

Published Document: Early Years Funding Reform in Swindon LA

Background

In accordance with instructions laid down by the Department for Children Families and Schools (DCSF) local authorities are required to produce a published document regarding Early Years Funding Reform that covers:

- Key cost drivers taken into account for the analysis
- A description of the local private, voluntary and independent (PVI) market of providers highlighting the impact of different operating models on the cost of delivery
- An outline of the process and analysis undertaken by the authority
- Conclusions in the context of previous and planned spending on the free entitlement, child outcome measures, sufficiency and sustainability

This document is in support of the process of arriving at a single local formula for funding the free entitlement by 2010.

Key Cost Drivers

The key cost drivers taken into account include:

Direct and indirect costs of provision

- Employees including agency staff and for childminders their own costs
- Premises – rent, rates, heating etc
- Transport
- Supplies and services – all bought in goods such as food, sundries
- Agency and contract services including legal and accounting
- Recharges including admin and head office costs
- Insurance
- Training
- Depreciation
- Inspections

Services Delivered

- Number of hours of child care provided
- Number of children
- Opening hours

Local PVI Market

Within Swindon the free early years education for 3 and 4 year olds is delivered by a variety of providers:

- 14 Maintained Nurseries
- 17 Accredited Childminders
- 36 Private Providers
- 37 Voluntary Providers
- 1 Portage Service (provider specialising in SEN)

Process and Analysis

Within the PVI sector the process that was undertaken was based on the guidance received from the DCSF that had been prepared with input from the National Day Nurseries Association (NDNA) and the Pre-School Learning Alliance. Within Swindon this requirement was discussed initially with members of the Early Years Reference Group (EYRG) as a pilot study ahead of a first survey that took place between 10 September and 19 October 2007.

The results of the survey were presented to the EYRG at their meeting on 31 October 2007. When the EYRG considered the results of the survey they expressed concerns around the limited number of responses and the results arising from the questionnaire. Concerns over confidentiality were also raised. On the recommendations of this group a revised questionnaire was circulated that addressed these concerns. The results of the second survey were considered at a meeting of the EYRG on the 27 November 2007. At this meeting the first survey results and the combined results were also considered. The results are shown in the tables below.

Table 1 – Results of the First Survey

Type of Provider	Number of Usable Responses	Number of Providers	Responses %	Average Cost per Hour	Weighted Average Cost per Hour
Childminder	5	17	29.41	£1.33	£1.12
Private Day care & Sessional	8	36	22.22	£3.76	£2.87
Voluntary Sessional	19	37	51.35	£3.52	£3.27

Table 2 – Results of the Second Survey

Type of Provider	Number of Usable Responses	Number of Providers	Responses %	Average Cost per Hour	Weighted Average Cost per Hour
Childminder	0	17	0	0	0
Private Day care & Sessional	6 (all new)	36	16.66	£3.33	£2.14
Voluntary Sessional	12 (includes 2 new)	37	32.43	£3.47	£3.26

Table 3 – Combined Results

Type of Provider	Number of Usable Responses	Number of Providers	Responses %	Average Cost per Hour	Weighted Average Cost per Hour
Childminder	5	17	29.41	£1.33	£1.12
Private Day care & Sessional	14	36	38.88	£3.58	£2.56
Voluntary Sessional	21	37	56.75	£3.49	£3.24

Weighted figures were included to reflect the different staffing levels for the three age groups under 2, 2 years and 3- 4 year olds. However closer examination of the costs of providing care and education across the age groups revealed that the weighted figures did not reflect the true cost of provision. A child starting in a full day care setting as a baby usually stays until they start school and thus the costs for that child need to be seen over the whole time they attend. Additionally the early education cannot be seen to stand-alone. For many children there will also be care provided. The premises and staffing still needs to be available for all children and thus costs cannot be attributed to early education in isolation. It was therefore decided to use the unweighted figures as a more accurate measure of the cost of provision.

As childminders are self-employed, their returns showed an underestimate of their costs, as they included no recompense for their own time. This would be most accurately measured by the average hourly cost for a childminding place in Swindon, which is currently about £3.50.

Within the maintained sector an exercise to assess the levels of funding included in the funding formula for schools was undertaken earlier in the year at a time when the DCSF were considering implementing changes to early years funding sooner. Within Swindon the present funding methodology within the maintained sector differs from the PVI sector in that maintained nurseries are funded on a place basis not a per pupil basis. Schools with maintained nurseries receive funding for 26 full time places (52 part time places). The cash through the funding formula is the equivalent to the funding a PVI setting would receive for 47 part time 3 and 4 year olds. This is effectively the 'break even' number of pupils a maintained setting would need to receive the equivalent level of funding as a PVI setting if all settings were to be funded using the same pupil count process.

At a meeting of the Swindon Nursery Head teachers in May 2007 when they considered the results of the survey the expectation was that these changes were to be implemented from April 2008 and not by April 2010 as is the case now. Consequently Nursery Head teachers at the time supported the move to per pupil funding as in the PVI sector on the basis that a nursery subsidy be introduced for maintained nurseries to fund the difference between the number of pupils in a nursery and the break even number of 47 in cases

where there was need for that early years provision to continue. That need may be due to social issues in the particular area or lack of any other early years provision in an area. By introducing a subsidy it would be clear and transparent the level of additional funding being provided to a school to continue with the provision. Schools with more than 47 pupils in their nursery would benefit from receiving additional funding. A formal decision on these arrangements has not yet been taken nor been considered by the Schools Forum. The DCSF have made it a requirement to introduce the single funding formula by April 2010 but are encouraging the introduction by April 2009 where possible.

In light of guidance issued by the DCSF in September 2007 it will be necessary to carefully assess whether a subsidy as described above would be allowable just for the maintained sector.

As in the PVI sector in order to assess the actual costs within a maintained nursery compared to the funding received via the formula a separate survey of these settings was undertaken.

Conclusions

At the meeting on 27 November the EYRG concluded that the results between the first survey and the second survey were not as dissimilar as first expected. The EYRG also agreed that once combined the hourly rates for the private and voluntary sectors showed that the difference between average costs per hour was not sufficient to warrant the introduction of different levels of funding in the future. The EYRG also concluded that the combined results were in line with the current funding level for the free provision (£3.52 an hour) and unanimously decided to recommend to the School Forum Sub Group and the School Forum that the current rate should be increased in line with the MFG for each of the next three years.

Swindon currently has a healthy mixed market of maintained, private and voluntary sector provision, which gives parents a choice of type of provision to meet their needs. Inspection results show that 56% of settings in the private and voluntary sectors are rated good or better. Only one is currently deemed to be inadequate. The recent sufficiency audit has demonstrated good levels of parental satisfaction. There is a good record on sustainability, leading to the avoidance of closures. All of this indicates a market that is working well. In the light of this and the available data a change to differential funding is not indicated.

There are no apparent reasons why a move to per pupil funding in both the maintained and PVI sectors could not be introduced by April 2009. For any maintained nurseries with less than 47 pupils that did not qualify for the proposed subsidy would be at risk of closure unless funding was directed from other parts of the school budget, this of course assumes that a subsidy is allowable in the format currently suggested. Funding directed from other parts of the school would have its' own implications to the rest of the school. Nursery head teachers highlight the different regulations that apply to them

that result in the need to have higher costs, staff and ratios when compared to the PVI sector. This is illustrated by the results so far of the survey that show the average cost per hour of delivering nursery education in the maintained sector is around £6.00. However the DCSF are set to consider the harmonisation of the requirements across all sectors in respect of the staffing requirements. Further guidance is expected from the DCSF in due course.