

Children and Young People's Services

Briefing for;

Early Years Single Funding Formula Consultation Group Representatives

Directorate Leadership Team (22 April 2009)

Schools Forum (27 April 2009)

1) Report Purpose

- a) To provide a briefing note on the progress being made on the early years single funding formula for members of the consultation group to brief their respective groups, and to inform other key stakeholder groups.

2) Introduction

- a) In June 2007 the Government intimated to Local Authorities that it wished to change the funding arrangements for the local provision of early years care and education in the maintained, private, voluntary and independent sectors. These new arrangements were to apply from the start of financial year 2010/11, although encouragement was given to authorities to introduce this from the start of 2009/10 financial year where this was practical. A separate, but linked, project lead by Family Services is to extend the free entitlement to 3 and 4 year olds from 12.5 hrs/wk to 15 hrs/wk.
- b) The introduction of a single local formula for funding is intended to address the perceived inconsistencies in funding between the Maintained sector and the Private, Voluntary and Independent (PVI) sector. The desire is to make the arrangements transparent and based on common factors with any differences being justifiable and demonstrable. There is also an attempt to make the funding relate more to the cost of provision than hitherto by changing the basis of funding from the number of places available at any given setting to the number of actual children attending. That is, a movement from place led funding to funding for participation.

Current funding in 2008/9 for the maintained and PVI sectors is £2.26M and £2.91M respectively.

- c) This document outlines the progress that has made so far in implementing the new arrangements and confirms we are on track to make the changes by the target date of 1 April 2010.

3) Progress to Date

- a) The final guidance from DCSF was obtained in July 2008 which, in summary, lays out that the single funding formula should:

- i) Support effective and efficient distribution of resources at a local level
 - ii) Facilitate greater flexibility of provision so that parents have greater choice in how they use the free entitlement
 - iii) Preserve diversity and choice in the market
 - iv) Incentivise improvements in the quality of provision
- b) During the summer of 2008 the guidance was digested and DMT agreement was obtained to proceed with a formal project. The Schools Forum agreed the Project Brief in December 2008. Since there are 153 settings of differing characteristics in Calderdale a project consultation working group was formed in November 2008 to represent the views of all the main participants. This group has met three times, with the first being in January 2009.
- c) Six pilot schemes have been running since April 2009 in other parts of the country and DCSF have tried to inform other Authorities of the experience gained and lessons learned. The project team have summarised these but, in reality, there has proved to be little consistency in approach amongst the six pilots and it is too early to evaluate and compare the different models. As a result Calderdale will need to plough its own furrow to a certain extent.
- d) The data capture exercise on current costs of all provision, which was part of the project plan, has proved extremely useful in identifying the differences and effects of cost drivers amongst providers. The true cost of delivering the free entitlement is often met with additional funding, for example surplus income from delivering other childcare services. The working party have also identified such issues as admissions policy, hours of provision, accreditation process, skill level of resources etc. The analysis shows as well as a wide variation in unit costs amongst the different sectors, there is also a wide distribution of unit costs within each individual sector, some of which can be explained.
- e) The first iteration of financial modelling has been completed on different approaches to the formula using: a flat hourly rate; a differentiated rate across seven sectors; and four different rates across the sectors partially related to their average cost. The result of this modelling was discussed at the last Project Consultation Group meeting on 24 March. Issues still to be addressed at future meetings include the possibility of a deprivation supplement, a quality supplement and the level of the desired contingency to be held.

4) Likely Impact

- a) Whilst there are at least two more iterations of the model to go through yet, it is clear that some settings will benefit financially from the use of the new formula but, equally, there will be some settings that will experience a drop in their funding level. This will be particularly acute where there is presently a wide gap between availability and actual take up of places. In the coming months we will be consulting on what measures could be taken, within the funding envelope, to enable these settings to have a soft landing.

- b) The School Finance Regulations for 2010/11 are expected to resolve the present anomaly whereby maintained schools that have nurseries are not legally permitted to charge.

5) Next Steps

- a) The next step in the project plan is to continue with modelling iterations and impact assessment so that a draft report on conclusions can be made available in July. A consultation draft for the wider community will be circulated in September for a three month consultation period. A final report is expected to be tabled for the January 2010 Cabinet meeting, allowing implementation to proceed before the target date of 1 April 2010.

6) Queries

- a) Any queries on this brief should be addressed to Martyn Sharples, Business Planning Officer (Family Services) on 01422 392719 or martyn.sharples@calderdale.gov.uk or Murray Trantor, Business Planning Manager on 01422 392672. murray.trantor@calderdale.gov.uk