

REPORT FOR: **CABINET**

Date of Meeting:	15 January 2015
Subject:	Single Funding Formula (Early Years)
Key Decision:	Yes
Responsible Officer:	Chris Spencer, Interim Corporate Director of Children and Families
Portfolio Holder:	Councillor Simon Brown, Portfolio Holder for Children, Schools and Young People
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All Wards
Enclosures:	Appendix 1 - Summary of responses to the consultation

Section 1 – Summary and Recommendations

This report sets out the proposal to implement the revised single funding formula for early years from April 2015.

Recommendations:

1. Note that consultation has been undertaken across the maintained and non-maintained sectors on the proposals for the single funding formula

2. Approve the proposals for the Early Years Single Funding Formula (EYSFF) for all 3 and 4 year old provision across the maintained and non-maintained sectors as set out in paragraphs 10 and 19.

Reason: (For recommendations)

The Local Authority has a statutory duty to implement a funding formula that is equitable and fair.

Section 2 – Report

Current situation

1. Since 2004 all three and four year olds have been entitled to a free part-time early education place in the setting of their parents' choosing. The Government placed a duty on every local authority to support the sustainability of the private, voluntary and independent (PVI) sector settings and thus choice for parents. Harrow has 26 schools, 102 PVI settings and 43 childminders providing places for three and four year olds. There is sufficient capacity to meet the demand for places.
2. In line with the statutory requirements, Harrow implemented its local single funding formula for funding early years provision across the maintained and PVI sectors in April 2010 and the formula has remained unchanged since then.
3. To fund early education places, local authorities are required by statutory guidance to:
 - Use a locally-determined, transparent formula to set the funding rates for all types of provider.
 - Construct a formula composed of either a single base rate for all providers or a number of base rates differentiated by type of provider according to unavoidable cost differences. The formula must include a deprivation supplement for three and four year olds.
4. To fund early education places, local authorities should:
 - Maximise the funding that is passed to providers, rather than retain money centrally
 - Ensure the EYSFF is clear, transparent, and in particular that:
 - The number of base rates is kept to a minimum;
 - Any supplements are understood by providers and help drive positive outcomes for children.

5. The current Harrow EYSFF rates is shown at Table 1.

Table 1 – Current EYSFF rates

Factor	Maintained & Academy Nursery Classes	PVI
Hourly Rate (15h per week, 39 weeks)	£3.60	£3.60
IDACI* 1 (EY) per pupil, per annum	£11.42	£11.42
IDACI 2 (EY) per pupil, per annum	£18.52	£18.52
IDACI 3 (EY) per pupil, per annum	£23.45	£23.45
IDACI 4 (EY) per pupil, per annum	£63.55	£63.55
IDACI 5 (EY) per pupil, per annum	£106.11	£106.11
IDACI 6 (EY) per pupil, per annum	£145.29	£145.29
Qualified Teacher Lump Sum	£24,809	
Graduate Leadership Lump Sum		£5,000
Planning, Preparation & Assessment (PPA) Lump Sum	£11,219	
Fixed Costs Lump Sum		£1,343

*Income Deprivation Affecting Children Index

6. The formula has not been updated since 2010. As evidenced in Table 1 above, the formula is not consistent between sectors and features significant supplementary lump sums in particular in the maintained sector.

Options considered

7. At its meeting in October 2013 Schools Forum agreed to a review of the EYSFF and established an Early Years Working Group (EYWG) to identify key principles to inform the review. The working group was established and met twice. The membership of the group included representatives from:
- PVI sectors
 - 2 Primary School Head Teachers
 - Childminders
 - Schools Forum member
8. The group was led and chaired by the Lead Commissioner and Professional Education Lead for Early Years and supported by the Finance Business Partner for Children's Services and the Senior Family Information Officer. The EYWG established a list of principles on which the new EYSFF should be based. In May 2014 Schools Forum provisionally agreed the principles and factors of the new funding formula to enable financial modelling to take place proposals to be published for consultation.

9. The EYWG established 7 key principles, as follows:
- maintaining the status quo would not deliver the sustained growth of the sector and would not support the demographic changes within Harrow;
 - any review of the funding formula must be cost neutral;
 - any proposals are consistent with the DfE guidance;
 - funding follows the child and the formula is driven by the take up of provision, with the removal of the lump-sum element;
 - funding of providers should be equitable across sectors and be on a pro-rata basis;
 - base elements need to incentivise quality, support increased flexibility and qualifications of leaders as well as recognise deprivation as measured by IDACI and as a proxy for SEN;
 - quality is measured in terms of the Ofsted judgement for the PVI and the maintained & academy schools.
10. Flexibility needs to recognise the “stretched” offer of 570 hours funded early years provision over a year as well as flexibility within the week. A setting would be considered flexible if it offered anything other than 5 mornings or 5 afternoons. Using the principles outlined at paragraph 9 the EYWG proposed the following factors be included in a new EYSFF:
- The base rate per child per hour would be the single biggest driver of the formula and should be delivered as an hourly rate

In addition supplements would be paid in relation to:

- Graduate leadership - either Qualified Teacher Status (QTS) or Early Years Professional (EYP);
- Flexibility of the offer to children and families;
- An Ofsted judgement of good or outstanding;
- The deprivation data - informed by Income Deprivation Affecting Children Index (IDACI) and driven by individual children. This is a mandatory factor.

Graduate Leadership

11. Incentivising graduate leadership is key to sustaining the significant improvement in the quality of provision in the borough, whilst incentivising flexibility will enable providers to make better use of existing capacity in response to increased demand.

Flexibility

12. The Early Education and Childcare statutory guidance for local authorities states that local authorities should:
- Fund providers to deliver early education places at times and in patterns that support parents to maximise the use of their child’s place;
 - Encourage providers to offer flexible packages of early education.
13. By including a supplementary hourly rate for flexibility of the offer it is anticipated that providers would be incentivised to increase the flexibility of the offer to something other than 5 mornings or 5 afternoons.

Quality

14. All children should be able to take up their entitlement to funded early education in a high quality setting. Evidence shows that a higher quality provision has greater developmental benefits for children, particularly for the most disadvantaged children. By including a supplementary hourly rate for settings which are Ofsted judged “good” or “outstanding” it is anticipated that providers would be incentivised to achieve these ratings. Providers which are not judged good or outstanding will be supported through the existing learning networks.

Impact assessment

15. A total of four models were developed and all settings were consulted between 3rd October 2014 and 7th November 2014. A summary of responses to the consultation is in Appendix 1.
16. The impact on the majority of PVI providers is positive as they primarily gain through the introduction of the additional factors.
17. The impact on the maintained and academy nursery classes in primary schools is an average annual lost estimated at £16-£20k per annum due to the loss of lump sums for qualified teacher status and PPA cover. This is partially offset through the introduction of the graduate leadership factor, Ofsted factor for those judged good or outstanding and flexibility factor for those that have a flexible offer.
18. The responses to the consultation were also in favour of introducing a lump sum supplement in 2015-16 for one form entry primary schools and maintained nursery schools.

Implications of the changes

19. It is recommended that Cabinet approve the proposals for the Early Years Single Funding Formula (EYSFF) for all 3 and 4 year old provision across the maintained and non-maintained sectors as agreed by Schools Forum.
20. Taking into account the outcomes of the consultation and Schools Forum’s agreement, the proposed Early Years Single Funding Formula for 2015-16 is shown at Table 2.

Table 2 – proposed 2015-16 EYSFF

Type	Rank	Factor	Model 2 with Ofsted
Weighting	1	Base rate	85%
	2	Graduate Leadership	7%
	3	Flexibility	5%
	4	Ofsted judgement	2%
	5	IDACI	1%
Hourly rate £	1	Base rate	£3.60
	2	Graduate Leadership	£0.32
	3	Flexibility	£0.23
	4	Ofsted judgement	£0.09
	5	IDACI	£0.05

Legal Implications

21. The EYSFF is currently under review and the Council has undertaken a consultation with providers on proposals for modification to the formula.
22. This document notes the feedback from the consultation with the private, voluntary, independent and maintained providers of early years provision for three and four year olds in Harrow. It also seeks to approve a new funding formula for EYSFF.
23. The new statutory guidance of September 2014, entitled “Early education and childcare”, is considered within the proposals outlined in this paper. This guidance specifically relates to the Childcare Act 2006. Also of relevance is the Schools Revenue Funding Guidance.
24. The findings from the consultation are appropriate to be considered by Cabinet.
25. The recommendation in this report, to approve the proposals for the Early Years Single Funding Formula (EYSFF) for all 3 and 4 year old provision across the maintained and non-maintained sectors, is also appropriate to be considered by Cabinet.

Financial Implications

26. The Early Years Single Funding Formula is funded by the Dedicated Schools Grant (DSG). The local authority receives funding based on participation taken from the Early Years Census in January. The funding received for 2015-16 will be based on 5/12ths of the January 2015 Early Years Census being the allocation for April 2015 to August 2015 and 7/12ths of the January 2016 Early Years Census being the allocation for September 2015 to March 2016.

27. The proposed EYSFF has been developed to ensure that there is no financial impact on current budgets. The current EYSFF budget is £9.814m. The forecast for 2015-16 based on the proposed EYSFF is shown at Table 3.

Table 3 – EYSFF forecast 2015-16 based on proposed model

Factor	Forecast 2015-16 £'000
Base rate	8,301
Graduate Leadership	602
Flexibility	337
Quality	174
Deprivation	72
Subtotal	9,486
Tolerance testing	342
Forecast total spend	9,828

28. The forecast total maximum spend is £9.828m which is £14k over the budget. However, a level of tolerance has been built in that makes an assumption that all settings are eligible for funding through all factors where they are not currently eligible. Therefore it assumes that all settings have a QTS or EYP, all settings offer flexibility and all settings are Ofsted judged good or outstanding. This would be the total maximum payable through these factors and therefore tests the tolerance of the model's affordability. As this is unlikely to be the case, the new proposed EYSFF is affordable within existing budgets.
29. Any increase in children will result in an increase in additional DSG.
30. Any underspend in 2015-16 will be transferred back into the overall Dedicated School Grant funding.
31. Calculations are based on Spring Term 2014 data for PVIs and October 2013 census data for maintained and academy school nursery classes. Over the last three financial years, approximately 29% of the overall budget is spent in the Spring Term and this has been taken into account in the modelling.

Equalities implications / Public Sector Equality Duty

32. An Equalities Impact Assessment has been undertaken and the overall conclusion is that this change in the funding formula will sustain the growth of provision, enable groups at risk of exclusion to access early years provision and improve the quality of that provision overall.

Council Priorities

33. The Council's vision: **Working Together to Make a Difference for Harrow.**
34. The revised formula contributes to meeting the Council's vision and is part of a wider strategy to:
- broaden participation by those children who are at greatest risk of exclusion and under-achievement hence making a difference for the vulnerable;
 - support the sustainability of existing provision and create additional provision in wards of under-capacity where the market has not yet delivered additional provision, hence making a difference for communities;
 - offer local businesses greater financial security through incentivising quality;
 - Making a difference for families through incentivising flexible, enabling parents and carers to access work and training;

Section 3 - Statutory Officer Clearance

Name: Jo Frost	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 11 December 2014		
Name: Sarah Hellier	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 10 December 2014		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	YES
EqIA cleared by:	Roger Rickman

Section 4 - Contact Details and Background Papers

Contact: Michael Baxter, Education Professional Lead, Early Years

Tel: 020 8736 6500

Email: michael.baxter@harrow.gov.uk

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]

Feedback from the Early Years Single Funding Formula (EYSFF) 2015-16

Consultation

October 2014

Introduction

1. This document details the feedback from the consultation with the private, voluntary, independent and maintained providers of early years provision for three and four year olds in Harrow. This consultation was developed in conjunction with the Early Years Working Group (EYWG) which is a sub group of Schools Forum.
2. The focus of the consultation was the proposed changes to the Early Years Single Funding Formula (EYSFF) affecting primary schools with nursery classes, local authority nursery schools and private, voluntary and independent (PVI) nursery providers including child-minders and playgroups offering 15 hour free entitlement places to 3 & 4 year olds.
3. All providers were circulated with the key questions in October and had an opportunity to meet with the key officers in November 2014.
4. The consultation closed on 7th November 2014.

Consultation: Feedback

Q1 Do you support a change to the existing Early Years Single Funding Formula?					
	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Yes	25	1	1	22	1
No	6	0	4	2	0
Did not respond	2	0	0	0	0

Q2 Do you support the inclusion of a factor that funds settings for having an Ofsted rating of either good or outstanding?					
	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Yes	18	0	1	17	0
No	13	1	4	7	1
Did not respond	2	0	0	0	0

Q3 If you support a change to the Early Years Single Funding Formula, which of the four models do you support?					
	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Model 1	0	0	0	0	0
Model 2	20	0	0	20	0
Model 3	2	1	0	0	1
Model 4	8	0	3	5	0
Did not respond	0	0	2	1	0

Q4 Do you support the proposal to introduce a lump sum for Hillview Nursery School?					
	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Yes	13	0	5	8	0
No	12	0	0	12	0
Don't know	6	1	0	4	1
Did not respond	2	0	0	2	

Q5 Do you support the proposal to introduce a lump sum for one form entry primary nursery classes?

	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Yes	14	1	4	8	1
No	12	0	0	12	0
Don't know	5	0	1	4	0
Did not respond	2	0	0	2	0

Q6 Do you support the proposed implementation date of April 2015?

	All	High Schools	Maintained Primary Schools	PVI, including childminders	Academies
Yes	22	0	0	22	0
No	8	1	5	1	1
Don't know	1	0	0	1	0
Did not respond	2	0	0	2	0