Other

Jewish

A range of religions/beliefs

Muslim

Unknown

**4. My gender or the gender of the people my organisation represents is:**

Female

Male

Mixed

**5. My age or the age range of the people my organisation represents is:**

<input type="checkbox"/>	Under 5 years old	<input type="checkbox"/>	26 – 35 years old
<input type="checkbox"/>	5 – 10 years old	<input type="checkbox"/>	36 – 45 years old
<input type="checkbox"/>	11 – 16 years old	<input type="checkbox"/>	46 – 55 years old
<input type="checkbox"/>	17 – 19 years old	<input type="checkbox"/>	Over 56 years old
<input type="checkbox"/>	20 – 25 years old	<input type="checkbox"/>	A range of ages

**6. I consider myself or many of the people my organisation represents to be:**

Disabled

Not disabled

**Note:**

The Disability Discrimination Act, 1995 defines a “disabled person” as having “a physical or mental impairment which has a substantial or long term adverse effect on their ability to carry out normal day to day activities”.

**Thank you for completing this form.**

**Please return this form with your consultation response**