



Walsall Children's Services

Report to: Schools Forum

Date: 29 September 2009

Subject: Implementing the Early Years Single Funding Formula (EYSFF)
– Progress Report

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Purpose of the report: This report details the development work completed and discussed to date with the Early Years Funding Sub Group. The comments of the Forum are required before the finalisation of the Walsall EYSFF is completed.

Recommendations: Schools Forum is recommended to support the work of the Early Years Funding Sub Group, and provide feedback to the group on the changes proposed at this stage of the development work..

1. Introduction

1.1

The implementation of a EYSFF is a significant challenge for all local authorities (LAs) Following the receipt of the Department of Children's Schools and Families (DCSF) final guidance on the implementation of the EYSFF, significant progress has been made over the summer on a local, early years single funding formula, and its impact on settings,. This work has been shared and agreed in principle with the Early Years Funding Sub Group.

1.2

The core principles set out in the DCSF EYSFF guidance have been observed as part of the development work. In addition, one key local objective has been to minimise financial turbulence for early years settings, as the council has a duty to ensure sufficient, sustainable early education places across the borough. However, the formula must remain, equitable and transparent in order to support all early years pupils, wherever they receive their early education.

1.3

The next meeting of the Schools Forum, 20 October 2009, is scheduled to agree the Walsall EYSFF for consultation with all stakeholders. Prior to this, three EY conferences will have taken place covering all aspects of the early years reforms, including funding. All settings will have had the opportunity to be briefed on the early formula development work, before the publication of the actual consultation document by 2 November.

1.4

Consultation briefings will be held to fully explain the document and the rationale behind the proposals. These events will continue the high profile communication around the early years reforms.

2. Issues discussed and agreed in principle with Early Years Funding Sub Group

2.1

The EYSFF requires the funding of early years settings to be based upon a basic hourly rate, which is then applied to actual pupil participation each term. The hourly rate must be equitable, but it will also be different across the various sectors to recognise their unique cost drivers, the funding already received through the mainstream school formula and staffing ratios. To achieve this objective a Total Cost Model has been developed and shared with the sub group, see Appendix 1.

2.2

The model has generated five categories of basic hourly rates to be applied across Walsall providers and these are:

- Nursery Schools
- Nursery Classes with up to 39 places
- Nursery Classes with more than 39 places
- Independent Schools
- Private and Voluntary Providers

2.3

Three termly counts is the minimum adjustment to indicative early years budgets permitted under the new finance regulations. Some LAs may choose to refine this methodology to reflect periods of absence and mid term transfers. However, in the early phase of implementation at least, this is not a consideration in Walsall. The data collection systems in the PVI sector would not support such an approach, and also it will make it much more difficult for all settings to manage their finances. The EYSFF represents a significant change in early years funding for the maintained sector in particular, therefore the system needs to be kept as simple as possible whilst all settings become accustomed to the new regime. The Walsall approach will support flexibility with a degree of stability for settings.

2.4

The basic hourly rate **must be supplemented by a deprivation factor**. The Schools Forum and the sub group have previously agreed that IDACI, as used in the mainstream school formula, should be the basis of the EY deprivation factor. The funding proposal discussed with the sub group, used the average IDACI scores relating to the home addresses of pupils in attendance at each setting, to derive a deprivation weighting for each early years provider, as opposed to using the average IDACI score for the location of each setting. This methodology will reflect the needs of pupils who may travel to nursery to fit in with the working arrangements of their parents. This methodology is not perfect as there may be missing data for out of borough pupils. However, an average score per setting will be calculated, using the best data available, and then applied to the number of pupils in each setting.

2.5

It is proposed that a deprivation supplement be calculated for each setting, on an annual basis, using data from the three previous termly counts. The annual, average number of pupils is proposed, as this best fits with payment of an annual supplement. Appendix 2 exemplifies the working of this proposed factor.

2.6

Another major issue for consideration in Walsall is the resourcing of non-statemented Special Educational Needs (SEN) across the different early years sectors. There is currently a diverse range of funding arrangements that cannot be sustained under the EYSFF. For example, nursery schools have a separate SEN formula factor that allocates approximately £280k across 8 nursery schools, whilst nursery classes receive all SEN funding through the mainstream formula. Although the nursery pupils in maintained nursery classes are not used in the distribution method for this SEN formula

factor, primary schools must meet the additional educational needs (AEN) or non-statemented SEN of their nursery class pupils from this funding allocation. The PVI providers receive no supplementary AEN or non-statemented SEN funding.

2.7

The proposal discussed with the EY funding sub group provided additional AEN funding for each nursery setting, based upon the assumption that 20% of all pupils will have some form of AEN. The reason for suggesting this generic methodology is the lack of robust data available on nursery pupils, due to their young age and the length of time that they have been in the education system.

2.8

It is proposed that using the proxy indicator of 20% of nursery pupils, an annual supplement is calculated for each setting, using the average pupil count for the previous three terms. The sum per setting will be derived from the number of Level 3 nursery assistants required to support each group, or part group, of 13 proxy AEN pupils. Appendix 3 models the impact of this methodology across the sectors,

2.9

As many pupils from socially disadvantaged backgrounds enter the education system with some form AEN, the funding from both the deprivation factor and the AEN factor will be available to nursery settings to meet the cost of additional support. It is intended that the basic hourly rate will meet the basic needs of all pupils.

2.10

The DCSF strongly recommend a quality supplement to be part of the EY funding reforms. In Walsall we aim to ensure that the basic hourly rate is sufficient to support a quality service in all settings, but particularly in the PVI sector where there is a drive to upskill practitioners through the Early Years Professional (EYP) qualification. Currently 23 out of the borough's 38 registered PVI settings have staff completing the graduate level EYP qualification. This is a significant step to promoting high quality provision. All maintained settings have qualified teachers in the early years and our maintained nursery schools are offering outstanding provision. The view of the Schools Forum would be appreciated on this proposal, at this stage of the development work.

3. Impact of the funding reforms and transition arrangements

3.1

The LA is attempting to minimise the financial turbulence for all settings and as each piece of work is completed its impact is modelled at setting level. However, there will be winners and losers as with any formula change. The current work is indicating an increase in funding for the PVI sector, some movement in the maintained nursery classes, but not too dramatic, and a reduction in funding in nursery schools. Some of the losses are due to the change in the counting arrangements, as an average of pupil numbers over three terms is less than the January count for many schools. The nursery schools lose out on the count arrangements but also a reduction in SEN funding and

removal of all planned place funding is impacting. Appendix 3 summarises the proposed total costs and movements at sector level, at this stage of the work.

3.2

The new finance regulations will allow the LA to phase in the new formula over a three year period. Therefore, if necessary, the reduction in funding for nursery schools could be phased over two or three years. It is not until the final model is completed and pulled together that this decision can be made. At the next Schools Forum meeting, 20 October, the completed model, along with transitional arrangements will be presented for consideration.

4. The free early years extended and flexible offer

4.1

The work completed on the initial phase of the new formula has been based upon the current 12.5 hour free offer, to allow the true financial impact on settings to be identified. Phase 2 is to cost the impact of moving to a free offer of 15 hours provision per week, and identifying the new and additional costs. This work has also been completed using a revised Total Cost Model, see appendix 4. The impact of this exercise is an increase the hourly rate.

4.2

The extended and flexible offer is being funded by a ring-fenced Standards Fund Grant in 2009-10 and 2010-11. Settings delivering to the 25% of most socially disadvantaged children are being funded from September 2009, as agreed at the last Schools Forum. All children will be entitled to the increased offer from September 2010. From April 2011 this Standards Fund grant will be included in the main school grant, currently the Dedicated Schools Grant (DSG). It is essential that the EYSFF proposed basic hourly rate is affordable within the grant available. Once again the final model to be presented next month will summarise the impact of the formula and the available funding.

4.3

The Early Years Funding Sub group has yet to discuss the introduction of a flexibility supplement within the EYSFF. From the LA perspective a flexibility supplement is attractive as a mechanism to help the LA meet its duty to secure sufficient EY provision, in a pattern that meets the needs of parents. However, there are some practical difficulties in administering and monitoring such a system. For example, should a setting receive a supplement for making the full, flexible offer, even if no parents take advantage of the offer. The work undertaken to date, indicates that there would be limited funding available, to make such a financial supplement significant in cash terms. However, this is still work in progress. The Standards Fund grant for 2009-10 includes a sum of £36k for flexibility.

The view of the Schools Forum would be helpful in determining a proposal for inclusion in the Early Years Consultation Document.

4.4

The final issue for consideration by the EY funding sub group and the Schools Forum will be the level of contingency needed to manage the EY new funding system. For the maintained sector this is the first time that in-year budget adjustments will be introduced, in respect of a participation-led entitlement. All settings will receive in-year funding adjustments, either up or down, to reflect actual participation. A contingency will be needed to accommodate any net increases in costs. This will be very difficult to judge as the children are not currently in the education system and will change on a termly basis, as the EY entitlement is from the term following a child's third birthday. Also, there may be new PVI providers coming on to the EY register, who will be eligible to claim EY funding. It will be advisable to be prudent in year 1, as any overspends will carry over into the 2011-12 financial year, which at this point in time is an unknown, due to the national education funding review.

4.3

No final decisions can be taken on the contingency fund until the full EYSFF model is completed and compared to the total funding available within the Schools Budget. This work is being progressed through the EY funding sub group and will be presented to Schools Forum 20 October.

5. Formula Consultation

The Early Years Single Funding Formula Consultation Document will be presented to Schools Forum on 20 October for comment before it is issued to all settings, by 2 November 2009. As these changes represent such a significant change, there will be three consultation events to take all interested parties through the document and explain the rationale behind the proposals. The events will be held in the Large Hall in the EDC on 3 November, 4pm to 5pm or 6pm to 7pm, and 9 November, 5pm to 6 pm. A consultation return date will be set of 20 November, to allow analysis of the responses to be completed in time for reporting to the Schools Forum meeting on 8 December 2009. An updated project timetable is attached as Appendix 5 of the report.

**Early Years Funding Review Group
Draft Proposal of Typical Cost Model**

12.5 hours per week per pte pupil

Appendix 1

	Maintained Nursery Class upto 39 pte capacity Ratio 1:13	Maintained Nursery Class plus 39 pte capacity Ratio 1:13	Maintained Nursery School 60 pte capacity Ratio 1:13	Independent School Ratio 1:13	Private/ Voluntary incl.Children's Centre Ratio 1:8
Hours Provision per pte per year	475 hr per pte	475 hr per pte	475 hr per pte	475 hr per pte	475 hr per pte

Staffing Cost Analysis:

Teacher	1.0 fte	1.0 fte	na	1.0 fte	na
Assistant Head	na	na	1.0 fte	na	na
PPA time	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk
Set Up time/Planning	5 hrs	10 hrs	11.50 hrs	9.60 hrs	5 hrs
Administration	1.5 hrs	1.5 hrs	32.5 hrs	1.5 hrs	1.5 hrs
Professional Development	3 days per yr. per/employee	3 days per yr. per/employee	3 days per yr. per/employee	3 days per yr. per/employee	4 days per yr. per/employee
Headteacher Nursery School	proportional to number of nursery pupils	proportional to number of nursery pupils	na	proportional to number of nursery pupils	na
Manager	na	na	na	na	20% of time
Level 4's HLTA- 27.5 hrs / EYP	na	na	1.0 fte	na	1.0 fte
Level 3's - 27.5 hrs	na	1.0 fte	0.5 fte	1.0 fte	0.5 fte

Non staffing costs:

Learning Resources	y	y	y	y	y
Employee Support Services	y	y	y	y	y
Management Support Services	na	na	y	y	y
Premises, site	na	na	y	y	y

Supplements (not hourly funded):

Headteacher	na	na	fixed sum	na	na
Business Rates	na	na	actual	in hourly premises allocation	in hourly premises allocation
Base Premises Sum	na	na	fixed sum	na	na
Deprivation	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count
SEN	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation

Example of Deprivation allocations using IDACI score relating to the home address of individual pupils

	1	2	3	4
	Number of pte pupils	Average Pupil IDACI Score	Weighted Pupil No.	£ Allocation
26 Place Nursery Class	23	0.32	7.44	2,537
39 Place Nursery Class	38	0.66	25.26	8,610
52 Place Nursery Class	51	0.29	14.96	5,098
65 Place Nursery Class	45	0.27	12.04	4,105
78 Place Nursery Class	78	0.218	17.011	5,798
91 Place Nursery Class	88	0.138	12.126	4,133
80 Place Nursery School	80	0.39	31.50	10,735
120 Place Nursery School	117	0.33	38.27	13,044
Childrens Centre	33	0.35	11.40	3,884
Independent School	20	0.32	6.38	2,174
Private Day Nursery	24	0.18	4.38	1,492

Allocation calculated thus:

Step 1: No.pte pupil (1) multiplied by average pupil IDACI score (2)
= Weighted pupil no. (3)

Step 2: Weighted pupil no. (3) multiplied by £ per pupil figure = Deprivation Allocation

Note: The higher the IDACI score the greater the level of deprivation. Currently national average 0.12.

Summary of Sector allocations via draft proposal for the Early Years Single Funding Formula 2010 supporting 12.5 hours per week per pte pupil

Maintained Schools Summary	No.of Settings in Category	Draft Allocation via proposed hourly rates	SEN Allocation	Deprivation Allocation	Total Early Yrs Draft Allocation	Pupil led Allocations in 2010 Indicative Budgets
26 Place Nursery Classes	19	816,547	47,869	39,236	903,652	691,600
39 Place Nursery Classes	6	351,782	20,628	25,580	397,990	282,506
52 Place Nursery Classes	31	1,702,407	143,418	188,487	2,034,312	2,025,400
65 Places Nursery Classes	4	228,975	19,287	22,090	270,352	267,069
78 Place Nursery Classes	8	740,317	62,373	51,615	854,305	909,269
91 Place Nursery Classes	2	235,069	19,803	20,985	275,857	276,331
Total for Nursery Classes	70	4,075,098	313,378	347,992	4,736,468	4,452,175
60 Place Nursery School	1	155,873	4,439	4,954	165,266	200,916
80 Place Nursery School	2	453,276	16,294	22,291	491,861	552,544
96 Place Nursery School	1	227,338	8,230	9,203	244,771	277,489
120 Place Nursery School	4	1,049,816	41,390	54,165	1,145,371	1,262,981
Total for Nursery Schools	8	1,886,302	70,354	90,613	2,047,268	2,293,929
Private. Voluntary and Independent Summary (N.B. Those currently on EY Directory in receipt of grant)	No.of Settings in Category	Draft Allocation via proposed hourly rates	SEN Allocation	Deprivation Allocation	Total Early Yrs Draft Allocation	Indicative 2010 PVI Budget Provision
Independent Schools	2	153,169	9,412	4,785	167,366	
Childrens Centres	2	75,809	3,940	3,479	83,228	
Private & Voluntary	34	724,675	39,208	53,131	817,015	
Total for PVI sector	38	953,653	52,561	61,395	1,067,609	1,016,375

Early Years Funding Review Group
Draft Proposal of Typical Cost Model

15 hours per week per pte pupil

Appendix 4

	Maintained Nursery Class upto 39 pte capacity Ratio 1:13	Maintained Nursery Class plus 39 pte capacity Ratio 1:13	Maintained Nursery School 60 pte capacity Ratio 1:13	Independent School Ratio 1:13	Private/ Voluntary incl.Children's Centre Ratio 1:8
Hours Provision per pte per year	570 hr per pte	570 hr per pte	570 hr per pte	570 hr per pte	570 hr per pte

Staffing Cost Analysis:

Teacher	1.0 fte	1.0 fte	na	1.0 fte	na
Assistant Head	na	na	1.0 fte	na	na
PPA time	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk	2.5 hrs p/wk
Set Up time/Planning	5 hrs	10 hrs	11.50 hrs	9.60 hrs	5 hrs
Administration	1.5 hrs	1.5 hrs	32.5 hrs	1.5 hrs	1.5 hrs
Professional Development	3 days per yr. per/employee	3 days per yr. per/employee	3 days per yr. per/employee	3 days per yr. per/employee	4 days per yr. per/employee
Headteacher Nursery School	proportional to number of nursery pupils	proportional to number of nursery pupils	na	proportional to number of nursery pupils	na
Manager	na	na	na	na	20% of time
Level 4's HLTA- 32.5 hrs / EYP	na	na	1.0 fte	na	1.0 fte
Level 3's - 32.5 hrs	0.2 fte	1.0 fte	0.5 fte	1.0 fte	0.5 fte
Level 2's - 25 hrs	na	0.2 fte	na	0.2 fte	na

Non staffing costs:

Learning Resources	y	y	y	y	y
Employee Support Services	y	y	y	y	y
Management Support Services	na	na	y	y	y
Premises, site	na	na	y	y	y

Supplements (not hourly funded):

Headteacher	na	na	fixed sum	na	na
Business Rates	na	na	actual	in hourly premises allocation	in hourly premises allocation
Base Premises Sum	na	na	fixed sum	na	na
Deprivation	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count	IDACI indicator used with fixed data count
SEN	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation	average pte pupil count allocation