

**UPDATE ON PROGRESS TOWARDS
SINGLE FUNDING FORMULA FOR EARLY YEARS**

1 PURPOSE OF DECISION

- 1.1 The purpose of this report is to inform members of the Single Funding Formula Representative Group on progress to date on meeting Early Years Funding reform requirements and in particular the development of the Bracknell Forest Council Single Funding Formula for Early Years. Comments are being sought on whether the right approach is being taken and if any further work is required in advance of a consultation to all providers in the autumn.

2 RECOMMENDATIONS

That the Single Funding Formula Representative Group:

- 2.1 **NOTES progress since the last meeting in respect of providing free entitlement for 2 year olds and 15 hours support to the 25% most disadvantaged 3 and 4 year olds (paragraphs 3.2 and 3.3);**
- 2.2 **NOTES the provisional amounts of additional funding available to support Early Years Funding Reforms (paragraph 3.4).**
- 2.3 **COMMENTS on the questions set out in the body of the report regarding the development of the Single Funding Formula for Early Years, which are summarised at Annex E;**
- 2.4 **AGREES the draft work plan for implementation of the Single Funding Formula for Early Years at Annex C.**

3 SUPPORTING INFORMATION

Introduction

- 3.1 The two previous meetings of the Single Funding Formula Representative Group have covered the following main areas:
- To agree the purpose of the Group;
 - To receive a detailed update on the required changes;
 - To consider the practical implementation of extending the free entitlement to 15 hours
 - To agree a local definition of flexibility for the free entitlement for 3 and 4 year olds;
 - A review of interim DCSF guidance on implementing a Single Funding Formula;
 - A review of primary legislation governing the changes;
 - A review of the Single Funding Formula already in place at a range of pilot LAs;
 - To agree the initial providers who were to be approached to determine if they are in a position to offer 15 hours support to the 25% most disadvantaged 3 and 4 year olds from September 2009;

- To agree draft criteria for the selection of 2 year olds who will be eligible to free provision from September 2009;
- To agree which funding factors should be investigated for inclusion in the BFC Single Funding Formula. These are out at Annex A.

Update on funding for 2 year olds and the providers offering 15 hours free entitlement from September 2009

- 3.2 In respect of free entitlement for 2 year olds, the DCSF has provided ring-fenced funding for the roll out of free early education and childcare for 50 places at 10 hours a week by September 2009. The Group has previously agreed that funding should be targeted at the 15% most disadvantaged 2 year olds. It was also agreed that funding will be allocated to individual children rather than to settings. Additional DCSF grant funding has been provided for project management and for the provision of outreach and family support relating to the project. A paper from the DCSF answering common questions about the 2 year old funding is attached in Annex B.
- 3.3 Letters have been sent to the settings identified as supporting the 25% most disadvantaged 3 and 4 year olds for inclusion in the roll out of the extension to 15 hours of the free entitlement for 3 and 4 year olds. This should help determine if these settings have the capacity and resources to enable them to participate in the roll out. Once the initial uptake of the extension has been determined, it can be established whether scope exists to include further settings in the roll out, with the aim of maximising the uptake of the extension within the limits of the available funding.

Funding arrangements

- 3.4 Provisional funding allocations for the changes to early education funding are listed below. The extension to the free entitlement will only be offered to settings if there is sufficient funding to cover expected uptake. The terms of the funding allocation for 2 year olds specifies the amount of free care that can be offered, and funding has been provided accordingly. Therefore, at this stage, funding is considered sufficient for our needs.
- Standards Fund grant for extending & increasing flexibility of free entitlement for 3-4 yr olds in 2009-10 (Provisional) £171k. 25% most deprived for 2 terms
 - Standards Fund grant for extending & increasing flexibility of free entitlement for 3-4 yr olds in 2010-11 (Provisional) £704k. 25% most deprived for 1 term, all for 2 terms
 - Sure Start Grant for roll out of 2 year old free early education and Childcare in 2009/10 £133k. 15% most disadvantage (50 places) for 2 terms
 - Sure Start Grant for roll out of 2 year old free early education and Childcare in 2010/11 £167k. 15% most disadvantage (50 places) for 3 terms.

Initial proposals for the Single Funding Formula for Early Years

Current funding methodology and base date for 2008-09 financial year

- 3.5 Two different funding regimes currently exist for the provision of the free entitlement through early years education and childcare. In the PVI sector, providers are funded at a uniform rate of £3.60 per hour, based on termly hours of actual participation. This equates to annual per child funding of £1,710. For the maintained sector, in accordance with DCSF funding regulations, schools are funded for nursery education based on actual pupil numbers each January only, i.e. not adjusted for actual participation during the year. Maintained schools also receive other funding for the whole school, a share of which relates to nursery education. Whilst it is not straightforward to identify relevant amounts,

work to date indicates that a 26 place nursery class is funded at around £3.45. This equates to annual per child funding of £1,631. Work is on-going regarding this calculation.

- 3.6 There are currently 49 PVI providers (47 for the whole year), that in the 2008-09 financial year had between 11 and 51 children accessing the 12½ hours per week of free entitlement. For the maintained sector, there are 15 providers, ranging between 12 and 78 children accessing the 12½ hours per week of free entitlement. The average number of children accessing the 12½ hours per week of free entitlement was 27 in the PVI sector and 40 in maintained.

Considerations of how the formula should be constructed

- 3.7 In developing a Single Funding Formula for Early Years, the DCSF has set out the national considerations that LAs are expected to take into account as follows:

- 1 Equality between different types of providers – The formula should ensure that the current inconsistencies of funding between the maintained and PVI sectors are removed and ensure funding is allocated to providers in proportion to their needs.
- 2 Meeting national policy objectives – The formula should support the extension and increased flexibility of the free entitlement and must take account of relative deprivation, either by individual child or aggregated by provider.
- 3 Sustainability – A badly designed single formula or badly implemented move to the extended entitlement and flexibility could have sustainability issues for some providers. It is the Authority's responsibility to ensure the local formula does not cause unnecessary financial hardship to providers.
- 4 Sufficiency – It is the Authority's duty to ensure that sufficient childcare is available to meet local needs. As there is currently no statutory obligation on providers to offer the extended offer or greater flexibility, it is up to the Authority to encourage providers to make these changes.
- 5 Long Term Affordability – The local formula will change the amount of funding paid to individual early years providers. The long term impact of these changes needs to be known prior to the implementation of the new formula as this could have considerable impact to the Authority's budget.
- 6 Regulatory Changes – Funding for the maintained sector is laid down in regulations; these need to change in order to implement the local formula. Changes to maintained sector funding regulations will become available sometime in 2009.

- 3.8 In addition to the DCSF expectations, the following criteria have also been taken into account by officers regarding the data to be used in developing the draft Single Funding Formula for Early Years:

1. Accuracy/Reliability - Whether the data source is reliable and expected to be accurate.
2. Objectivity - A measure which relies on judgements by a provider will need external moderation as otherwise there will be an incentive to over-report at the margin in order to increase funding.
3. Perverse Incentives - Ideally there should not be perverse incentives – e.g. top up funding for providers with low staff skills to incentivise their development could in fact encourage maintaining low skills to continue receiving additional funds..
4. Timeliness - How often can the indicator be updated? National DCSF data is collected every year; census data only every 10 years.
5. Availability/Accessibility - How easy is the data to obtain? Does it rely on special collection exercises? Is it free / in the public domain?
6. Coverage - Does the indicator cover all children and all providers/areas, or only some ages and phases or some other subset of children?

7. Consistency over Time - Does the data rely on definitions or external measures which may change from year to year?
8. Robustness/Volatility - Is the data reasonably stable, or does it change significantly from year to year? Indicators based on small numbers of children e. g. a small proportion of the cohort in a setting may change rapidly from year to year.
9. Stability/Predictability – Does the data allow for budgets that are stable and reasonably easy for providers to predict for their business planning?
10. Ease of Use/Transparency - Will the data and the way it is used in the formula be easy for providers to understand?
11. Ease of operation - Will the data and the way it is used in the formula be easy for management and maintenance of the funding formula?

3.9 In June, the DCSF published updated guidance to LAs on the Single Funding Formula for Early Years which is based on experience from the pilot schemes currently in operation. This therefore draws on practical experiences and attempts to provide best practice advice for LAs to follow:

1. A basic hourly rate which in most authorities varies (based on the cost analysis) between different types of provider.
2. Hourly Supplements – deprivation will be mandatory, but others such as quality, flexibility and sparsity have been considered by some to encourage local and national priorities, with a supplement for quality strongly recommended by the DCSF.
3. Other supplements – in some circumstances (e.g. sufficiency, quality) authorities have considered lump sum payments, but again in the spirit of participation led funding these should be limited, and probably used only to compensate for justifiable unavoidable costs.

Question:

1. Have the right criteria and characteristics as set out in paragraphs 3.7 to 3.9 been taken into account when developing the Single Funding Formula for Early Years?

Determination of provisional funds required

3.10 In preparation for the development of the single local formula for early years, the Council was required by the government to complete and publish a cost analysis review for the PVI sector, with the aim of determining the actual cost of providing the free entitlement. This task was completed in early 2008 and the final report was presented to the Schools Forum. In order to obtain similar information from maintained sector providers, a costing survey has recently been undertaken, the responses of which are currently being reviewed. The information obtained from these surveys has been used to help inform the relative cost base for different types of providers and a provisional indication of the overall level of funds required. Amounts quoted in this report need to be viewed as indicative as they will be updated and verified as work progresses, including receiving feedback from this Group and all providers once the borough wide consultation is undertaken in the autumn.

Question:

2. Whilst areas of the cost surveys are not totally robust or complete, are they the best starting point to estimate costs of providers, and therefore the level of funding required to maintain the setting (paragraph 3.10)?

Initial proposals for the BF Single Funding Formula for Early Years

- 3.11 Paragraphs 3.7 to 3.9 have been used by officers as the basis for developing the BF Single Funding Formula for Early Years. Compromises have had to be made in some areas as well as using estimates where there is insufficiently robust data. As expected, there is no perfect outcome so being able to strike a balance between competing priorities was the key aim. Therefore, in respect of the development of the Single Funding Formula for Early Years, the following key principles have been used in respect of formula design and values:
1. A single basic hourly rate for all providers, with differential amounts for the maintained and PVI settings where this is supported by reliable data.
 2. Impact from individual business practices or choices not to be reflected.
 3. Hourly supplements to be made where justified to incentivise good practice and to promote national and local policy objectives.
 4. Affordability within the existing Early Years funding envelope.

Question:

3. Have the right key principles been applied, as set out in paragraph 3.11, when developing the Single Funding Formula for Early Years?

- 3.12 All amounts quoted in this report should be seen as a guide and subject to change.

Hourly base rate

- 3.13 The hourly base rate will make up the largest portion of the single funding formula. It is intended to cover most of the costs that are common to all early years providers and in particular:
1. Cost of staff directly involved in child care and education.
 2. Staff training.
 3. Support costs:
 - Learning resources.
 - Administration and clerical costs.
 - Premises costs (excluding rent, rates and debt financing).
 - Management costs
 - Long term staff absence

Question:

4. Do the proposed elements of the hourly base rate cover the significant cost elements facing the majority of providers (paragraph 3.13)?

Cost of staff directly involved in child care and education

- 3.14 Staffing is the single largest cost incurred by providers. In order to calculate appropriate costs, average salaries have been applied to the minimum staffing ratios required for different settings. Further work needs to be undertaken to calculate average salaries in Bracknell Forest, so at this stage average salaries 2008/09, as calculated by Slough Borough Council have been used for PVI. Table 1 below sets out relevant data, with varying qualifications, and covers basic pay, employer on-costs and funding for 15 days absence to cover training, sickness etc. Performance related payments made to teachers through the Upper Pay Scale and other allowances are not taken into account in the hourly base rate but dealt with later under the proposed supplement for quality of provision.

Table 1: Average staff costs, by qualifications (PVI data from Slough)

Staff Qualification	Average Salary for 38 week year	On-costs 21.9%	Absence 15 days	Total Direct Costs
PVI – Level 2 qualified	£10,280	£2,251	£660	£13,191
PVI – Level 3 qualified	£11,728	£2,568	£752	£15,048
NNEB Grade BGJ16	£16,828	£3,113	£1,574	£21,515
Qualified Teacher (M6)/EYPS	£31,868	£6,979	£3,067	£41,914

Comment [B1]: Do we need another level for graduate or can this be done / is it done in Table 7

Question:

5. Are the direct staff costs set out in Table 1 representative and accurate (paragraph 3.14)?
6. Is 15 days cover for staff training and short term absences in Table 1 set at the right level?

3.15 There are different staffing ratios applicable to different setting types. For PVI settings the following applies, with assumptions also listed. Table 2 provides details of the calculations:

- o Minimum staff requirements – 1 level 3 leader plus 1 other staff member
- o Minimum staff ratios 1:8
- o For the purposes of this formula the following assumptions are made:
 - o minimum staff qualification is level 2
 - o each funded session lasts for 2.5 hours
 - o settings provide 2 funded sessions or 5 hours of funded care per day per place
 - o settings provide 950 funded hours of care per place a year

Question:

7. Are the key assumptions around staffing ratios and other data for PVI providers as set out in paragraph 3.15 appropriate?

Table 2: Average staff costs for PVI settings

Number places/ providers	funded hours per day	Cost of Level 3 staff (1)	No of Level 2 staff	Cost of Level 2 staff	Annual staff costs	Cost per place	Cost per hour
16	80	£15,048	1	£13,191	£28,239	£1,765	£1.86
24	120	£15,048	2	£26,382	£41,430	£1,726	£1.82
32	160	£15,048	3	£39,573	£54,621	£1,707	£1.80
40	200	£15,048	4	£52,764	£67,812	£1,695	£1.78
48	240	£15,048	5	£65,955	£81,003	£1,688	£1.78
56	280	£15,048	6	£79,146	£94,194	£1,682	£1.77
64	320	£15,048	7	£92,337	£107,385	£1,678	£1.77
Weighted Average							£1.80
Rounded Average							£1.80

3.16 For maintained settings the following applies, with relevant assumptions also listed with table 3 providing details of the calculations:

- o Minimum staff requirements – 1 Teacher plus 1 other staff member
- o Minimum staff ratios 1:13
- o For the purposes of this formula the following assumptions are made
 - o Other than the required qualified teacher, all staff are NNEBs
 - o each funded session lasts for 2.5 hours
 - o settings provide 2 funded sessions or 5 hours of funded care per day per registered place
 - o settings provide 950 funded hours of care per place a year

Question:

8. Are the key assumptions around staffing ratios and other data for maintained providers as set out in paragraph 3.16 appropriate?

Table 3: Average staff costs for maintained settings

Number places	Funded hours per day	Cost of 1 teacher (M6)	No of NNEB staff	Cost of NNEB staff	Annual staff costs	Cost per place	Cost per hour
26	130	£41,914	1	£21,515	£63,429	£2,439.59	£2.57
39	195	£41,914	2	£43,031	£84,945	£2,178.08	£2.29
Weighted Average							£2.55
Rounded Average							£2.45

3.17 Weighted hourly costs have been calculated that reflect the number of providers in the groups of places specified in the first column of Tables 2 and 3. At this stage, for simplicity, all amounts in the development of the funding formula been rounded to the nearest £0.05. The cost difference between the PVI at £1.80 and maintained sectors at £2.55 reflects the relative differences in staff costs, in particular, employment of teachers on national pay scales.

A setting in the maintained sector with the average 40 children for 2½ hours per day would receive annual funding for core basic staff costs of £48,450 and a PVI setting with the average of 27 children for 2½ hours per day £23,085.

Staff training

- 3.18 A key priority for the DCSF is the raising of standards by increasing staff qualification levels and making sure the workforce remains adequately trained once qualifications have been obtained. It has not been possible to obtain actual costs from providers to this level of detail, but to recognise this priority, it is proposed that each child will attract £0.10 per hour towards staff training. This equates to £47.50 per fully funded child per year.

A setting with 40 children would receive annual funding for training of £1,900 and one with 27 children £1,283.

Question:

9. Does the draft Single Funding Formula for Early Years deliver the right amount of funding for staff training to the average size setting (paragraph 3.18)?

Support costs

- 3.19 The funding for support costs is intended to cover the remaining operating costs that all providers face. In order to ensure an equitable allocation, no distinction is planned to be made between the types of providers. The amounts proposed to be allocated, as set out below in Table 4, are based on the information gathered from the Costs Analysis.

Table 4: Average support costs for maintained and PVI settings

Item	Amount per hour
Learning Resources: E.g. books, stationery, learning materials, classroom and learning equipment, furniture used for teaching purposes, educational software and hardware etc.	£0.20
Premises costs: E.g. internal maintenance, energy, utilities, insurance, health and safety, cleaning etc. Does not include business rates or rent (see paragraph 3.22).	£0.20
Administration and clerical costs: E.g. direct staff costs, printing and stationery, office equipment, postage, recruitment costs, professional advice, banking etc.	£0.15
Management costs: E.g. business planning, setting policies, work planning, liaison with parents etc.	£0.15
Long term staff absence E.g. a buffer to cover high cost absences that occur infrequently but can represent high costs, such as maternity leave, long term sickness, jury service etc.	£0.15
Total	£0.85
Annual funding for 40 places in maintained schools	£16,150
Annual funding for 27 places in PVI setting	£10,900
Annual funding per 12.5 hour place	£404

Question:

10. Does Table 4 include all of the other significant inescapable costs faced by all providers?
11. Do the indicative amounts of funding in Table 4 sufficiently cover costs faced by all providers

Summary

- 3.20 Adding together the proposed amounts for each element of the hourly base rate would deliver the following indicative funding levels:

Table 5: Indicative hourly base rate

Item	Amount per hour maintained	Amount per hour PVI
Direct staff costs (Tables 2 and 3)	£2.55	£1.80
Staff training (paragraph 3.18)	£0.10	£0.10
Support costs (Table 4)	£0.85	£0.85
Total	£3.50	£2.75
Annual funding for 40 places	£66,500	
Annual funding for 27 places		£35,270
Annual funding per 12.5 hour place	£1,663	£1,305

Question:

12. Does the overall indicative hourly base rate in Table 5 look reasonable?

Supplements

- 3.21 Additional hourly supplements will be added to target funding to key national and local policy objects and will not therefore be paid to all providers, but where costs and activities warrant. Provisional work indicates that the following supplements should be paid.

Accommodation

- 3.22 Maintained schools receive funding for business rates via their main school funding allocation and it is not practicable to split out costs of the nursery from the rest of the school as this would require a separate rating assessment from the Inland revenue. Therefore, no change to the existing arrangements is proposed. In order to ensure equitable funding to all providers, PVI settings only will receive an accommodation funding supplement to cover the cost of rent (or its equivalent), business rates and debt charges.

Question:

13. Is the current proposal to fund only PVI providers for accommodation, with maintained schools continuing to be funded for Early Years provisions through their main school the most appropriate course of action (paragraph 3.22)?

3.23 The Cost Analysis of PVI settings gathered relevant accommodation costs. However, this has indicated extremely varied costs in the sector, from mortgages on houses to pepper corn rates for church halls. Due to this extreme variation in accommodation arrangements, the 'average' cost is not truly representative of actual market costs.

3.24 What was evident from the Costs Analysis was that settings which had high accommodation costs operated a business model which took into account these costs e.g. full day care settings who could cover costs via higher charges for non-funded hours. It was also clear that the largest group in terms of accommodation type were those that hired a hall, for which an average of around £10 per hour was charged.

Question:

14. Due to the wide range of different costs facing PVI providers, is it appropriate to base funding for accommodation on the average cost of room hire for 38 weeks per annum (paragraph 3.24)?

3.25 Using the £10 per hour rate for hall hire, an approximate funding rate per hour can be determined as follows. £10 per hour of hall hire for 3 hours per session, 5 days a week, 38 weeks a year would cost £5,700. For the average size setting of 27 children being funded at 2½ hours per day, then 6,650 hours of funding would be received, meaning around £0.85 per hour needs to be provided to cover costs. Deducting funding for utilities and energy etc included in Table 4 that are not payable in addition to the hire charge, plus the expectation of being able to negotiate a discount on the hire from a long term letting, the rate reduces to £0.50 per hour. It is proposed to fund all PVI providers at this same rate. The average size PVI provider of 27 places would receive £6,415 per annum for these accommodation costs.

Question:

15. Is the indicative funding of £6,415 for a 27 place PVI provider adequate (paragraph 3.25)?

Deprivation

3.26 It will be mandatory to allocate a proportion of funding based on deprivation. The purpose of the deprivation element of the funding formula is to target additional funding to support children from socially deprived backgrounds, as significant evidence exists that demonstrates that these children generally achieve lower attainment with subsequent poorer life chances.

3.27 There are several measures of deprivation readily available for LAs to use, for example Income Deprivation Affecting Children Index (IDACI), Tax credit data, Mosaic, Acorn. A review by officers of these options considers IDACI to be the most appropriate measure of deprivation for BFC.

3.28 IDACI gives a score and rank for any postcode in England, the most deprived having a rank of 1, the least deprived having a rank of 32,482. At this stage of the development of proposals, the score and rank of the Early Years Providers i.e. the postcode of the settings

has been used, but work at individual child level is possible, but this clearly increases the administration requirements of the formula and the amount of data to be supplied by providers.

Question:

16. Should relative deprivation be measured via the Income Deprivation Affecting Children Index or should an alternative measure be used (paragraph 3.28)?

3.29 In setting a level of resource to be allocated through deprivation measures, it is proposed to use the same proportion as allocated to BFC for the Schools Budget by the DCSF, which currently amounts to 7%. As no costing data has been requested to evidence the additional cost of deprivation, and evidence of actual costs by specific categories of expenditure is the basis of how the BFC funding formula is being developed, this supplement creates a pressure. This can be funded either from new growth to the budget of around £220,000, or an appropriate deduction from another part of the overall hourly rate. As a key aim of this work is to maintain costs within existing resources, it is proposed that the hourly base rate would have an appropriate deduction. On current data, the relevant deduction would be around £0.25 per hour. However, as the national data indicates that levels of deprivation have a greater impact on older children, at this stage it is proposed to limit the deduction to the hourly base rate to £0.10, equivalent to around 3% of the total current funding.

Question:

17. Should the total funds allocated by deprivation measures be set at around 3% of the total budget, around half the proportion of funding received by BFC from the Government for Education (paragraph 3.29)?
18. Should deprivation funding be financed through a deduction from the hourly base rate, if not, what other funding source (paragraph 3.29)?

3.30 Having considered a methodology to determine the level of funding to be allocated for deprivation, all providers have been ranked according to their score. At this stage in the development, funding has been allocated to the top 60% of the most deprived areas only on a weighted basis. Therefore, 40% of providers would not receive any supplement to fund the additional costs of deprivation and are categorised as Band 0 providers. This proposal to limit supplementary funding to a limited number of providers has been made on the basis of deprivation funding data used by the DCSF. This shows that BFC is the 4th least deprived LA in England which implies significant areas of the borough have very low levels of deprivation. On the current model, within the 60% of providers proposed to receive supplementary deprivation funding, the top 10% have been weighted at 3 times the basic rate (Band 3), the next 25% have been weighted at 2 times the basic rate (Band 2) and the final 25% have been weighted at the basic rate (Band1). The additional weighting to the most deprived settings reflects evidence that the attainment gap is greatest in the most deprived areas.

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Question:

19. Should only the 60% most deprived providers – by location – receive a deprivation supplement, and 40% of providers receive nothing (paragraph 3.30)?
20. Assuming only 60% of providers receive funding for deprivation, should the top 10% be funded at 3 times the basic rate (Band 3), the next 15% at 2 times the basic rate (Band 2) and the final 15% at the basic rate (Band1) (paragraph 3.30)?

3.31 The outcome from this element of the funding formula is that 39 providers would receive supplementary deprivation funding, with Band 1 at £0.10, Band 2 at £0.20 and Band 3 at £0.30. Providers with deprivation below these levels would not receive a funding supplement and fall into Band 0. Table 6 below sets out the proposed deprivation supplement

Table 6: Proposals for deprivation supplement

Level of Deprivation Supplement	Eligibility criteria	Amount per hour
Band 3	10% most deprived settings, receiving funding at 3 times the basic rate	£0.30
Annual funding for 40 places maintained – Band 3		£5,700
Annual funding for 27 places PVI - Band 3		£3,850
Annual funding per 12.5 hour place – Band 3		£143
Band 2	10.1% to 35% most deprived settings, receiving funding at 2 times the basic rate	£0.20
Annual funding for 40 places maintained – Band 2		£3,800
Annual funding for 27 places PVI - Band 2		£2,565
Annual funding per 12.5 hour place – Band 2		£95
Band 1	35.1% to 60% most deprived settings, receiving funding at the basic rate	£0.10
Annual funding for 40 places maintained – Band 1		£1,900
Annual funding for 27 places PVI - Band 1		£1,285
Annual funding per 12.5 hour place – Band 1		£48

Quality of provision

- 3.32 A key national and local priority is to promote quality provision in settings and the measure proposed to use this is the skills of staff employed in settings. Looking at the current early years workforce it is clear that the staff in the maintained sector are better qualified and paid than staff in the PVI sector. Over 80% of early years providers are in the PVI sector but the percentage staff at graduate level is small. Only 3% of full day care staff in PVI settings are graduates compared to 40% in the maintained sector.
- 3.33 The Government has set a clear ambition to improve the quality of the PVI workforces. This ambition includes every full day care setting being led by a graduate by 2015 and all staffing aiming for a minimum of a full level 3 qualification. It is therefore proposed to include a quality supplement, based on relevant staff qualifications that will incentivise the move to a higher qualified workforce in the PVI sector, while allowing settings to pay the higher staff costs associated with these higher qualifications.

Question:

21. Is the proposal to use relevant staff qualifications data the most appropriate measure for quality of provision (paragraph 3.33)?

3.34 Current qualification levels in the maintained sector are consider high and do not therefore need improving, however the higher cost of maintained sector staff needs to be accounted for in the formula, (this was not done in the base rate) and this supplement will allow for that and all other settings with high quality staff.

3.35 In order to determine the level of funding a setting will receive under the quality supplement, the qualification levels of the staff at a setting will be compared to the table below. The supplement has been set at 4 levels; Band D equates to the current qualifications and experience levels at maintained settings, where a teacher is paid on the Upper Pay Scale (UPS). Based on UPS2, this costs £4,922 per annum more than the cost funded through the hourly basic rate. Bands C and B specify other qualifications at a lower level that are nonetheless above the level of funding included in the hourly basic rate. Funding for Band C has notionally been set at half the level allocated to Band D qualifications, with Band B at half the level of Band C. Table 7 below sets out the proposed quality supplement. Providers with qualifications below these levels do not receive a funding supplement and fall into Band A.

Question:

22. Assuming staff qualifications data is used to fund providers for quality, is the proposal for allocations to be based on 4 different qualifications levels right (paragraph 3.35)?
23. Is the proposed measure of the funding gap in maintained schools correct, which would fund a 26 place nursery for an NNEB and a qualified teacher on UPS2 (paragraph 3.35)?
24. Are the proposed bandings and their relative funding proportions correct (paragraph 3.35)?

Table 7: Proposals for quality supplement

Level of Quality Supplement	Workforce qualifications	Amount per hour
Band D	Qualified teachers on Upper Pay Scale 2 or above	£0.20
Annual funding for 40 places maintained – Band D		£3,800
Annual funding for 27 places PVI - Band D		£2,565
Annual funding per 12.5 hour place – Band D		£95
Band C	Graduate (level 5/6/Early Years Professional (EYP)/ leading Early Years Foundation Stage (EYFS) Practice and 75% of staff at level 3 or above	£0.10
Annual funding for 40 places maintained – Band C		£1,900
Annual funding for 27 places PVI - Band C		£1,285
Annual funding per 12.5 hour place – Band C		£48
Band B	Graduate (level 6/EY/QT) or Foundation Degree practitioner or Manager/deputy with level 4 or above leading EYFS and 50% of staff with a level 3	£0.05
Annual funding for 40 places maintained – Band B		£950
Annual funding for 27 places PVI - Band B		£645
Annual funding per 12.5 hour place – Band B		£24

Comment [B2]: Isn't this more or less the same as that for Band C? What's the difference?

Sustainability and sufficiency of provisions

- 3.36 As set out above, it is the Authority's duty to ensure that sufficient childcare is available to meet local needs and therefore on some occasions, financial incentives need to exist to encourage providers to make the required offers where demand exists. It is therefore proposed to set aside funding to be allocated to providers for fixed periods of time to help cover a shortfall of income compared to costs arising from low participation if sustainability is required to meet the Authority's duties. The criteria to allocate funding have yet to be determined.

Question:

25. Do you have any comments on the proposals regarding funding settings for sustainability to ensure sufficiency of places (paragraph 3.36)?
26. Should sustainability and sufficiency funding be financed through a deduction from the hourly base rate, if not, what other funding source?

Additional educational needs (AEN)

- 3.37 Evidence suggests that certain children have additional educational needs, for example through English as an Additional Language (EAL) or a physical disability or additional learning needs. Providing appropriate support for such children can have cost implications for providers that should then be reflected in the BF Single Funding Formula for Early Years. However, whilst some of the data that could be required for funding purposes is readily available, such as EAL from the annual census, other data, such as levels of special educational needs is not available for all providers. Therefore, more work is required on this area before a recommendation can be made as to how AEN can be included in the BF Single Funding Formula for Early Years.

Question:

27. Do you have any comments on the proposals regarding funding settings for additional educational needs (paragraph 3.37)?
28. Should additional educational need funding be financed through a deduction from the hourly base rate, if not, what other funding source?

Flexibility of provision

- 3.38 The focus of the work on the BF Single Funding Formula for Early Years has been based on the 2008-09 financial year so that meaningful financial and other comparisons can be made between the existing funding arrangements and the new regime, had it been in place last year. Therefore, at this stage funding flexibility of provision has not been considered in detail. Proposals on this will be made in the autumn.

Question:

29. Do you have any comments on the proposals regarding funding settings for additional flexibility of provision (paragraph 3.38)?

Summary

- 3.39 Taking account of the work undertaken to date, Table 8 below set out a summary of a range of potential hourly funding rates for providers. Annex D shows a more detailed summary, together with an indication of funding levels for different sized settings.

Table 8: Indicative hourly funding rates

Item	Amount per hour	
	Maintained	PVI
<u>Core Funding:</u>		
Hourly base rate	£3.50	£2.75
Deduction for Deprivation	£-0.10	£-0.10
Deduction for sustainability and sufficiency	TBD	TBD
Deduction for additional educational needs	TBD	TBD
Revised total hourly base rate	£3.40	£2.65
Accommodation	£0.00	£0.50
Sub total core funding	£3.40	£3.15
<u>Supplements to fund priorities:</u>		
Deprivation - at mid range (Band 2)	£0.20	£0.20
Quality of provision – at mid range (Band C)	£0.10	£0.10
Additional Educational Needs	TBD	TBD
Flexibility of provision	TBD	TBD
Sub total supplementary funding	£0.30	£0.30
Total indicative hourly funding rates	£3.70	£3.45
Current hourly funding rate	£3.45	£3.60

3.40 Some general questions for consideration remain at the end of this report:

Question:

30. Is the balance between the hourly basic rate paid to all providers and supplements for policy objectives right? Should more or less be through supplements?
31. Do any other costs or factors need to be taken into account?
32. Should there be a wider range of funding bands other than PVI and maintained? E.g. splitting PVI into say full day care, private sessional and voluntary sessional.

Other issues still to be considered

- 3.41 As well as developing the BF Single Funding Formula for Early Years, a number of practical issues also need to be considered. Current issues include the following:
- Inclusion or exclusion of exclusive SEN nursery provision in the Single Funding Formula (e.g. Kennel Lane Maintained Special School)

- Should a minimum increase in funding each year be included in the Single Funding Formula?
- Should the Single Funding Formula include a factor to reduce the impact of severe fluctuations in participation levels?
- Are temporary transition arrangements needed to protect settings adversely affected by the introduction of the Single Funding Formula?
- How and when should participation be counted? Termly or annually?
- On what basis should indicative budgets be calculated (all providers must have indicative budgets prior to the start of the financial year)?
- How often should budgets be adjusted to account for actual participation levels?
- How often should payments be made to PVI providers?
- Are different rates of funding for some factors appropriate for PVI and maintained schools to reflect differing cost bases?
- Should there be specific funding allocations to the smallest settings?

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Next Steps

- 3.42 Once this meeting to review the preliminary work on the Single Funding Formula has made comments and given direction to any further work requirements, this will be undertaken over the summer with a view to updating this group on 30th September (to be confirmed), subject to sufficient issues having been identified that require consideration by this Group. This work will include a detailed assessment of whether the formula is affordable.
- 3.43 Final proposals will be brought to the Group for its meeting on 4th November (to be confirmed) which will need to agree the final content of the consultation document to be circulated to all providers and whether the Group wishes to recommend one particular option. Financial exemplifications by provider are planned to be included on the consultation document.
- 3.44 A revised workplan is attached at Annex C which the Group is asked to endorse.
- 3.45 The approval of the Executive Member to the final proposed single funding formula for early years will be sought next year, after taking account of comments from providers, the Single Funding Formula Representative Group and the Schools Forum.

Background Papers

Childcare Act 2006, Section 7

The 2006 Code of Practice on the provision of nursery education places for 3 and 4 year olds

The Extension to the free early education entitlement for 25 percent of 3 and 4 year olds: Interim guidance for local authorities July 2008

Implementation of the single funding formula for early years: Interim guidance for local authorities July 2008

Children's Plan – Building Better Futures

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Annex A

Early Years Single Funding Formula - Initial Design Recommendations

Funding Factor	Rationale For Inclusion	What costs is it intended to cover?	Possible payment methodology	Paid to PVI's?	Paid to Maintained?
Base Rate	A single base rate is used across all sectors and business models to enable a level playing field in the market, with supplements used to encourage highest priorities.	Most staff, clerical & office expenses, recruitment, energy, water & sewerage, refuse, supplies and services, transport, insurance, cleaning & caretaking, grounds maintenance, premises maintenance, training	Hourly base rate paid on participation	YES	YES
Premises Costs	Second highest cost in the provision of childcare for PVI's.	Rent, mortgage and rates	Lump sum based on actual annual rates and average rental costs	YES	NO Fully funded in main school budget
Sustainability	The LA has a legal requirement to ensure that there is sufficient childcare to meet the needs of working parents. Sustainability will only be paid where a settings is required to meet this duty (sufficiency)	Fixed period funding to help cover a shortfall of income compared to costs arising from low participation levels	Hourly base rate paid on agreed number of places for a predetermined period of time	YES	YES
Deprivation	It is a legal requirement for the single funding formula to include a deprivation factor.	Additional costs associated with children from deprived backgrounds	Either lump sum or addition to the hourly base rate for settings meeting qualifying criteria	YES	YES
Inclusion	Appropriate care and education for children with Additional Needs (AN) such as SEN, EAL, disability, etc involves additional costs.	Additional care and education costs of meeting the needs of pupils with AN e.g. lower carer / teacher ratios	Either lump sum or addition to the hourly base rate for settings meeting qualifying criteria	YES	YES
Flexibility	An incentive is required to encourage a sufficient number of settings to be fully flexible in their offer.	Additional care and education costs of meeting the requirements of flexibility e.g. having excess staff available at the start or end of the day	Either lump sum or addition to the hourly base rate for settings meeting qualifying criteria	YES	YES
Qualifications	The government is striving to increase the qualification level of all staff working in Early Years, with particular focus on the leaders of Early Years settings. This supplement will act as an incentive to increase staff qualification levels	Additional salary for higher qualified staff	Either lump sum or addition to the hourly base rate on a sliding scale which increases with the qualification level of staff. Would not be appropriate for settings currently receiving the Graduate Leader Fund	YES	YES

Other Points to consider

Inclusion or exclusion of exclusive SEN nursery provision in the Single Funding Formula (e.g. Kennel Lane Maintained Special School)

Should a minimum increase in funding each year be included in the formula? If yes, how would this work?

Methods of reducing the impact of severe fluctuations in participation levels - do we include these in the formula and how would they work?

Transition arrangements for settings adversely effected by the introduction of the single funding formula - short term measures to ensure sustainability

How and when should participation be counted - a termly headcount the same as schools is recommended

On what basis should indicative budgets be calculated (all providers must have indicative budgets prior to the start of the financial year)

How often should budgets be adjusted to account for actual participation levels - a termly adjustment is recommended

How often should payments be made - termly is recommended to assist with cash flow

Different rates of funding through the same factor may be appropriate for PVI and maintained schools to reflect relative cost bases

Relative importance of each factor i.e. what proportion of funding is allocated by each factor

Should there be specific funding allocations to the smallest settings?

Some Common Questions about the Offer for Two Year Olds

There is a greater detail on a lot of these issues in the two year olds guidance document, which we are in the process of updating to reflect the extended offer, but still remains valid.

1. What is my funding?/How is it calculated?

Place number allocations - This number is calculated using a combination of 2007 local population data, and the 2007 Income Deprivation Affecting Children Index. This gives a number of disadvantaged children in each area, and LAs are funded for 15% of this number.

N.B. '15% of the most disadvantaged' is not the same as 'the 15% most disadvantaged'.

Funding is calculated using the formula:

$$\text{Places} \times \text{hours (10 or 15)} \times \text{weeks (38)} \times \text{hourly rate (4.85 or 6.00)}$$

All LAs will receive £45,000 per year for Project Management, and they will start receiving this from April 2009.

Annual funding for **both** Outreach and Family Support is banded on the following basis:

Places	Funding per year
50-150	£15,000
151-250	£25,000
251-400	£35,000
401+	£45,000

Outreach funding will also be allocated from April 2009.

Funding is paid quarterly through the Sure Start and Early Years Capital Grant.

2. Can LAs carry over unused funding from one year to the next?

No. Due to Government accounting rules any money that is unspent will be clawed back.

3. What is the Eligibility Criteria?

All families accessing the offer **MUST** meet (i.e. be in receipt of) at least one of the following income-based criteria:

- Income Support
- Income-based Jobseeker's Allowance
- Child Tax Credit at a rate higher than the family element
- Extra Working Tax Credit relating to a disability

- Pension Credit

LAs are encouraged to set further criteria to really narrow down onto the most disadvantaged children in each area.

4. Can LAs use referrals?

Yes, the Department does not preclude LAs from using referrals, but you have to use a data-driven approach for the two year old offer. This involves using hard data sources to identify the most disadvantaged two year olds first, and then using appropriate Outreach to go out and engage them.

5. How do we find out where the most disadvantaged two year olds live?/What data sources should we use?

This is subject which will be covered at the delivery workshops, but there are a variety of ways of doing this. You can use:

- SOA data cross matched with data from IDACI (available at the Communities and Local Government website)
- 2007 Workless benefits data from DWP (available on request)
- commercial packages such as ACORN or MOSAIC
- Children's Centre data
- Live birth data

6. What does Child Tax Credit at a rate higher than the family element mean?

The family element is the basic element of Child Tax Credit, and the current rate at which this is paid is £545 per year. Any family receiving any further elements will receive significantly more than this and will thus be eligible. Families will know this by looking at their award letter, where it states at the top the rate of award. Further info on tax credits is available here:

<http://www.direct.gov.uk/en/MoneyTaxAndBenefits/TaxCreditsandChildBenefit/TaxCredits/index.htm>

5. Are asylum seekers eligible for the offer?

A child moving to England from another country is entitled to free nursery education on the same basis as any other child regardless of whether they have British citizenship.

There is a difficult question regarding proving eligibility given the headline criteria of receipt of certain benefits, which by virtue of being asylum seekers, they cannot access. The important thing is that the offer focuses on those suffering from economic disadvantage, and as such asylum seekers should not be excluded from accessing a place. There is flexibility on how you prove eligibility but one criterion you may want to consider in this case should be that they are receiving support under Part VI of the *Immigration and Asylum Act 1999*. It is also worth noting that those families receiving support under the Act are eligible for Free School Meals.

7. Quality - Can LAs use a 'satisfactory' Ofsted-rated setting?

The Department have deliberately set high quality standards in response to evidence that to impact positively on child outcomes provision for 2 year olds must be good quality. If an LA wishes to use a setting that is 'satisfactory' then the LA **has to be** confident that they are working towards a 'good' rating, and they need to make a judgement about whether they should be included based on clear evidence – for example from participation in a quality

improvement scheme or hiring graduate staff. We are deliberately trying to raise the bar on standards, whilst not being overly prescriptive on the type of setting that can be used.

8. Target Places – Does the allocation refer to children or places?

The target refers to places. A family should always be offered the maximum number of hours available to them (10 or 15) but may choose not to take them all up. These 'spare' hours can be used to fund another child. As a general rule the funding should always follow the child, and should not be allowed to support empty places. However, if you feel that funding some empty places is absolutely necessary for the purposes of generating take-up or support from high quality providers that is up to your discretion.

9. Proving eligibility – How does this happen and is it a barrier to take-up?

We have found that in some instances asking families to prove their eligibility can be a barrier. One of the most successful ways has been using a tick box form (e.g. in the Guidance). LAs can either ask outreach workers to sign off on this (by seeing proof), or asking parents to self-certify. If parents do self-certify they need to be aware that if they falsify their details it is fraud. The key issue here is the relationship between the family and the worker. We have found that using a professional who has an ongoing relationship with, or good knowledge of the family (e.g. a Health Visitor) can make all the difference.

Revised Draft Work Programme

01/2009 to 02/2009	<ul style="list-style-type: none"> • Brief DMT, Schools Forum and Executive Member • Meetings with relevant Headteachers and PVI Providers informing them of progress to date & future plan • Establish consultative body - PVI, Maintained & LA
03/2009 to 05/2009	<ul style="list-style-type: none"> • Design and evaluation of local formula • Select settings to offer extended entitlement • Advise selected settings that will pilot extended entitlement & ensure that they can offer the extension flexibly
06/2009 to 09/2009	<ul style="list-style-type: none"> • Review of initial formula proposals by representative body if required • Update formula if required • Develop potential alternative models • Assist settings with the change to extended entitlement & increased flexibility • Pay first instalment of extended entitlement
10/2009 to 12/2009	<ul style="list-style-type: none"> • DMT review draft consultation document • Representative body sign off consultation document • Consultation – all Early Years providers
01/2010 to 03/2010	<ul style="list-style-type: none"> • Approval of final formula by DMT, Schools Forum and Executive Member • Preparation to implement formula • Indicative 2010-11 budgets given to all providers
04/2010	<ul style="list-style-type: none"> • Single local formula implemented

Detailed summary of hourly funding rates

	<u>Maintained sector</u>				<u>PVI sector</u>			
<u>Core funding</u>								
Hourly base rate	£3.50				£2.75			
Deduction to fund deprivation	-£0.10				-£0.10			
Deduction to fund sustainability and sufficiency	tbd				tbd			
Deduction to fund AEN	tbd				tbd			
Revised total hourly base rate	<hr/> £3.40				<hr/> £2.65			
<u>Accommodation</u>	£0.00				£0.50			
Sub total core funding	<hr/> £3.40				<hr/> £3.15			
<u>Supplements to fund priorities</u>								
Deprivation:	Band 0	Band 1	Band 2	Band 3	Band 0	Band 1	Band 2	Band 3
(No. providers)	£0.00 1	£0.10 5	£0.20 6	£0.30 3	£0.00 24	£0.10 11	£0.20 10	£0.30 4
Quality at mid range	Band A	Band B	Band C	Band D	Band A	Band B	Band C	Band D
(No. providers)	£0.00 0	£0.05 0	£0.10 13	£0.20 2	£0.00 32	£0.05 7	£0.10 10	£0.20 0
Additional Educational Needs	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd
Flexibility of Provision	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd
Sub total range of supplementary funding:	<hr/> from £0.00 to £0.50				<hr/> from £0.00 to £0.50			
Total indicative hourly funding rates:	<hr/> from £3.40 to £3.90				<hr/> from £3.15 to £3.65			
Provisional funding per annum for 40 children	from £64,600 to £74,100							
Provisional funding per annum for 27 children					from £40,398 to £46,812			

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Illustration of indicative annual funding for providers¶
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Funding for sustainability of provisions and additional educational needs yet to be determined, but at this stage, any funding allocated to these priorities will be need to be financed from a deduction to the hourly base rate.

Provisional Funding Model
Maintained Setting

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Number of children (12.5 hrs per week)	Hourly Base Rate funding		Supplements to be added to Base Rate				Total Mid Range		Approximate Current Budget
			Medium Deprivation		Medium Quality				
	Per hour	Per annum	Per hour	Per annum	Per hour	Per annum	Per hour	Per annum	
10	£34	£16,156	£2	£951	£1	£475	£37	£17,582	£16,300
15	£51	£24,235	£3	£1,426	£2	£713	£56	£26,373	£24,500
20	£68	£32,313	£4	£1,902	£2	£950	£74	£35,165	£32,700
25	£85	£40,391	£5	£2,377	£3	£1,188	£93	£43,956	£40,900
30	£102	£48,469	£6	£2,853	£3	£1,425	£111	£52,747	£49,100
35	£119	£56,547	£7	£3,328	£4	£1,663	£130	£61,538	£57,300
40	£136	£64,625	£8	£3,804	£4	£1,900	£148	£70,329	£65,500
45	£153	£72,704	£9	£4,279	£5	£2,138	£167	£79,120	£73,700
50	£170	£80,782	£10	£4,755	£5	£2,375	£185	£87,911	£81,900
55	£187	£88,860	£11	£5,230	£6	£2,613	£204	£96,703	£90,100
60	£204	£96,938	£12	£5,706	£6	£2,850	£222	£105,494	£98,300
65	£221	£105,016	£13	£6,181	£7	£3,088	£241	£114,285	£106,500
70	£238	£113,094	£14	£6,657	£7	£3,325	£259	£123,076	£114,700
75	£255	£121,173	£15	£7,132	£8	£3,563	£278	£131,867	£122,900
80	£272	£129,251	£16	£7,608	£8	£3,800	£296	£140,658	£131,100
Per child per hour	£3.40		£0.20		£0.10		£3.70		£3.45

For 40 children (average setting size)	£148	£70,329	£65,500
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PVI Setting

Number of children (12.5 hrs per week)	Hourly Base Rate funding		Supplements to be added to Base Rate				Total Mid Range		Approximate Current Budget
			Medium Deprivation		Medium Quality				
	Per hour	Per annum	Per hour	Per annum	Per hour	Per annum	Per hour	Per annum	
25	£79	£37,406	£5	£2,377	£3	£1,188	£86	£40,971	£42,700
30	£95	£44,888	£6	£2,853	£3	£1,425	£104	£49,165	£51,300
35	£110	£52,369	£7	£3,328	£4	£1,663	£121	£57,360	£59,800
40	£126	£59,850	£8	£3,804	£4	£1,900	£138	£65,554	£68,400
45	£142	£67,331	£9	£4,279	£5	£2,138	£155	£73,748	£76,900
50	£158	£74,813	£10	£4,755	£5	£2,375	£173	£81,942	£85,500
55	£173	£82,294	£11	£5,230	£6	£2,613	£190	£90,137	£94,000
60	£189	£89,775	£12	£5,706	£6	£2,850	£207	£98,331	£102,600
65	£205	£97,256	£13	£6,181	£7	£3,088	£224	£106,525	£111,100
70	£221	£104,738	£14	£6,657	£7	£3,325	£242	£114,719	£119,700
75	£236	£112,219	£15	£7,132	£8	£3,563	£259	£122,913	£128,200
80	£252	£119,700	£16	£7,608	£8	£3,800	£276	£131,108	£136,800
Per child per hour	£3.15		£0.20		£0.10		£3.45		£3.60

For 27 children (average size setting)	£93	£44,246	£46,100
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Questions to Single Funding Formula Representative Group

Methodology

1. Have the right criteria and characteristics as set out in paragraphs 3.7 to 3.9 been taken into account when developing the Single Funding Formula for Early Years?
2. Whilst areas of the cost surveys are not totally robust or complete, are they the best starting point to estimate costs of providers, and therefore the level of funding required to maintain the setting (paragraph 3.10)?
3. Have the right key principles been applied, as set out in paragraph 3.11, when developing the Single Funding Formula for Early Years?

Hourly Base Rate

General

4. Do the proposed elements of the hourly base rate cover the significant cost elements facing the majority of providers (paragraph 3.13)?

Direct staff costs

5. Are the direct staff costs set out in Table 1 accurate (paragraph 3.14)?
6. Is 15 days absence to cover for staff training and short term absences in Table 1 set at the right level?
7. Are the key assumptions around staffing ratios and other data for PVI providers as set out in paragraph 3.15 appropriate?
8. Are the key assumptions around staffing ratios and other data for maintained providers as set out in paragraph 3.16 appropriate?

Staff training

9. Does the draft Single Funding Formula for Early Years deliver the right amount of funding for staff training to the average size setting (paragraph 3.18)?

Support Costs

10. Does Table 4 include all of the other significant inescapable costs faced by all providers (paragraph 3.19)?
11. Do the indicative amounts of funding in Table 4 sufficiently cover costs faced by all providers?

Summary

12. Does the overall indicative hourly base rate in Table 5 look reasonable (paragraph 3.20)?

Supplements

Accommodation

13. Is the current proposal to fund only PVI providers for accommodation, with maintained schools continuing to be funded for Early Years provisions through their main school the most appropriate course of action (paragraph 3.22)?
14. Due to the wide range of different costs facing PVI providers, is it appropriate to base funding for accommodation on the average cost of room hire for 38 weeks per annum (paragraph 3.24)?
15. Is the indicative funding of £6,415 for a 27 place PVI provider adequate (paragraph 3.25)?

Deprivation

16. Should relative deprivation be measured via the Income Deprivation Affecting Children Index or should an alternative measure be used (paragraph 3.28)?
17. Should the total funds allocated by deprivation measures be set at around 3% of the total budget, around half the proportion of funding received by BFC from the Government for Education (paragraph 3.29)?
18. Should deprivation funding be financed through a deduction from the hourly base rate, if not, what other funding source (paragraph 3.29)?
19. Should only the 60% most deprived providers – by location – receive a deprivation supplement, and 40% of providers receive nothing (paragraph 3.30)?
20. Assuming only 60% of providers receive funding from deprivation, should the top 10% be funded at 3 times the basic rate (Band 3), the next 15% at 2 times the basic rate (Band 2) and the final 15% at the basic rate (Band1) (paragraph 3.30)?

Quality of provision

21. Is the proposal to use relevant staff qualifications data the most appropriate measure for quality of provision (paragraph 3.33)?
22. Assuming staff qualifications data is used to fund providers for quality, is the proposal for allocations to be based on 4 different qualifications levels right (paragraph 3.35)?
23. Is the proposed measure of the funding gap in maintained schools correct, which would fund a 26 place nursery for an NNEB and a qualified teacher on UPS2 (paragraph 3.35)?
24. Are the proposed bandings and their relative funding proportions correct (paragraph 3.35)?

Sustainability and sufficiency of provisions

25. Do you have any comments on the proposals regarding funding settings for sustainability to ensure sufficiency of places (paragraph 3.36)?
26. Should sustainability and sufficiency funding be financed through a deduction from the hourly base rate, if not, what other funding source?

Additional educational needs (AEN)

27. Do you have any comments on the proposals regarding funding settings for additional educational needs (paragraph 3.37)?
28. Should additional educational needs funding be financed through a deduction from the hourly base rate, if not, what other funding source?

Flexibility of provision

29. Do you have any comments on the proposals regarding funding settings for additional flexibility of provision (paragraph 3.38)?

General

30. Is the balance between the hourly basic rate paid to all providers and supplements for policy objectives right? Should more or less be through supplements?
31. Do any other costs or factors need to be taken into account?
32. Should there be a wider range of funding bands other than PVI and maintained? E.g. splitting PVI into say full day care, private sessional and voluntary sessional.

15 July 2009