

Development of the BFC Single Funding Formula for Early Years

Provider Briefings

**November / December
2009**

Key Objectives:

- Understand why we are undertaking this consultation and its scope
- Understand the proposed BFC Single Funding Formula and the questions posed
- Be clear of the potential financial impact envisaged at this stage (using 2008-09 data)
- Identify any areas of concern



Why have this consultation?

- To meet government requirements around funding reforms for Early Years provisions as current arrangements do not support national priorities
- Current arrangements do not properly fund all types of provider in the diverse Early Years market
- To inform providers of the requirement to introduce a local funding Formula that must reflect national and local priorities and allocate funds based on actual hours attendance, recalculated each term
- To gather views from providers on the local proposals so that the right decisions are taken



Coverage

What's in?

- Provision of the free entitlement to early years education and childcare
 - PVI and Maintained providers

What's out?

- Provision for under 3's
- 4 year olds in Reception Classes
- Provision for 3 and 4 year olds in dedicated special educational needs settings



National and Local Priorities

National priorities:

- Extension of the free entitlement to 15 hours per week
- Increase flexibility of provision where there is demand
- Improve quality of provision
- Target funds to settings facing the highest levels of deprivation

Local priorities:

- Ensure sufficiency and sustainability of providers where there is demand
- Improve quality of provision



Bracknell Forest Approach

– A provider representative Group has led the development
which....:

- Considered national requirements and guidance, local priorities and outcomes from pilot Councils
- Providers should be funded in relation to their cost base, as evidenced from the cost surveys and other robust data

...and concluded

- That a single basic hourly base rate should be payable to all providers at the average cost to cover the majority of expenses
- A limited number of additional payments should be made that support local and national priorities



Bracknell Forest Approach (2)

- A provider representative Group has led the development ...and concluded (2)
 - The new arrangements must cost no more than those at present
 - The outcome must be transparent, equitable, predictable and stable
 - Where it makes sense for simplicity, equity or to prevent cost increases, certain costs relating to the Nursery Class in the maintained sector should be funded through the main school (with the key principle being that funding should be aligned to where charges will fall)



Points to remember:

- There's no perfect solution
- In some instances, objectives will conflict with each other, so some compromises have been made
- The costing surveys are not audited accounts, there are gaps and inconsistencies, so other data sources have been used where considered relevant
- The Formula is modelled on meeting the significant costs of providers at the average amount with top ups for national and local priorities
- The outcome WILL be change, so:
 - There will be winners...
 - ... and losers
- Data will have changed since the 2008-09 examples quoted in the consultation document



Summary Formula Proposals (1):

The Hourly Base Rate	Maintained sector (per hour)	PVI sector (per hour)
Average basic cost of direct staff	£2.20	£1.75
Sickness and other absences	£0.15	£0.30
Funding when below minimum staff ratios	£0.25	£0.25
Staff training	£0.10	£0.10
Support costs	£0.60	£0.65
Accommodation	Nil	£0.35
Profit element.	Nil	£0.10

Indicative Hourly Base Rate	£3.30	£3.50
Annual funding for 12½ hour place	£1,567	£1,662

Current hourly funding rate	£3.30	£3.66
Annual funding for 12½ hour place	£1,567	£1,739

Summary Formula Proposals (2):

- Supplementary payments should be made based on:
 - **Deprivation:**
 - Targeted to 60% of providers located in the most deprived location
 - Measured through Income Deprivation Affecting Children Index
 - To be allocated through 3 separate add-ons of 10p, 20p or 30p, weighted by severity of deprivation
 - To distribute around 3% of total funds, half the proportion received from the Government
 - To be funded from 10p deduction from the gross hourly base rate as this is where relevant costs are currently funded

Summary Formula Proposals (3):

- Supplementary payments should be made based on:
 - **Quality** – as measured through workforce qualifications:
 - Payable to providers that meet the qualifying criteria, based on the person leading the Early Years Foundation Stage and ratio of remaining full time equivalent staff on at least Level 3
 - To be allocated through 3 separate add-ons of 20p, 25p or 45p, weighted by qualification
 - Covers average cost increase from the hourly base rate plus 10p additional incentive
 - Maintained schools hourly base rate to be reduced by 15p to prevent double funding



Summary Formula Proposals (4):

- Supplementary payments could be made based on:
 - **Additional Educational Needs** – as measured through??
 - A clear and consistent set of data to measure AEN has not been identified
 - Could use English as an Additional Language but this is not always a measure of additional need and cost
 - Could consider holding a contingency sum for children with special educational needs that providers could bid for funding from
 - No clear view on this from the representative Group
 - Small amount of grant funding currently available



Summary Formula Proposals (5):

Element of the Formula	Hourly Funding	
	Maintained	PVI Sector
<u>Hourly base rate</u>		
Gross hourly base rate:		
Average staff and employer on-costs	£2.20	£1.75
Sickness and other staff absence	£0.15	£0.30
Cost pressure from maintaining staffing ratios	£0.25	£0.25
Cost of staff training	£0.10	£0.10
Support costs	£0.60	£0.65
Accommodation	£0.00	£0.35
Profit element	£0.00	£0.10
Sub total - Gross hourly base rate	£3.30	£3.50
Deductions from hourly base rate		
Deprivation	-£0.10	-£0.10
Quality	-£0.15	£0.00
Sub total - deductions from gross hourly base rate	-£0.25	-£0.10
Base Hourly Rate - Minimum Funding Level	£3.05	£3.40
<u>Supplements</u>		
Deprivation	£0.00 - £0.30	£0.00 - £0.30
Quality	£0.00 - £0.45	£0.00 - £0.45
AEN	tbd	tbd
Sub total - supplements	£0.00 - £0.75	£0.00 - £0.75
Total Hourly Rate:	Minimum	£3.05
	Maximum	£3.40
Current hourly funding	£3.30	£3.66

Summary Impact – based on 2008-09 data:

– Gainers (23):

- 7 less than 3%
- 4 between 3% and 6%
- 7 between 6% and 9%
- 5 more than 9%

– Losers (40):

- 25 less than 3%
- 6 between 3% and 6%
- 9 between 6% and 9%

– Annexes provide information for each provider



Summary Impact – based on 2008-09 data:

- Maintained sector rates range from £3.05 to £3.80 (was £3.30)
- PVI sector rates range from £3.40 to £4.15 (was £3.66)
- Maximum provider increase in funding = 12.1%
- Maximum provider decrease in funding = -7.1%
- 23 providers have increased hourly funding, 14 in maintained sector, 9 in PVI
- 40 providers have decrease in hourly funding, all in PVI sector
- 1 provider in the maintained sector has no change
- Overall £50k switch from PVI to maintained sector (1.6%)
- 92.5% funding allocated through hourly base rate, 7.5% through supplements



Some reasons for the funding changes:

– Staff qualifications...

- Are generally lower in PVI setting, resulting in a lower cost base and less top up funding for quality

– Deprivation...

- 93% of maintained providers are classified as deprived, 48% of PVI providers

– Current rate in PVI funding rate is relatively high...

- Based on 2009-10 data from the 19 local Councils in South East England, BFC rate is the 3rd highest

– Subsidies?...

- Are providers using the funding for the free entitlement to subsidise the more expensive provisions for 2 year olds?



Transition:

- To help providers facing the biggest change in funding, changes to be phased in over a maximum of 4 years
- Maximum gain or loss in hourly funding rate set at 3% per annum
- Changes above 3% to be phased in equally over the next 3 years, except...
 - Where this would be less than 1% a year, when the full outstanding adjustment will be processed i.e. this would be no more than 3%
- To incorporate stability, providers in the scheme at April 2010 will have their hourly rate data frozen for their period of transitional funding
- Review after 2 years to see if any revisions are necessary



Other items

- Sustainability and sufficiency of providers to be managed through central fund for qualifying providers
- Funding for childminders still to be considered
- Payment arrangements for PVI providers to remain on current two payments per term basis
- Data to be used for funding purposes (other than for child attendance) to be updated each January only

Flexibility - overview

- National requirement to encourage a more flexible offer of provision to parents where demand exists
- To be considered separately from the rest of this consultation as long term funding unclear
- Local definition of flexibility has been agreed by the representative Group, including a simple test:
 - Must be open for more than 15 hours per week
 - Entitlement other than 5 days a week must be on offer
 - Variable session lengths outside 2 ½ hours per day
 - Must be able to buy additional hours
 - Must be flexibility over drop-off/pick up times



Flexibility - overview

- No cost data available from providers to base future funding arrangements
- Payment proposed to be addition to the hourly rate for the agreed number of flexible places
- No claw back if take up lower than that offered



Flexibility – funding proposals

- Funding proposals to apply, once the flexibility test has been met:

Opening hours per week	Additional funding per hour for each flexible place
Up to 15	£0.05
Up to 20	£0.10
Up to 30	£0.15
Up to 40	£0.25
Up to 50	£0.35

Next Steps:

- Review the budget calculator available from the website to model your current forecast (demonstration shortly)
- Make a response by 11 December
- Provider representative Group review responses in January and make recommendations for implementation to the Schools Forum
- Schools Forum consider recommendations and make proposals to Executive Member for a final Decision in February
- Providers receive an indicative budget for 2010-11 in March 2010 (subject to in-year re-calculation)



Any questions?



Transition (3):

NB At 2008-09 prices	Total / Comment	Per hour
17,400 hours participation (35 children)		
<u>Provider B</u>		
Current funding	£57,420	£3.30
Funding under the Formula	£52,200	£3.00
Change in hourly funding		-9.09%
Year 1 actual hourly rate	Loose 3 %	£3.20
Year 2 actual hourly rate	Lose 1/3rd of balance - 2.03 %	£3.13
Year 3 actual hourly rate	Lose 1/3rd of balance - 2.03 %	£3.07
Year 4 actual hourly rate	Lose 1/3rd of balance - 2.03 %	£3.00



Transition (4):

NB At 2008-09 prices
17,400 hours participation (35 children)

Provider C

	Total / Comment	Per hour
Current funding	£63,684	£3.66
Funding under the Formula	£66,990	£3.85

Change in hourly funding 5.19%

Year 1 actual hourly rate Gain 3 % £3.77

Year 2 actual hourly rate Gain 1/3rd of balance - 0.73 %
less than 1%, so move straight
to Formula rate with increase at 2.19 % £3.85



Any more questions?!

