

PROPOSED REVISIONS TO THE EARLY YEARS SINGLE FUNDING FORMULA FOLLOWING NEW STATUTORY GUIDANCE TO LOCAL AUTHORITIES ON EARLY EDUCATION AND CHILDCARE

1. Introduction

At its meeting on 1 October 2013, the Early Years Providers Reference Group (EYPRG) considered a report on the Early Years Single Funding Formula (EYSFF).

This report arose from the Department for Education's recently published revised Statutory Guidance for Local Authorities on Early Education and Childcare. This had followed a consultation on the role of Local Authorities in Early Years.

Local Authorities must have regard to this Statutory Guidance when seeking to discharge their duties to provide the free Early Education Entitlement and should not depart from it unless they have good reason to do so.

2. Recommendations from the EYPRG

The EYPRG has made the following recommendations for consideration by the Schools Funding Forum to:

- **Revise the Early Years Single Funding Formula for the current financial year to amend the Quality Supplements to reflect Ofsted Inspection Judgements as follows – Outstanding £0.33 per hour per child; Good £0.17 per hour per child; Satisfactory/Requires Improvement £0.03 per hour per child;**
- **Implement a Transition Arrangement whereby no setting losses funding in the current financial year;**
- **Agree no Quality Supplement Funding for settings with a Satisfactory/Requires Improvement Ofsted Inspection Judgement with effect from the 2014/15 financial year;**
- **Increase the Quality Supplements for an Outstanding Ofsted Inspection Judgement to £0.39 and for a Good Ofsted Inspection Judgement to £0.29, with effect from the 2014/15 financial year.**

3. Background

The Early Years Single Funding Formula (EYSFF) is the statutory mechanism for funding the free Early Education Entitlement (EEE) for 2, 3 and 4 year olds and applies to both the Maintained and Private, Voluntary and Independent (PVI) sectors, including Childminders.

The Schools Funding Forum considered and agreed changes to the EYSFF at its meeting on 6 December 2012. These changes came into effect for the 2013/14 financial year and the EYSFF currently includes a Base Rate with Supplements for Deprivation and Quality.

The Quality Supplement for PVI settings is based on a local RAG Rating system, as part of a Targeted Support Package and is informed by a setting's Ofsted Rating. However, the Statutory Guidance makes it clear that Local Authorities should "base their decision whether to fund a provider to deliver early education places solely on the provider's Ofsted inspection judgement, and not undertake a separate assessment of the quality of the provider." (Guidance Paragraph A3.2).

Internal legal advice is that the Local Authority's Targeted Support Package clearly departs from the Statutory Guidance and should the Local Authority believe there is a sufficient case to depart from the Guidance, a Member Executive decision would be required. The view is that there is not a sufficient case to depart from the Guidance.

Without the Targeted Support Package in its current format, there will be no RAG Rating and it will therefore be necessary to further revise the EYSFF.

For maintained nursery provision the RAG rating is not used. Quality supplements are based on Ofsted ratings. Before September 2012, Ofsted ratings were applied separately to schools' Early Years Foundation Stage provision but since then, regulations have changed and a single rating applies to the whole school. Maintained provision is therefore unaffected by the requirement to no longer use local RAG ratings.

The EYSFF Quality Supplement currently allocates the following funding:

- Green £0.33 per hour, per child;
- Amber £0.17 per hour, per child;
- Red £0.03 per hour, per child;

4. Recommendations made by the EYPRG for 2013/14

The EYPRG considered and agreed to recommend to the Schools Funding Forum the following change for 2013/14 to the EYSFF Quality Supplement:

- **Outstanding** Ofsted Inspection Judgement replaces Green RAG Rating;
- **Good** Ofsted Inspection Judgement replaces Amber RAG Rating;
- **Satisfactory/Requires Improvement** Ofsted Inspection Judgement replaces Red RAG Rating.

In making this recommendation the EYPRG noted that the Ofsted judgements to be used for Maintained Nursery Classes will continue to be those separately applied for nursery provision while still valid. As schools are re-inspected, the new, overall judgement will be used.

The EYPRG were also aware that Early Education Entitlement EEE budgets were issued to both Maintained and PVI Providers in March 2013 for the financial year 2013/14 and that the majority of PVI settings receiving EEE funding have a Green RAG Rating and therefore receive the maximum Quality Supplement funding.

However, the majority of these settings have a Good Ofsted Rating. The proposed EYSFF change would therefore reduce their funding. When preparing the 2013/14 EEE Budgets, there were 99 settings with a Green RAG Rating; 35 with an Amber RAG Rating and 10 with a Red Rag Rating. However if budgets had been prepared on the basis of Ofsted Judgements there were 25 settings with an Outstanding Rating; 101 with a Good Rating and 18 with a Satisfactory Rating.

The overall reduction for PVI settings would be approximately £90,000 – 1.5% of allocated funding with a range of £11 (1.5%) for a Childminder minding for only 140 hours in the year, to £3,400 (2%) for a Full Day Care Nursery.

Quality supplements for maintained provision already use Ofsted judgements so funding will not be affected by these changes.

As the financial year has only 5 months left to run and that settings will have planned their budgets based on the original funding allocation, **the EYPRG recommends the implementation of a transition arrangement, whereby no setting has a change to budget this financial year.**

5. Recommendations made by the EYPRG for 2014/15

The EYPRG were aware that making no change to either the Base Rates or Quality Supplements (based solely on Ofsted Inspection Judgements) would result in a reduction of funding distributed through the EYSFF of £166,153 across the PVI sector. The EYPRG considered that this was not acceptable.

The EYPRG were, however, also aware that any change in the EYSFF would create funding gainers and losers. In order to reduce turbulence as far as possible and to continue to encourage quality improvements the EYPRG considered 7 option models. These models are given in the attached spreadsheet.

The EYPRG first considered whether to continue a Quality Supplement for the Satisfactory/Requires Improvement Ofsted Inspection Judgement. The EYPRG noted that for the PVI sector, the Satisfactory judgement was shortly to be replaced by Requires Improvement, which would bring the sector in line with schools. The Group was also of the view that it was important to encourage these settings to improve. The Group was also advised that with the charges also arising from the new Early Years and Childcare Statutory Guidance, the settings with Satisfactory/Requires Improvement Ofsted would be receiving more intensive support from the Early Years Quality Assurance Team. **The EYPRG therefore recommends that settings with a**

Satisfactory/Requires Improvement Ofsted Inspection Judgement should no longer receive a Quality Supplement with effect from the 2014/15 financial year.

The EYPRG then considered the models which gave options for changes to both the Base Rates and the Quality Supplements for Good and Outstanding Ofsted Inspection Judgements. The Group considered that supporting and rewarding the improvement of quality was paramount and that the funding which would reduce as a result of the change from RAG Ratings to Ofsted Inspection Judgements and from the ending of the Satisfactory/Requires Improvement Quality Supplement, should be reprioritised to support quality improvements.

The EYPRG therefore recommends Option G in the attached spreadsheet, to increase the Quality Supplements with effect from the 2014/15 financial year to:

- **Outstanding Ofsted Inspection Judgement - £0.39**
- **Good Ofsted Inspection Judgement - £0.29**

The Group was aware that overall there would be a reduction in funding to the PVI sector of approximately £27,000 and a gain in the Maintained sector of approximately £29,000. However, the Group felt that that there was not a need on this occasion to introduce a further transition arrangement and that any setting which faced financial difficulties could apply to the Local Authority for Sustainability support.