



**Children & Families Overview &
Scrutiny Committee
21 October 2009**

**Report from the Director of Children
and Families**

For Information

Wards Affected: ALL

Allocation and funding of nursery places

1.0 Summary

- 1.1 Universal nursery provision for 3 and 4 year olds was made available in 1998 through the allocation of government funding to local authorities; and the inclusion of the private voluntary and independent (PVI) sectors as nursery providers. All children aged 3 and 4, whose parents wished to take up the offer, were funded to receive 12.5 hours of nursery provision, equating to a part-time place. Government only provides funding for part time places in both sectors.
- 1.2 Changes to government legislation on the number of hours to be provided, and on funding arrangements for nursery places for 3 and 4 year olds, have initiated a review of current arrangements in Brent. It is apparent that historic arrangements in place have led to inconsistencies in access to full-time and part-time places across the borough.
- 1.3 In order to achieve transparency in allocating resources, and effectiveness in raising standards for all children, and narrowing the attainment gap between them, a new process for funding using a local single funding formula (SFF) and allocating early years (nursery) places has been developed.

2.0 Recommendations

- 2.1 That Scrutiny and Overview Committee note the content of this report.

3.0 Introduction and Background

Early Years Provision

- 3.1 Statutory schooling begins in the term after the child's fifth birthday. However, in practice the majority of four year olds will be enrolled in reception classes in primary and infant schools. Prior to that point all 3 and 4 year olds are entitled to a part-time Early Years (EY) place.
- 3.2. The development and education of children aged from birth to five is set out by the Department for Children Schools and Families (DCSF) in the Early Years Foundation Stage guidance document. This ensures that all children in nursery provision, regardless of the sector that provides the nursery place, are following the same nursery curriculum, and working towards the same measures of attainment. EY provision is subject to regulation and inspection by the Office for Standards in Education (OFSTED).
- 3.3 EY places for 3 and 4 year olds are provided within maintained and independent schools, in pre-schools, day nurseries and playgroups.

Full Time Early Years Provision

- 3.4 In Brent an historic position exists whereby some maintained schools offer full-time nursery places, equating to 25 hours per week, some maintained schools offer part-time nursery places equating to 12.5 hours per week, and some schools offer a mixture of part-time and full-time places. (See Appendix A). The criteria used to offer full time (FT) rather than part time (PT) places are not consistent across schools.
- 3.5 Schools forum were consulted on options for the future provision of nursery places. The forum agreed that full-time places should continue to be available, that they should be allocated to children in greatest need of them as defined by a common set of criteria, and accessible at a range of settings in all sectors.

Current Funding

- 3.6 The basis of current funding for EY places across the sectors has significant differences:
- In schools, part time EY places are funded based on a headcount of pupils each January with an amount per child set within the overall schools funding formula. For EY, this amount is weighted to reflect the lower pupil:staff ratios required for this age group. In addition a range of supplements are added to reflect deprivation, premises costs etc.
 - Full time EY places are twice the PT funding and as the council receives no additional funding from DCSF the cost of FT funding has to be met from within the Dedicated Schools Grant (DSG) received from government . For 2009/10 this extra cost is £1.8m

- PVI funding is also met from DSG, however, in contrast PVI providers are paid a basic hourly rate per child without supplementation; this was dispersed termly on the basis of hours of provision taken up. There is no formula that drives PVI funding.
 - PVIs are not funded for any FT places

3.7 The total 2009/10 budget for 133 nursery settings is shown in Table 1 below and is separated by sector.

3.8 The basis of current funding for EY places across the sectors has significant differences

Table 1 2009/10 Budget for Early Years Provision

	Primary	Nursery	PVI	Total
2009/10 In Scope Budget Shares	5,797,462	1,877,856	2,972,258	10,647,576

3.9 Government has taken the decision to extend the entitlement to free part-time nursery provision from 12.5 hours to 15 hours per week, with the intention that parents may access the 15 hours flexibly to suit their needs. At the same time, government wishes to establish a transparent and universal method of funding and counting nursery places to improve consistency and long term sustainability in the EY sector as a whole.

Project Management

3.10 The development of the SFF and new FT place allocations process involved the creation of a project management structure involving:

- Appointment of a project manager
- Creation of a project management team
- Creation of a sub group focusing on the development of the SFF financial model

3.11 The development of the SFF and new FT place allocations process involved the creation of a project management structure involving:

3.12 A regular reporting line to Schools Forum was established in June 2008 and since then there has been a regular update on progress to each successive forum meeting. The proposals set out in this report were presented to 30 September forum as part of the established consultative process.

Government Objectives for the Single Funding Formula

3.13 Government see the SFF as introducing greater equity and quality across the sectors for funding EY provision through creating:

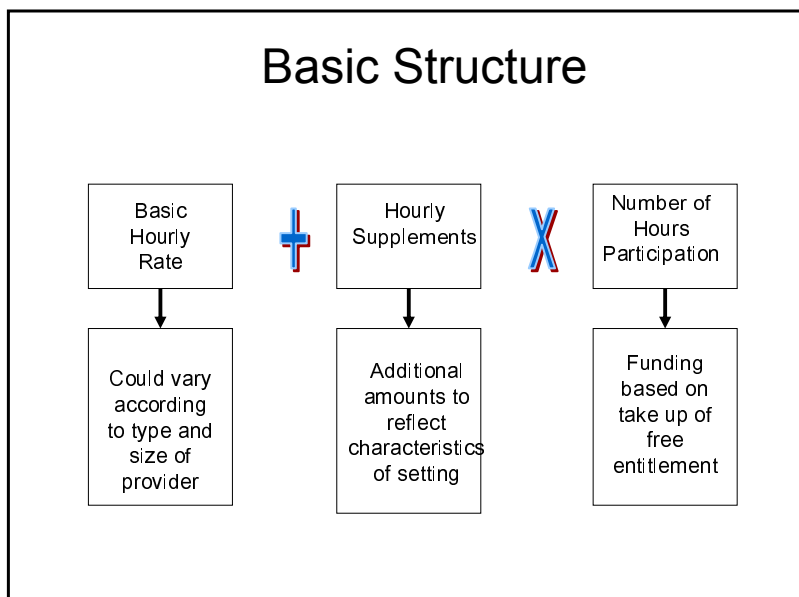
- Hourly rates that reflect more accurately the actual costs of delivering the free entitlement
- Supplement incentives to improve:
 - Flexibility of provision supporting parents work/life balance
 - Quality by encouraging the take up of the EY related qualifications
- A statutory supplement for deprivation
- Increased transparency through the involvement of providers in the development of the SFF

Finally, the SFF will offer a financial platform that supports the unification of EY provision as set out in the 2006 Childcare Act.

Single Funding Formula for Part Time Early Years Provision

3.14 *Structure*

Local authorities are required to develop their own funding formula that reflects the DCSF's basic structure as set out in the diagram below.



Basic Hourly Rate

- 3.15 An extensive cost analysis was carried out across both sectors to determine the actual cost per hour of EY provision. This formed the basis for deriving the basic hourly rate set out in Table 2 below.

Table 2: Derivation of Basic Hourly Rate

Setting	Average Hourly Cost	Average Hourly Cost After Adjustments	Proposed Basic Hourly Rate
Nursery Schools	9.14	5.41	4.87
Primary and Infant Schools	4.82	3.61	3.25
PVIs	3.99	2.95	2.73

Appendix B details how the proposed basic hourly rates were derived.

Supplements

- 3.16 An extensive cost analysis was carried out across both sectors to determine the actual cost per hour of EY provision. This formed the basis for deriving the

DCSF encourage the use of supplements to incentivise providers to improve the quality and availability of provision. The funding through the basic hourly rate will be augmented by the payment of three supplements described below. Appendix C sets out the basis for each supplement.

- *Deprivation*
 - All providers will receive this supplement which will be based on using the Index of Multiple Deprivation providing a deprivation score for each child attending the setting based on their postcode
 - Below is an indication of the average payments for each type of provider:
 - Primary school £13,700
 - Nursery school £20,800
 - PVI setting £5,400
- *Flexibility*
 - Flexibility is a key part of the extended free entitlement and DCSF offered a framework for local authorities to follow. The supplement will be paid in full if providers offer the following:
 - Ability to offer maximum of 10 and minimum of 2 hour sessions
 - Ability to offer sessions between 8am and 6pm
 - Ability to offer sessions over a minimum of 3 days a week
 - Ability to offer 'stretched' provision over more than 38 weeks
 - Proposed payments are:
 - Meeting all four conditions £4,000
 - Meeting any three £2,000

- **Quality**
 - Quality will be assessed separately using two measures with following payments:
 - Staff Qualifications (with an emphasis on attaining the Early Years Professions Status post graduate qualification)
 - High £8,000
 - Medium £4,000
 - Basic No payment
 - OFSTED rating
 - High ('Outstanding') £3,000
 - Medium ('Good') £1,500
 - Basic ('Satisfactory') No payment

Allocation of Full Time Early Years Places

3.17 Eligibility

The eligibility criteria for a FT place is set out in Appendix D and falls into two distinct categories:

- Economic related (National criteria)
- Social and medical related (Parental and child characteristics)

3.18 In order to develop a more robust impact assessment, as requested by SF in June, the current data held by Revenues and Benefits covering those households claiming council tax and housing benefit was used to identify:

1. Households receiving income support benefits as listed in Appendix D; and
2. Children within those households eligible for a FT place.

3.19 This data was mapped onto the current EY cohort in all schools and PVIs to see how many of those eligible were currently in a FT or PT EY place.

3.20 In summary, out of the current 4,635 EY children benefiting from the free entitlement only 585 would be eligible for a FT place if only the economic criteria are applied. More information from this analysis is also included at Appendix D. Further work is continuing to apply the social and medical criteria that would increase the overall number of eligible children, however, it is not expected that the total would reach 1000.

3.21 The financial impact arising from allocating 585 FT places is set out in section 9.

Applications Process

3.22 The Council will develop a standard FT place applications form that will contain sufficient information to enable parents to understand the basis for allocating a FT place. Applications to identify eligible children will be processed and managed centrally within the Children's and Families directorate.

3.23 The new form will be introduced for the allocations process leading up to the September 2010 intake. The form will require applicants to state which eligibility criteria they meet and offer proof that will be verified. A number of routes would be open to parents to submit applications including obtaining a form from:

A provider

- Via the internet
- Local library
- Early Years Department

3.24 The details of the FT place allocations process will require further development over the autumn.

Funding

Current Funding for Full Time Provision

3.25 Each FT place attracts an additional £1,560 per year. The total funding for 2009/10 is £1.8m covering 1,161 pupils across 4 nursery and 28 primary schools.

Proposed Funding for Full Time Places

3.26 Currently most FT place schools offer between 25 and 30 hours of provision a week. The hours provided are important as under the SFF funding will be distributed based on hours of participation and not on head count. It is proposed that a FT place would attract an additional 15 hours a week at the prevailing basic hourly rate shown below in Table 3.

Table 3: Funding for Full Time Early Years Places

Category	Hourly Rate	Annual Payment @ 38 Weeks
Nursery School	4.87	2,776
Primary School	3.25	1,853
PVI	2.73	1,556

3.27 A comparison of the costs of current FT places and funding for the illustration of the proposed basis (see 5.1), is set out in Table 4.

Table 4: Current v Proposed Full Time Places Allocations

Category	Current Basis		Proposed Basis	
	Places	Funding	Places	Funding
Nursery School	210	329,280	48	133,243
Primary School	951	1,491,168	424	785,460
PVI	0	0	113	175,839
Total	1,161	1,820,448	585	1,094,543

4. Impact Assessment

Approach

4.1 The approach to developing a robust impact assessment that will illustrate for providers how the new SFF and FT place allocations process might affect them has involved a two step process:

- Step 1: Adds the costs of the current FT place provision to the SFF costs for PT provision. It then compares this with the current cost including current FT place provision. This illustration effectively 'neutralises' the FT place impact and allows an assessment of the marginal impact of the SFF
- Step 2: Assesses impact and cost of new FT place allocations process. It compares the Step 1 SFF with current FT places with the SFF and proposed FT place allocation.

4.2 By adding together the outcomes from both steps an indication of the overall financial impact was derived and is presented in the summary and conclusions in section 7. Appendix E summarises the financial outcomes from Steps 1 and 2.

Transitional Protection

4.3 In order to minimise the full impact of the new SFF and FT place allocations transitional protection that limits both losses and gains for a maximum period of three years will be applied. It ensures equity is maintained between winners and losers so that the overall cost of protection would be minimised over the transition period. The SFF would be applied from April 2010 with the following transitional measures:

- Losers: would incur the following proportions of their overall loss
 - Year 1 25%
 - Year 2 50%
 - Year 3 75%
 - Year 4 100%
- Gainers: would receive the following proportions of their overall gain
 - Year 1 25%
 - Year 2 50%
 - Year 3 75%
 - Year 4 100%

5. Summary and Conclusions

Financial Implications

- 5.1 The financial impact of Steps 1 and 2 has been aggregated to assess the overall impact on each provider. A summary is provided in Table 5.

Table 5: Summary of Steps 1 and 2 and Overall Comparison (Full Year Effect)

Single Funding Formula Step 1 and Step 2	Step 1				Step 2				Net Steps 1 and 2 Net
	Current Funding With Current FT Place Funding	New SFF Total Funding With Current FT Place Funding	Current FT Places	Financial Comparison	New SFF Total Funding With Current FT Place Funding	New SFF Total Funding With New FT Funding	New FT Places	Financial Comparison	
Total Primary Schools	5,797,462	6,657,779	951	860,317	6,657,779	5,878,358	424	-779,421	80,896
Total Nursery Schools	1,877,856	2,185,054	210	307,198	2,185,054	1,710,500	48	-474,554	-167,356
Total all Schools	7,675,317	8,842,833	1,161	1,167,516	8,842,833	7,588,858	472	-1,253,975	-86,459
Total PVIs	2,972,258	3,055,313	0	83,055	3,055,313	3,227,152	113	171,839	254,894
Grand Total	10,647,576	11,898,146	1,161	1,246,570	11,898,146	10,816,010	585	-1,082,136	168,434

- 5.2 From Table 5:

- Step 1 suggests the overall financial impact of the SFF would cost £1.247m.
- For Step 2, the use of the Revenues & Benefits data to identify eligible children currently attending EY places suggests a significant reduction in the number and cost of allocating and funding FT places saving £1.082m. There are a number of possible reasons including:
 - Parents unaware of the FE
 - Cultural practices that retain childcare within family groups
 - Unavailability of local FT places
- Taken together there is a redistributive impact where lower numbers of FT places allows resources to be reallocated to the higher costs arising from the SFF
- The impact of applying the social and medical eligibility criteria will need to be included in future impact assessment illustrations.

- 5.3 Based on the assumptions used for both Steps the overall impact suggests an additional net cost of £168,000 in a full year.

Service and Operational Implications for Full Time Place Provision

Market Implications

5.4 The FT place allocation illustration presented in this report could have market implications that would need to be considered as part of the Council's statutory sufficiency duty. In particular:

- Schools losing FT funding could offer PT provision
- Schools might chose to close their nursery classes with parents having to find alternative provision
- Marketing and targeting eligible children could generate additional demand for FT places but in areas where there is no local capacity
- PVIs could provide additional capacity within a local area if a school place was not available.

Part Time Place Schools

5.5 A recent sample survey in PT place schools indicated a lack of interest in offering a mix of FT and PT place provision. Where an eligible child in a PT place school catchment area requires a FT place the new process must ensure that these children have every chance of accessing a FT place.

Full Time Place Schools

5.6 For these schools there they will not secure the same amount of funding as currently received for FT provision. There are two options to maintain their funding:

1. Switching from FT provision to part time thereby maintaining funding equilibrium. For example a FT school with 30 places would need to attract PT 60 children to secure the same funding
 - a. Switching to part time provision would have an impact on reception class intake; or
2. Retaining FT provision but charging parents for the unfunded part of the day
 - a. It is understood that DCSF will give schools appropriate powers to charge parents with the expectation they will be in place by September 2010.

PVIs

5.7 For full day care settings, operationally this might not create any significant implications as these providers are used to caring for children for longer than 15 hours a week.

6.0 Conclusions

- 6.1 The outputs from the Steps 1 and 2 analysis need to be treated with a degree of caution as:
- A number of assumptions have been made regarding measuring performance under the flexibility and quality supplements
 - For FT places, the current EY cohort has been used to gauge how many children might be eligible. The September 2010 intake might offer a different eligibility profile. Further work will continue to test the application of the FT place criteria with an update report back to Schools Forum
 - PVIs are not currently allocated a budget or funding share and, therefore, the last three terms NEG payments have been aggregated to derive the current funding basis for comparison with the Step 1 and 2 SFF
 - Caution is required as PVIs experience greater volatility than schools in take up of the free entitlement to EY provision.
- 6.2 The financial analysis presented in this report offers an illustration of how the proposed SFF and FT place allocation basis would impact upon each provider. The assessments reflect a combination of actual performance e.g. OFSTED assessment, and where necessary an arbitrary assessment of performance e.g. PVI flexibility.
- 6.3 In offering fully funded FT places in the PVI sector Brent is offering a new model of provision that is not being repeated elsewhere in London based on current knowledge.

Next Steps

- 6.4 Following the presentation of the proposals to the Schools Forum on 30 September a full consultation process with schools and PVIs has commenced as set out in the next steps involving:
1. October/November
 - a. Consultation with schools and PVIs involving
 - i. Each provider receiving a consultation questionnaire
 - ii. Locality meetings
 2. December
 - a. Schools Forum presented with feedback from consultation process
 - b. Officers prepare Executive report having regard to consultation outcomes

3. January
 - a. Executive takes decisions regarding the SFF, policy for FT place allocation and transitional protection
4. January – March 2010
 - a. Preparation and implementation of SFF and FT place allocations process
5. April 2010
 - a. Issue of funding indications to providers
 - b. Commencement of SFF
6. September 2010
 - a. All providers offering 15 hours

7. Legal Implications

- 7.1. The Childcare Act 2006 section 7 requires that local authorities must secure that EY provision is available free of charge for prescribed periods for children under the age of five. (This duty to provide “early years provision” replaces the previous duty under the School Standards and Framework Act 1998 to provide “nursery” education.)
- 7.2. The regulations prescribe the type and amount of free early years provision each eligible child is entitled to and the age at which a child becomes eligible to benefit. There has been a duty on local authorities to ensure that 12.5 hours per week of free EY provision is available over 38 weeks of the year for all eligible 3 and 4 year olds in their area. This duty is being extended so that from September 2010 every local authority must offer 15 hours of free early education to all 3 and 4 year olds. As a step towards that, from September 2009 all local authorities are being required to make the offer available to 25 % of their most disadvantaged 3 and 4 year olds.
- 7.3. DCSF will change the current schools finance regulations to incorporate the changes introducing the SFF. They issued an update note on progress with the regulations last April. It is included at Appendix A. The Apprenticeships, Schools, Children and Learners Bill currently passing through Parliament contains a clause to change the regulations. Draft regulations will be published by the time the clause is being considered by the Bill’s Standing Committee.

8. Staffing/Accommodation Implications

- 8.1 There are likely to be staffing implications as a result of the changes made to the funding and counting of nursery places. The full impact will not be felt immediately as there will be a 3 year lead in to full implementation. During this period those settings which experience reduced funding will have time to redirect affected staff, take advantage of natural wastage, and consider the use of premises that may become available to them.
- 8.2 In contrast, those settings that experience increased funding will do so gradually, in proportion to the losses experienced by other settings. This will allow

opportunities for capacity building, redeployment activity, and preparation for full operation at the end of the 3 year period.

9.0 Diversity Implications

9.1 A survey was conducted in the summer to establish what interest PT place schools and PVIs would have in offering FT provision. It revealed:

- Schools offering part time provision indicated they would not wish to change to FT provision
- PVIs offering PT provision indicated that they would wish to offer funded FT provision

9.2 The new FT place allocation process needs to take this feedback into consideration in developing a practical and effective allocations process.

Background Papers

30 September Schools Forum Report

Contact Officers

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Appendix A

Early Years Provision in Maintained Sector

SCHOOL	PT	FT	Total
Granville Plus		40	40
College Green Nursery		39	39
Curzon Crescent Nursery	2.0	102	104
Fawood Nursery	14.0	29	43
Nursery Total	16.0	210	226
Anson Primary	49.0		49
Av. H. Torah Temimah		26	26
Barham Primary	60.0		60
Braintcroft Primary	74.0	6	80
Brentfield Primary		37	37
Byron Court Primary			0
Carlton Vale Infant		34	34
Chalkhill Primary	55.0		55
Christ Church Brond. CE		25	25
Convent of J&M RC Inf.	55.0		55
Donnington Primary		30	30
Elsley Primary	59.0		59
Fryent Primary	60.0		60
Furness Primary		49	49
Gladstone Park Primary	60.0		60
Harlesden Primary		25	25
Islamia Primary			0
John Keble CofE Primary		31	31
Kensal Rise Primary		84	84
Kingsbury Green Primary	52.0	7	59
Leopold Primary		48	48
Lyon Park Infants	80.0		80
Malorees Infant	39.0		39
Michael Sobell Sinai		60	60
Mitchell Brook Primary		35	35
Mora Primary	1.0	48	49
Mount Stewart Infants			0
Newfield Primary		29	29
NW London Jewish		35	35
Northview Primary	9.0	24	33
Oakington Manor Primary	72.0		72
Oliver Goldsmith Primary	42.0		42
Our Lady of Grace RC Inf	53.0		53
Our Lady of Lourdes RC		30	30
Park Lane Primary	17.0	22	39
Preston Park Primary	59.0		59
Princess Frederica CE		32	32
Roe Green Infant	80.0		80
Salisbury Primary	17.0	50	67
St Andrew & St Francis CE	47.0	1	48
St Joseph'S RC Infant	60.0		60
St Joseph's Primary		31	31

St Margaret Clitherow		25	25
St Mary's CE Primary	11.0	24	35
St Marys RC Primary		26	26
St Robert Southwell RC	48.0		48
Stonebridge Primary		30	30
Sudbury Primary	89.0	1	90
The Kilburn Park Found.			0
Uxendon Manor Primary	60.0		60
Wembley Primary	57.0	2	59
Wykeham Primary		44	44
Primary Total	1365.0	951	2316
Total	1381.0	1161.0	2542.0

Appendix B

Derivation of Basic Hourly Rate

Cost Analysis

1. A representative cost analysis across both sectors is an essential component in developing the SFF. February 2009 Schools Forum was presented with a cost analysis completed in 2008 for a sample of school and PVI providers. This identified the cost for each participant of delivering one hour of provision offering a basis on which to develop a representative basic hourly funding rate.

Sector Led Basic Hourly Rates

1. Experience from the other pathfinder authorities indicates that sector led hourly rates provide the main building block for their SFF supported by specific supplements. DCSF guidance encourages the development of rates that ensures the different cost drivers across the sectors are taken into account. DCSF guidance also requires local authorities to avoid double funding for primary schools and this is addressed below along with other adjustments across the provider groups.

Nursery Schools

2. Nursery schools, by their nature, have all their costs associated with delivering EY provision. Where the nursery school is a Children's Centre costs arising from delivering other parts of the core offer are excluded in both the cost analysis and derivation of the basic hourly rate. These are funded through Sure Start Children's Centre revenue grant.

3. Single Funding Formula Sub Group (SFFSG) agreed to keep costs funded by lump sums outside of the derivation of the basic hourly rate. The costs include:

- Head teacher
- Non-teaching deputy time
- Secretary/bursar
- Welfare officer; and
- Site supervisor.

4. The existing basis for lump sum support will be maintained and paid through the SFF. The lump sum is currently £189,610 for each nursery school. The individual lump sums for premises and NNDR site related elements have also been excluded when deriving the basic hourly rate to maintain consistency with the treatment for primary schools referred to below.

The proposed basic hourly rate for a nursery school will be £4.87.

Primary Schools

5. SFFSG agreed that the cost analysis informing the development of the basic hourly rate should exclude all expenditure funded through lump sum, premises and NNDR ISB elements. This expenditure would be funded through the main part of the DSG/ISB funding for the school and avoid the potential for double funding through the SFF.

The proposed basic hourly rate for a primary school will be £3.25.

PVIs

6. The PVI cost analysis derived an hourly cost for provision to all age groups attending the setting that would include children not entitled to the EFE. In their guidance DCSF offered a basis for allocating costs within a PVI setting across the various age groups. This allowed a reasonable apportionment of costs associated with eligible 3 and 4 year olds to be identified and this was applied to all the PVIs who contributed to the 2008 cost analysis. This reduced the hourly cost owing to the higher staff ratios for the 3 and 4 year old age group.

The proposed basic hourly rate for the PVI sector will be £2.73.

Child Minders

7. Further work will be completed to devise a suitable rate for childminders, however, as there are only two who currently receive NEG the working assumption used is they would receive 50% of the PVI rate at £1.37.

The table below shows the derivation of the basic hourly rate informed by the cost analysis.

Adjusted Sector Basic Hourly Rates

Setting	Cost Analysis Average Hourly Cost of Provision	Average Hourly Cost After Adjustments	Proposed Basic Hourly Rate
Nursery Schools	9.14	5.41	4.87
Primary Schools	4.82	3.61	3.25
PVIs	3.99	2.95	2.73

8. In summary, the average hourly costs as adjusted offer a guide as to the cost of delivering one hour of EY provision in each sector. The purposed basic hourly rates will always be lower due to funding also being paid to providers through the supplements.

Funded Hours

9. SF will be aware from earlier reports that DCSF wish councils to move away from place led funding for schools EY provision. Whilst this approach could fund vacant places Brent has consistently used pupil numbers for the January census ensuring that empty places would not be funded under the schools funding formula.

10. The January 2009 census carried out a parallel funded hours count and this data has been used to model the impact of the proposed basic hourly rates on schools. PVIs have always returned hours of take up as part of their termly claim for Nursery Education Grant (NEG).

Appendix C

Derivation of Supplements

1. The proposed single funding formula has 3 supplements for deprivation, flexibility and quality. We know that DCSF have included the requirement for the use of a deprivation supplement within new schools finance regulations contained in the forthcoming Apprenticeships, Skills, Children and Learners Bill. These supplements will be applied to schools and private, voluntary and independent settings alike.

2. The use of supplementary payments within the single funding formula has a broad effect in resourcing settings to provide for children who may be in need of additional support in some way; regardless of the type of setting that the child attends. The formula also has a specific effect in incentivising settings to improve the quality of their provision, and to deliver it in a more flexible way. Improving the quality of the setting has positive impacts on outcomes for the child, improving flexibility of access to the setting supports parents to manage their working and parenting responsibilities. All aspects of supplementation work together to improve outcomes for children; and to narrow the attainment gap between groups of children.

3. With regard to deprivation in order to recognise additional resources required to support children from disadvantaged backgrounds the single funding formula sub-group agreed that providers would receive a payment based on their aggregate Index of Multiple Deprivation (IMD) score; this will be calculated using the post codes of pupils attending the setting. The calculation will be applied as follows:

▪ Aggregate IMD score for both sectors	124,131
▪ Sum to be distributed at 13% of the funding pot	£1,126m
▪ Payment per IMD point	£9.07

The average payment per type of provider would typically be:

▪ Primary school	£13,700
▪ Nursery school	£20,800
▪ PVI setting	£5,400

4. With regard to flexibility in order to recognise the additional resources required to provide nursery places flexibly the single funding formula sub-group agreed that providers would receive either a 'high' payment for full flexibility where all 4 criteria are met; or a 'medium' payment for partial flexibility where 3 of the 4 criteria are met. The proposed criteria are:

- i. Ability to offer maximum of 10 and minimum of 2 hour sessions
- ii. Ability to offer sessions between 8am and 6pm
- iii. Ability to offer sessions over a minimum of 3 days a week
- iv. Ability to offer 'stretched' provision over more than 38 weeks

5. Payment levels have been modelled using either a lump sum payment or payment per child:

- Lump sum per setting
 - High: £4,000
 - Medium £ £2,000
- Payment per child
 - High: £200
 - Medium £100

6. In modelling the impact of this supplement we have taken account of schools views in that their organisational structure makes it extremely difficult for them to offer flexibility. As a result it is important to ensure that flexibility is incentivised in the private, voluntary and independent sectors to achieve choice for parents.

SFFSG agreed that 3% or 4% of the available funding, £263k and £347k respectively should be profiled, to allow for growth in flexibility attainment.

The payments tested are shown below with the outcomes.

Flexibility Payment Illustration

	Lump Sum	Per Pupil	
Measure	Payment	Payment	Average / Provider
Full	4000	200	4000
Partial	2000	100	2000
Cost	300,000		313,000

7. With regard to quality in order to recognise the additional resources required to provide high quality nursery places the single funding formula sub-group agreed that the quality supplement should focus on staff qualifications and OFSTED inspection judgements. Measures of performance are set out in the table below.

Quality Measures

Measure	Maintained Staffing	PVI Staffing	OFSTED
High	1 QTS with early years specialism + 2 Staff member enrolled for Early Years Professional Status 3 75% of staff at level 3 or above	1. Member of staff with EYPS leading EYFS + 2. Manager/deputy and additional member of staff with level 4 or above + 3. 75% of staff at level 3 or above	Outstanding
Medium	1 QTS with early years specialism + 2 Member of staff at level 3 3 50-75% of staff at level 3 or above	1. Member of staff with EYPS leading EYFS or 2. Foundation degree practitioner leading EYFS + 3. Manager/deputy and additional member of staff with level 4 or above + 4. 50% to 75% of staff at level 3 or above	Good

Basic	1 QTS with one level 3	1. One level 3 and 50% at level 2	Satisfactory
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8. Payments will be made for High and Medium quality attainment and scored separately across the two measures, qualifications of staff and OFSTED inspection judgements.

The payments tested for each element comprise:

Qualifications

- High: £8,000
- Medium: £4,000
- Basic: No payment

OFSTED judgement

- High: £3,000
- Medium: £1,500
- Basic: no payment

The maximum payment is therefore £11,000

9. The proposed single funding formula will affect all settings by regularising the way in which nursery places are counted and funded. The calculation of a basic rate, and the application of supplementary payments across all sectors is new, and the resulting changes to budget profiles is set out below by sector.

Appendix D

Allocation of Full Time Early Years Places

Eligibility Criteria

1. The proposed eligibility criteria are the same as those used for the 2 year old pilot.

Criteria for Allocation of Full Time Early Years Place

Compulsory National Criteria	The family are in receipt of one or more of the following
	Income support
	Income based job seekers allowance
	Child tax credit at a higher rate than the family element
	Extra working tax credit relating to a disability
	Pension credit
Suggested Local Criteria	Family Characteristics
	Asylum seeking/refugee
	Parental Characteristics
	Teenage parents in FT education
	Those with health issues or disabilities known to social services
	Experience of domestic violence and known to social services
	Experience of substance misuse and known to social services
	Child Characteristics
	Speech and language delay
	In care
	Subject to a child protection plan
	In temporary accommodation
	Involved with Social Care
	Developmental or learning delay
With disabilities	

Assessment of Eligibility

2. The eligibility criteria for a FT place adopted from the 2 year old pilot is set out in Appendix A and falls into two distinct categories:

- Economic related (National criteria)
- Social and medical related (Parental and child characteristics)

In order to develop a more robust impact assessment, as requested by SF in June, the current data held by Revenues and Benefits (R & B) covering those households claiming council tax and housing benefit was used to identify:

- Households receiving income support benefits as listed in Table 10 above; and
- Children within those households eligible for a FT place.

3. This data was mapped onto the current EY cohort in all schools and PVI's to see how many of those eligible were currently in a FT or PT EY place.

4. In summary out of the current 4,635 EY children benefiting from the free entitlement only 585 would be eligible for a FT place if only the economic criteria are applied. Further work is continuing to apply the social and medical criteria which would increase the overall number of eligible children.

5. The analysis revealed:

- Based on those households in receipt of income support, the R and B data indicated there are 1,920 eligible children aged 3 and 4 making them potentially eligible for a FT place
- The R & B data was mapped onto the January 2009 EY census for schools and PVI's revealing 585 children would be eligible for a FT place as follows:
 - Schools: 472 eligible children
 - 255 currently in FT place
 - PVI's: 113 eligible children
- Currently there are 4,635 children receiving free entitlement
 - Schools: 2,535 (1,161 in FT place)
 - PVI's: 2,100
- Of those 4,635 children currently benefiting from the free entitlement only 585 (13%) would be eligible for a FT place compared to 1,161 currently benefiting under the new allocations process
- Of those 1,920 children potentially eligible for a FT place 585 (30%) currently occupy a FT place. This could suggest that parents
 - Have chosen to keep their 3 year olds at home
 - Are unaware of the free entitlement

6. The analysis suggests there are a large number of eligible children not in receipt of a FT place. In addition, there could be parents in receipt of income support benefits who have chosen not to claim council tax or housing benefit and therefore not in the Revenues and Benefits data.

Appendix E

Impact Assessment for Steps 1 and 2

1. In order to test the impact of the core SFF model and the new FT place allocations process, described in Part 2, the assessment involved two steps or tests as summarised in the table below.

Impact Assessment Approach

	Current Funding V Proposed Funding		
Step 1	Testing SFF Basic Application	Current Funding with Current FT places compared with>	SFF Including Current FT Places
Step 2	Testing New FT Places Allocation	SFF Including Current FT Places, compared with>	SFF Including New Basis for FT Places

- Step 1 assesses and compares current funding with the impact of the basic hourly rates combined with the three supplement payments using assumptions described in Appendix C. Including current FT place funding in both comparators neutralises the FT place impact highlighting the impact of the SFF alone:
 - Within Step 1 there are no budgets, or funding shares, developed for PVIs under the 'Current Funding' element. Consequently the last three terms NEG claims have been used as a form of proxy for a budget in order to provide a comparison at provider level.
- Step 2 impact assessment compares the SFF including current FT place funding with the SFF and the financial impact of the new allocations process using Revenues and Benefits data on eligible children. The full impact assessment set out in Part 2 of this report.

All costs presented in this report are at current prices and future inflation is ignored.

Step 1 Impact Assessment

Financial Outputs

1. The SFF approach outlined in sections 1.5 to 1.8 above offers an initial cost summarised in the table below.

Summary of SFF Step 1 Outputs 2011/12 Full Year Impact

Step 1: Single Funding Formula Summary	2009 PLASC Funded Hours	Basic Hourly Rate	Total Funding	Deprivation	Quality	Flexibility	Total Supplements	Current Funding	Proposed Funding	Net Change
Total Primary Schools	1,796,070	3.25	5,835,431	641,347	181,000	0	822,347	5,797,462	6,657,779	860,317
Total Nursery Schools	164,160	4.87	2,044,719	82,836	36,500	21,000	140,336	1,877,856	2,185,054	307,198
Total PVIs	799,653	2.73	2,178,063	402,250	183,000	292,000	877,250	2,972,258	3,055,313	83,055
Grand Total	2,759,883		10,058,213	1,126,433	400,500	313,000	1,839,933	10,647,575	11,898,146	1,250,571

2. The above table indicates the proposed SFF illustration, assuming 15 hours of PT provision, would be unaffordable by £1.251m in the first full financial year of 2011/12. However officers expect that the £1.8m ring fenced for FT place funding will not be fully utilised offering scope to absorb most of the extra costs illustrated above. There will also be additional funding from DCSF to cover the cost of the 20% increase in free entitlement.

3. For 2010/11 there will be a part year impact as the majority of schools and a small number of PVIs will still be offering 12.5 hours a week from April until September 2010. This is estimated to cost an additional £853k.

4. A comparison of Steps 1 and 2 is contained in Part 5, Summary and Conclusions.

Step 2 Impact Assessment

Financial Outputs

5. The Table below sets out the Step 2 financial impact when combining the new FT place allocations and funding with the SFF. This suggests that the proposals for the SFF and FT place allocations would be contained within the current budget and hence affordable.

Summary of SFF Step 2 Outputs 2011/12 Full Year Impact

Step 2: Single Funding Formula Summary September 2010	2009 PLASC Funded Hours	Basic Hourly Rate	Total Funding inc Lump Sums in Nurs Schools	Deprivation	Quality	Flexibility	Total Supplements	Total Funding	Additional Funding for FT Provision	Total Funding With FT Places on New Basis
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Total Primary Schools	1,314,420	3.25	4,270,551	641,347	181,000	0	822,347	5,092,898	785,460	5,878,358
Total Nursery Schools	82,080	4.87	1,436,921	82,836	36,500	21,000	140,336	1,577,257	133,243	1,710,500
Total PVIs	799,653	2.73	2,178,063	402,250	183,000	292,000	873,250	3,051,313	175,839	3,227,152
Grand Total	2,196,153		7,885,535	1,126,433	400,500	313,000	1,835,933	9,721,468	1,094,543	10,816,010
Affordability Comparison									Budget	10,647,576
									Step 1 SFF	11,898,146

6. The above table suggests that the new basis of allocating FT places would cost £10.8m, an additional £169k in a full year when compared with the current budget of £10.65m. However, if the Step 2 SFF and new FT assessment is compared with the Step 1 SFF illustration with current FT provision this suggests a saving of £1.082m.