

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

DATE:	22 October 2014	AGENDA ITEM: 4
TITLE:	EARLY YEARS SINGLE FUNDING FORMULA (EYSFF) REVIEW	
Responsible officer:	Rita Vasa, Head of Early Years	
Contact officer:	Edmund Bradley (Finance Partner, Children & Schools)	Tel: 01628 796904 E-mail Edmund.bradley@rbwm.gov.uk

1 SUMMARY AND PURPOSE

1.1 This paper summarises the findings of a comparative review of the funding rates used in RBWM's Early Years Single Funding Formula (EYSFF) for three and four year olds. This review uses 2013-14 benchmarking data, which is the latest published by the Department for Education.

1.2 Schools Forum is asked:

- To note the findings of the review.
- To endorse the recommendation to retain the 2014-15 hourly rates in RBWM's Early Years Single Funding Formula for the next financial year 2015-16.
- To approve a further review of the EYSFF is undertaken following the introduction of the Early Years Pupil Premium and once there is clearer information available regarding the national formula.

2 BACKGROUND TO THE EYSFF

2.1 Local Authorities were required to have in place by 1 April 2011 a single participation based formula for funding early years provision for three and four year olds, supporting the free entitlement to 15 hours. The rate was to cover the maintained and non-maintained sectors.

2.2 RBWM established a working group with providers, with the purpose of agreeing an approach to setting new funding rates. The working group distributed a survey to capture current average costs of existing Early Years providers in 2010. The survey influenced the new funding rate model. No updated cost data has been collected from providers since the initial 2010 survey.

2.3 The EYSFF was introduced in RBWM in April 2011. The funding rates used since 2011-12 are detailed in Table 1. Since 2012-13 the rates have remained unchanged.

2.4 In 2014-15, RBWM's Dedicated Schools Grant Early Years Block was:

- £6.550M for 3 and 4 year olds. Based on 1,542 FTE placements at £4,247.85 per pupil, equivalent to £4.47 per hour.
- £0.882m for two year olds. Based on an estimate of 177 eligible children from April to August, and 334 eligible children at a rate of £5.49 per hour. There was an additional £108k 'for trajectory' funding.

Table 1 RBWM EYSFF funding rates		Hourly Rate £			
		2011-12	2012-13	2013-14	2014-15
Description	Categories				
Base rate	Maintained nursery classes and independent providers	3.75	3.78	3.78	3.78
	Private & voluntary	3.82	3.86	3.86	3.86
	Child Minders	n/a	3.86	3.86	3.86
	Maintained nursery schools	4.85	4.90	4.90	4.90
Deprivation supplement (max 7.5%)	High > 49% pupils in Acorn 4 or 5	0.28	0.29	0.29	0.29
	Med - 25% - 49% of pupils in Acorn 4 or 5	0.19	0.19	0.19	0.19
	Low - 5% - 24% of pupils in Acorn 4 or 5	0.09	0.09	0.09	0.09
	None < 5% in Acorn 4 or 5	0.00	0.00	0.00	0.00
Qualification supplement (leadership)	High - EY professional status = qualified	0.14	0.14	0.14	0.14
	Med - EY foundation degree / level 5	0.09	0.09	0.09	0.09
	Low - EY level 3 / 4	0.06	0.06	0.06	0.06
Qualification supplement (other staff)	High - 75% of staff at Level 3 or above	0.14	0.14	0.14	0.14
	Med - 50% - 74.9% of staff at Level 3 or above	0.09	0.09	0.09	0.09
	Low - Staff at Level 2 or not meeting above	0.06	0.06	0.06	0.06
Lump sum	Maintained nursery schools - Per school	48,075	48,075	48,075	48,075

3 STRUCTURE OF THE FORMULA

3.1 Each Local Authority currently sets its own funding formula for early years provision. The Government remains committed to introducing a national early years funding formula¹. The structure of the RBWM formula follows a similar pattern to many other local authorities. It is based on the principle of a basic hourly rate per child, reflecting the core delivery of the funded free entitlement, with funding supplements targeted at specific policy objectives - improving quality and reducing the deprivation gap.

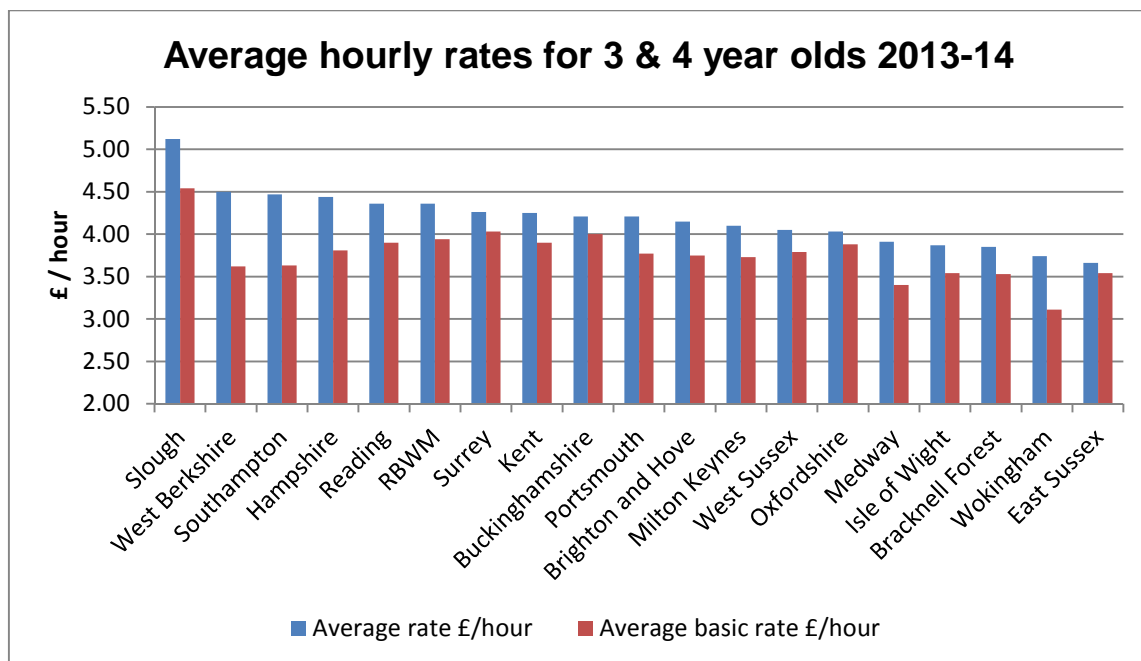
4 BASIC HOURLY RATE

4.1 A comparison of hourly rates for three and four year olds shows that RBWM's average basic rate of £3.94 per hour² is the fourth highest of our neighbouring LAs, and the average rate of £4.36 including supplements is in the middle to higher end of the range, see diagram 1.

¹ EFA paper "Fairer Schools Funding 2015-16": "We also want to look carefully at the distribution of funding between local authorities for government funded early education for three and four year olds. As we said in 2012, a fair distribution of early years funding would be best achieved by putting in place a national early years funding formula and we remain committed to achieving this".

² Average rates are calculated by the DfE based on a consistent methodology using rates data provided by LAs.

Diagram 1: Average hourly rates



4.2 Further comparison with our statistical neighbours shows that RBWM’s basic rates for nursery classes and Private, Voluntary and Independent (PVI) providers are in line with the average of other LAs, while the basic rate for nursery schools is at the upper end of the range, see appendix 1.

4.3 RBWM’s formula is unusual in that nursery schools receive a lump sum allocation of £48,076 per school in addition to the basic hourly rate, equivalent to an additional £1.05 per hour for a 40 place nursery school. This reflects the funding that nursery schools used to get through Standards Funds and School Standards Grant. Such grant allocations had to be incorporated into the formula when the new Early Years funding arrangements were introduced. For nursery classes attached to primary schools, the equivalent grant allocations were mainstreamed into the pre 16 school funding formula. PVI settings did not get Standards Funds grant allocations.

5 FUNDING SUPPLEMENTS

Deprivation

5.1 The current funding regulations state that local authorities must include a deprivation factor in their formula. Most LAs, including RBWM, have a deprivation supplement which is added to the basic hourly rate of eligible settings. In RBWM this is determined by the number of children attending the setting who live in an area of deprivation. Some LAs pay a lump sum per eligible child instead.

5.2 The deprivation supplement hourly rates paid by each of our statistical neighbours vary quite considerably, from £0.09 per hour in RBWM and Cheshire East up to £1.67 per hour in West Berks, table 2.

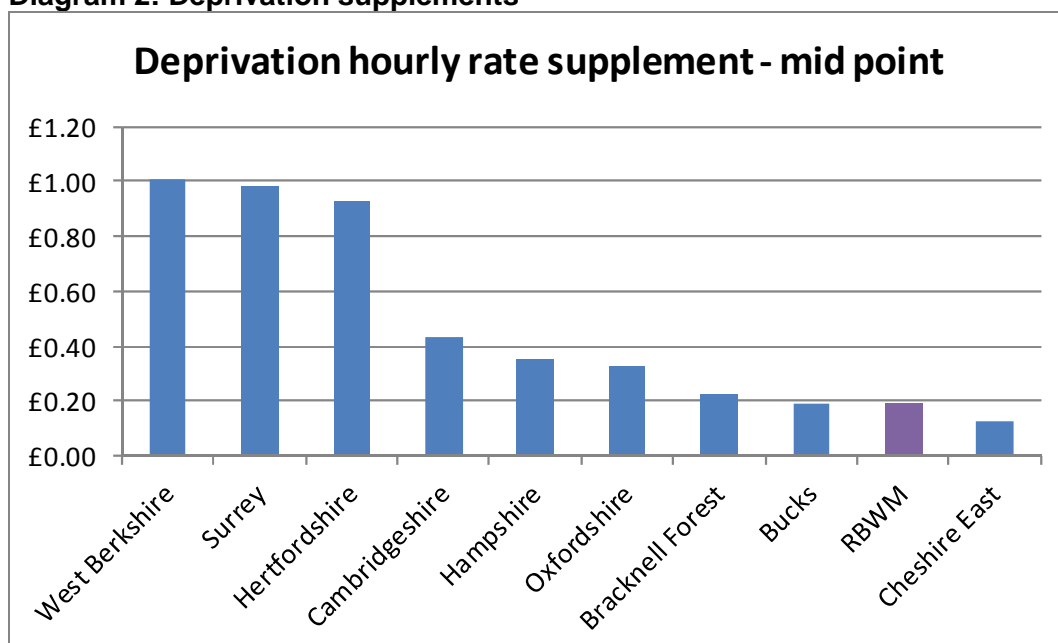
Table 2 Deprivation hourly rate supplements – statistical neighbours

	Lowest	Highest	Midpoint
West Berkshire	£0.35	£1.67	£1.01
Surrey	£0.30	£1.66	£0.98
Hertfordshire	£0.41	£1.45	£0.93
Cambridgeshire	£0.19	£0.67	£0.43
Hampshire	£0.20	£0.50	£0.35
Oxfordshire	£0.09	£0.56	£0.33
Bracknell Forest	£0.11	£0.32	£0.22
Bucks	£0.16	£0.22	£0.19
RBWM	£0.09	£0.29	£0.19
Cheshire East	£0.09	£0.17	£0.13

NB Oxfordshire and West Berkshire pay a supplement per child. Rates shown are converted to an hourly rate based on 15 hours per week for 38 weeks pa per child.

- 5.3 Based on the mid-point between the lowest and highest deprivation supplements, the amount paid by RBWM in relation to deprivation is similar to three other LAs but still at the lower end of the amounts paid by our statistical neighbours overall, diagram 2.

Diagram 2: Deprivation supplements



- 5.4 In this review RBWM considered providing additional support to settings that have a high percentage of children attending for just the free 15 hours – these settings are dependent on the funding they receive to be sustainable and they look after a high number of our most disadvantaged children. Raising the deprivation supplement would help these providers but the introduction of the Early Years Pupil Premium in 2015-16, which is outside of and in addition to the EYSFF, will give additional support to our most disadvantaged children. It is proposed this is reviewed again if required after the introduction of the EYPP.

- 5.5 RBWM uses the ACORN demographic tool to determine whether a child lives in an area of deprivation. All RBWM statistical neighbours use the Income Deprivation Affecting Children Index (IDACI)³. Comparison of ACORN to IDACI data undertaken for this review showed that the number of PVI settings qualifying for a deprivation supplement were similar – 56 qualify using ACORN and 54 would have qualified using

³ School Funding Regulations covering pupils aged 4-16 only allow Free School Meals and IDACI indicators to allocated funding for deprivation. ACORN data is no longer allowed.

IDACI. At this time therefore we are not proposing to change the basis on which the deprivation supplement is allocated. It is possible that if the Government introduce a national early years funding formula that it will require the use of IDACI.

Quality

- 5.6 RBWM's formula has two quality supplements based on the qualifications of the leader and staff in place at each provider. Not every authority allocates additional funding for 'quality' – only five of our statistical neighbours have a quality supplement.
- 5.7 Two of these use criteria similar to RBWM based on the qualifications of staff employed at the setting (see table 1), two pay a quality supplement to settings with either a Qualified Teacher or Early Years Practitioner. One of these also has an extra quality supplement based on its OFSTED judgement, and one is in the process of changing from a qualifications based supplement to using OFSTED judgements. The DfE recommend the use of OFSTED judgements to determine quality bandings for the EYSFF. This is something RBWM could consider because OFSTED judgements are a recognised measure of quality. However, in view of the possible introduction of a national formula it is recommended delaying any change to the quality supplement until further details of the structure of a national formula are available.

Flexibility and other supplements

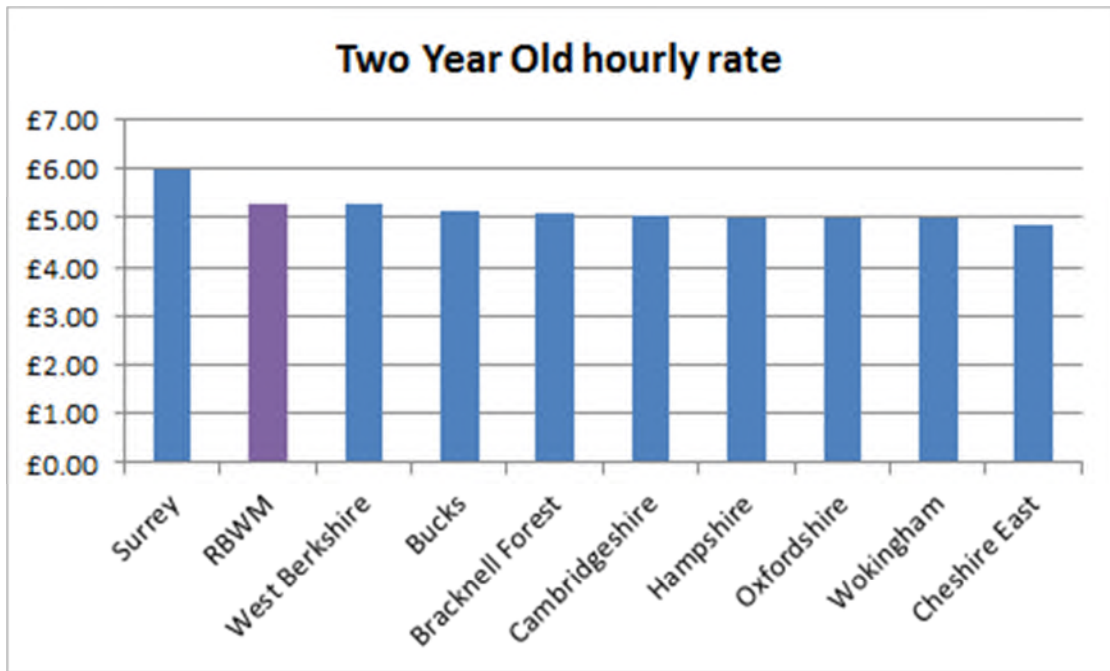
- 5.8 Some LAs pay a 'flexibility' supplement to incentivise providers to introduce more flexible arrangements for providing the free entitlement. Like most of our statistical neighbours RBWM does not have a flexibility supplement. In the RBWM original consultation there was little support for a flexibility supplement, as this risked disadvantaging those settings that were unable to provide a flexible offer, for example because of specific local circumstances.
- 5.9 RBWM does not have a 'sustainability' supplement, (neither do any of our statistical neighbours, although a couple, Oxford and Cheshire East, pay a rural supplement).

6 TWO YEAR OLD FUNDING

- 6.1 Two year old funding is currently separate from the EYSFF. The RBWM rate for 2 year olds is currently £5.30 per hour and is also at the higher end of the comparative rates of other LAs, diagram 3⁴.

⁴ Bucks and Hants also allocate deprivation supplement of £0.16 (Bucks) and £0.20-£0.50 (Hants)

Diagram 3: Hourly rate for disadvantaged two year olds



- 6.2 As previously reported to Schools Forum, DSG funding to LAs for two year olds will be changing from a grant allocation based on estimated take-up to one based on actual take up by eligible children at the time of the January census. (For one year only, a mid-year adjustment may also be made based on a second census in October 2015). LAs will be funded for those 2 year olds who meet the eligibility criteria.

7 CONCLUSION

- 7.1 Based on our findings the RBWM current EYSFF hourly rates are considered to be fair and reasonable. The level of funding allocated for deprivation may be one area for further consideration, but this should be reviewed again once an assessment of the impact of the Early Years Pupil Premium being introduced in April 2015 has been undertaken.

Basic hourly rates for 3 & 4 year olds 2013-14

