

SLOUGH SCHOOLS' FORUM
17 January 2013

Early Years Funding Formula
(Director of Wellbeing)

1 PURPOSE OF REPORT

- 1.1 To inform Schools Forum on the current position regarding the Early Years Funding Formula and ask for the Forum's agreement to go to full consultation with all early years providers.

2 RECOMMENDATIONS

- 2.1 That the new Early Years Funding Formula explained below is agreed and recommended for adoption by all early years' providers. These recommendations are endorsed by the Early Years' Task and Finish Group.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The DfE did not stipulate that Early Years Funding Formulae should be reviewed but they have recommended that Early Years Funding Formulae should be fair, clear and transparent. While the existing Slough formula was possibly fair, it was not clear or transparent as it was very complicated. It was very difficult for a provider to calculate how much funding would be generated by a particular child.

The increase in two year old provision that comes into effect in September 2013 has also made a review of the overall funding formula desirable.

Some changes to the formula had to be made for Slough Nursery schools as they received funding through factors that are no longer allowed by the DfE.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 It would have been possible to not change the formula other than the disallowed nursery school factors. It was decided that making changes should be attempted this year rather than wait for the DfE to direct changes in the future.

A more radical alternative would have been to completely review the costs associated with each type of early years' provider and do a cost based analysis. This would have been very time consuming and could not have been achieved in time with existing resources. However, this analysis could still be carried out in 2013-14.

5 SUPPORTING INFORMATION

- 5.1 **Task and Finish Group**

The Early Years' Task and Finish Group met three times to discuss the proposed new formula. The Group had wide representation across the range of providers.

5.2 The Proposed New Early Years Funding Formula

Fundamental Principles

The new formula is divided into three main funding factors. These are;

- 1) Staffing
- 2) Central Costs
- 3) Deprivation

There will also be a Minimum Funding Guarantee.

These factors combine to give an hourly funding rate. The factors are further explained below.

The funding rates shown in the tables below are indicative and based on current take-up and budgets. The final rates will be finalised once January 2013 numbers are known.

Staffing Factor

The Staffing Factor is divided into four types of provider. The ratio for each provider is broadly based on staff/child ratios and the costs of staffing for each type of provider.

Type of Provider	Ratio	Indicative Hourly Staffing Rate £
Childminder	1.22	1.64
Nursery School	1.00	1.34
Primary School	1.00	1.34
Private, Voluntary, Independent (PVI)	1.22	1.64

Central Costs

Central Costs cover all of the non staffing costs. There are ratios calculated based on the type of provider and also the size of the provider based on place numbers. A ratio is first applied based on the type of provider (Type Ratio) and that ratio is then multiplied by a ratio based on the size of the provider (Size Ratio). The total of these ratios is then used to divide the available budget.

Type and size of Provider	Type Ratio	Size Ratio	Indicative Hourly Central Costs Rate £
Childminder - Large	1.25	1.20	2.18
Childminder - Medium	1.25	1.10	2.00
Childminder - Small	1.25	1.00	1.82
Nursery - Large	2.50	1.20	4.36
Nursery - Medium	2.50	1.10	3.99
Nursery - Small	2.50	1.00	3.63
Primary - Large	1.50	1.20	2.61
Primary - Medium	1.50	1.10	2.40
Primary - Small	1.50	1.00	2.18
PVI - Large	2.00	1.20	3.49
PVI - Medium	2.00	1.10	3.20
PVI - Small	2.00	1.00	2.91

Funding before Deprivation

The indicative hourly funding rates, before deprivation funding, are as follows:

Type of Provider	Staffing Costs	Central Costs	Total
Childminder - Large	1.64	2.18	3.82
Childminder - Medium	1.64	2.00	3.64
Childminder - Small	1.64	1.82	3.46
Nursery - Large	1.34	4.36	5.70
Nursery - Medium	1.34	3.99	5.33
Nursery - Small	1.34	3.63	4.97
Primary - Large	1.34	2.61	3.95
Primary - Medium	1.34	2.40	3.74
Primary - Small	1.34	2.18	3.52
PVI - Large	1.64	3.49	5.13
PVI - Medium	1.64	3.20	4.84

PVI - Small	1.64	2.91	4.55
-------------	------	------	------

Deprivation Factor

The current deprivation factors in the formula are based on IMD (Index of Multiple Deprivation) data and the factor is paid twice, once for the provider and secondly for individual children based on their postcode.

The Task and Finish Group have agreed that the formula should now move to deprivation being based solely on individual children and that the data used should be a combination of IDACI (Income Deprivation Affecting Children Index) and eligibility for Free School Meals (FSM) as in primary and secondary schools.

The Quality Care and Learning team are currently investigating how to use IDACI and FSM. IDACI should be straightforward and it is hoped that a simple way of accessing FSM eligibility using parents'/guardians' national insurance numbers can be used.

Based on 2012-13 funding levels, there is approximately £0.77 per deprived child available. This figure will change though due to the potential volatility of the deprivation data.

Minimum Funding Guarantee (MFG)

Early Years providers will be subject to the MFG in 2013-14. This means that they will be protected per child based on a comparison to 2012-13 and can only lose 1.5% per child. A setting with the same child numbers as 2012-13 would therefore be guaranteed to get 98.5% of the funding in 2013-14. Funding the MFG will be a cost within the available budget.

Split of the Budget

The budget used for the modelling totalled £8.4m. The splits that will be used to distribute the budget in 2013-14 are as follows:

Funding Factor	%
Staffing	31
Central Costs	56
Deprivation	13

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

6.2 The financial implications of the report are outlined in the supporting information.

Access Implications

6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

7.1 Early Years Task and Finish Group.

Method of Consultation

7.2 Three Task and Finish Group meetings with a mixture of early years providers and council officers.

Representations Received

7.3 Not applicable.

Contact for further information

Steve Elson (Interim Finance, ECS)
(01753 477209) steve.elson@slough.gov.uk