



House of Commons

Children, Schools and Families
Committee

The Early Years Single Funding Formula

Seventh Report of Session 2009–10

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written evidence*

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The Children, Schools and Families Committee

The Children, Schools and Families Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Children, Schools and Families and its associated public bodies.

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Conclusions and recommendations

Drawing up new formulae: practice and consequences

1. Early years single funding formulae which are based upon inaccurate information on the costs of providing early years education and care will not command the confidence of providers in either the maintained sector or the private, voluntary and independent (PVI) sector. However, criticisms of local authorities for basing their funding formulae on incomplete cost data are not necessarily justified: many early years providers in the private, voluntary and independent sector failed to share key information. The reluctance of some PVI providers to offer cost information to local authorities—perhaps because of a perception that they were in competition for children to fill places—is understandable but ultimately shortsighted. (Paragraph 50)
2. Accurate data on costs to providers must be obtained: this may require the use of a consultancy or other third party to secure information which private, voluntary and independent providers deem to be commercially confidential. Representative bodies for businesses in the private, voluntary and independent sector should encourage their members to participate in cost surveys, guide them through survey forms, and provide advice. Local authorities have a similar role in relation to maintained settings. (Paragraph 51)
3. Although we believe that only a minority of private, voluntary and independent providers—chiefly those with highly qualified staff—will actually lose out through introduction of the Single Funding Formula, it will not provide the significant boost to the stability of private, voluntary and independent sector enterprises which some had anticipated. This was not, however, the purpose of the Single Funding Formula. (Paragraph 54)
4. We welcome the Minister’s clear signal, in her letter of 28 October 2009 to local authority directors of children’s services, that good quality nursery schools should not be forced into closure by the Single Funding Formula. We believe that it was no accident that her letter was prepared just as the Committee was announcing that it would take oral evidence on the effects of the Formula. Although the letter may have come too late to influence local authorities implementing the Formula in April 2010, we encourage local authorities aiming for implementation in 2011 to reassess their formulae in the light of the Minister’s letter and to find ways of improving prospects for the sustainability of their maintained nursery schools. (Paragraph 61)
5. Although the picture remains unclear, there is little evidence so far that the Single Funding Formula has encouraged greater flexibility in provision of the free entitlement to early years education and care. (Paragraph 64)
6. We accept that flexible care may suit parents; however, it risks serving the interests of the parent but not of the child. (Paragraph 68)
7. We approve of steps taken by local authorities to ensure that take-up of the free entitlement to early years education and care is spread reasonably over the week. We

believe this to be the ideal for most children, and the design of any flexibility supplement should favour such a pattern. (Paragraph 68)

8. Evidence from Ofsted, academic research and local authorities is overwhelming: the quality of early years education and care offered by maintained nursery schools is almost invariably very high indeed. The standards set are there for others to follow, and they should not be put at risk by implementation of the Single Funding Formula. (Paragraph 71)
9. Whatever the stated purposes of the Early Years Single Funding Formula, it is unacceptable for a local authority not to use it to try to stimulate improvement in quality of early years education and care. (Paragraph 80)
10. Every local authority should include a quality supplement in its single funding formula, and the level of that supplement should be credible and not minimal. We recommend that the Department specify in future guidance to local authorities that a quality supplement is mandatory. At the very least, local authorities which have decided that a quality supplement is unnecessary should be challenged by the Department. (Paragraph 80)
11. We believe that a quality supplement should normally be payable to settings not on an aspirational basis but rather to those which demonstrate that a standard has been or is on the way to being achieved. Local authorities should be using funding from other sources, such as the Outcomes, Quality and Inclusion element of the Sure Start, Early Years and Childcare Grant, to improve quality in settings needing intensive or targeted support. In order to continue stimulating the recruitment and retention of graduate level staff in early years settings, the Government should not allow the Graduate Leader Fund to peter out after 2011. (Paragraph 83)
12. Early Years Quality Improvement and Support Programme (EYQISP) ratings of early years settings are reached following a consistent process across local authorities. We believe that they would serve as good indicators of quality for the purposes of allocating a quality supplement under the Single Funding Formula. (Paragraph 84)
13. As access to the entitlement to free early years education and care is extended to disadvantaged two-year-olds more widely, and given the possibility that such provision may in time need to be funded from the Dedicated Schools Grant or its equivalent, single funding formulae may need revision to acknowledge the cost of high quality care for two-year-olds. (Paragraph 85)
14. We draw the Department's attention to the possibility that the cost to local authorities of early years provision may rise significantly if quality levels rise and parents make more use of high-cost provision under the free entitlement. (Paragraph 86)
15. The free entitlement to early years education and care is available to any parent. We do not support any erosion of that universal availability through allowing providers to charge top-up fees for 'free' hours. Nor are we convinced that it is necessarily good economics to regard a constant element of income, such as local authority funding for early education and care under the free entitlement—even at or slightly below

cost of provision—as dispensable if it provides a reliable basis for other, more profitable activity, as long as there is demand. One form of income would sustain the other. If the costs of providing the free entitlement are far exceeding the income received for it, then either providers should be re-examining those costs or they should be making a forceful case to local authorities for those extra costs to be recognised through supplements. This is particularly so for the cost of highly qualified staff. (Paragraph 93)

16. It is in local authorities' interests to ensure that provision under the free entitlement continues to be offered by a wide range of private and independent providers, who may offer the greatest degree of flexibility. Otherwise, local authorities will risk being unable to discharge their statutory duty to secure sufficient childcare for working parents. (Paragraph 94)
17. Strict application of participation-led funding is not in a child's best interest if the effect is to pressure them into early years education and care prematurely. The Department should permit local authorities to fund—even if not at a full unit rate—places which have been allocated to a child whose entry has been deferred until they reach a suitable stage of development. Such arrangements should apply equally to settings in the maintained and private, voluntary and independent sectors. (Paragraph 98)
18. Local authorities may be perfectly justified in deciding that they can no longer afford to fund full-time early years education and care, but they should not portray the cessation of funding as a direct consequence of the Early Years Single Funding Formula. (Paragraph 100)

Should the Government proceed with the Single Funding Formula?

19. While the Early Years Single Funding Formula may have its faults, it can, if the underlying principles are applied carefully and consistently, be sufficiently versatile to fund all settings sustainably and in a way which respects and rewards the varying provision offered. It is undeniably more transparent than the unco-ordinated methods which it replaces. If greater stress is placed in future on using the Single Funding Formula as a way to improve and reward quality of early years provision, it should develop that provision over time in a way which brings substantial long-term benefits for children and parents. We do not believe that the concept of the Single Funding Formula is flawed. (Paragraph 104)
20. A great deal of work has been done by local authorities to prepare single funding formulae: that work should not be abandoned without very good reason. Given the advantage of greater transparency, and the work done so far in gaining a greater understanding of costs and the economics of operating an early years setting, we believe that the Government, local authorities and providers should continue to work towards implementation of the Early Years Single Funding Formula throughout England. (Paragraph 105)
21. Whatever the reasons why many providers did not become engaged with the Single Funding Formula—and it may be that in many settings staff did not feel confident or

able to spare the time to engage—we do not believe that local authorities should bear sole responsibility for that failure. (Paragraph 108)

22. Given the difficulties faced by local authorities and early years providers in achieving such a major reform, the Government was correct in deciding not to press ahead with the introduction of the Early Years Single Funding Formula by all local authorities in April 2010. We suspect that the Committee's inquiry helped to focus minds on this decision. The year's delay in full implementation must be used to settle nerves and restore some stability in the sector, and to rework funding formulae where necessary. We welcome the chance for pathfinder local authorities to disseminate good practice. (Paragraph 109)
23. The prospect of an increase in funding for early years provision being met by a corresponding decrease in funding for primary or secondary school provision is not attractive, although this is largely a matter for local determination. Nevertheless, there is compelling evidence to show that a child's experience in its first years is key to its development, and we believe that the Government should re-iterate to local authorities the primary importance of properly funded early years provision. (Paragraph 115)
24. Constraints on public spending and difficult financial times lie ahead. If the Government's policies lead to greater take-up of the entitlement to free early years education and care, and to full-time rather than part-time funding for four-year-olds, at public expense, the Government should make a commitment to extra long-term core funding to allow for those extra financial demands. (Paragraph 118)
25. We recommend that the Government examine whether a unified funding system should be introduced for all children aged from 2 to 11 years old. (Paragraph 119)
26. Inconsistencies between local authorities' base hourly rates and their approaches to supplements for funding early years settings are not necessarily a bad thing: they may merely show necessary sensitivity to local circumstances and needs. However, there have clearly been some wayward and potentially damaging decisions by local authorities, and Departmental guidance appears to have been interpreted differently in some cases. (Paragraph 124)
27. We recommend that the Government review all early years single funding formulae—whether proposed or implemented—by the autumn of 2010. In particular, the Government should assess:
 - The use made by local authorities of the quality supplement, with a view to making it mandatory;
 - The supply of cost information, with a view to requiring private, voluntary and independent settings to supply that information if they are to receive payments for provision under the free entitlement;
 - The impact on Children's Centres, to inform the development of Phase 3 centres and the evolution of Phase 1 and Phase 2 centres; and
 - Whether local authorities are setting formulae which assume unrealistic rates of take-up. (Paragraph 125)

Summary

The Early Years Single Funding Formula is intended to replace the different methods currently used to fund early years settings in the maintained sector and in the private, voluntary and independent (PVI) sector. Each local authority will in future use the same criteria for every setting in its area when allocating funds for education and care provided under the free entitlement for three and four year olds.

Hopes were high—particularly among providers in the private, voluntary and independent sector, which have historically been funded at lower hourly rates—that the Single Funding Formula would be fairer and more transparent than the unco-ordinated system which it replaced. However, the anticipated “level playing field” has turned out to be a field in which many have gained less and a few have lost a lot more than they might have expected.

The greatest losers would be maintained nursery schools, which could find their budgets reduced by tens of thousands of pounds or more each year. Staffing levels and services would be cut, and some fear closure. Yet evidence from Ofsted, academic research and local authorities shows overwhelmingly that the quality of education and care offered by maintained nursery schools is very high indeed and sets the standard for others to follow. It would be disastrous if this standard of provision were to be lost.

Overall, however, we find that the difficulties encountered so far with the Single Funding Formula have arisen because of the way in which it has been implemented, rather than because of the concept. It is undeniably more transparent; and, if properly applied, we believe that it can be sufficiently versatile to fund all settings sustainably and in a way which respects and rewards the varying provision offered.

Local authorities were encouraged to offer settings a supplement to the basic hourly rate of funding to recognise high quality provision, for instance when teachers and other well qualified staff were employed. We were astonished to learn of local authorities that had not incorporated any quality supplement into their local funding formula, in at least one instance because providers themselves could not agree on a suitable measure of quality. Almost half of local authorities responding to a data collection exercise by the Department in November 2009 reported no quality supplement. This is unacceptable, and we recommend that a quality supplement should be made mandatory.

The Government encourages flexibility under the entitlement to free early years education and care, for instance through moving away from ‘sessional’ provision in blocks to ‘wraparound’ care starting early or finishing late in the day. While we accept that flexible care may suit parents, there is a distinct risk that it will not serve the interests of the child. It would be possible, in theory, for a parent to use a continuous session of 10 hours on one day as part of their free entitlement of 15 hours. We do not believe that this would be good practice, and we approve of steps taken by local authorities to ensure that take-up of the free entitlement is spread reasonably over the week.

Many local authorities were struggling to implement their local single funding formulae by April 2010, and the Government was correct in deciding to defer full implementation until April 2011. We suspect that the Committee’s inquiry helped to focus minds on this

decision. The year's delay must be used to settle nerves and restore some stability in the sector, and to rework funding formulae where necessary. In the meantime, the Government should review all local formulae, examining in particular the use of the quality supplement, the willingness of providers to supply information on the cost to them of provision, the impact on Children's Centres, and whether formulae are being based upon unrealistic assumptions on levels of take-up of places.

Lastly, it seems to us that the implementation of Sir Jim Rose's proposals to encourage entry to primary school in the September following a child's fourth birthday will have far-reaching consequences for early years funding. The distinction between early years and primary education is being blurred: some four-year-olds will be in school while others will be in early years settings. The former will be funded by local authorities according to the schools funding formula, the latter through the early years single funding formula. We question whether this is fair or logical, and we recommend that the Government examine whether a unified funding system should be introduced for all children aged from 2 to 11 years old.

1 Introduction

1. In its ten-year strategy for childcare, published in 2004, the Government spoke of its vision of a system in which childcare was available to all families and was flexible to meet their circumstances; in which the quality of childcare services was among the best in the world; and in which all families could afford high quality childcare services that were appropriate for their needs.¹ One of the routes by which the Government has sought to achieve these aims is the introduction of an entitlement to a level of free early education and care for three and four year olds.

2. The Government regards local authorities as being instrumental in developing the availability, flexibility and quality of early years education and care. £4 billion is spent by local authorities each year on children under five.² The Childcare Act 2006 placed new duties upon local authorities to reduce inequalities between young children, secure provision of free childcare under the entitlement, assess childcare provision in their areas, and ensure that there is enough childcare locally to enable parents to work (or to enable them to undertake training which could be expected to lead to work).³ ‘Childcare’ in this context includes education for children below compulsory school age.

3. In March 2007, in a consultation paper on the reform of school funding, the Government put forward proposals designed to bring the funding systems for different sectors of early years provision “into closer alignment to enable local authorities to shape the market in response to parental demand”.⁴ One of the outcomes was a decision to introduce an Early Years Single Funding Formula—“a standardised, transparent method for setting the basic unit of funding per pupil”,⁵ to be adapted and applied by each individual local authority to fund the entitlement to free early years education and care at early years settings.⁶ The date by which each local authority in England was to introduce its funding formula was to be April 2010.

4. In the summer of 2009, we became aware of alarm among providers of early years education and care about possible consequences of both an imminent extension of the entitlement to free early education and care and the proposed new single funding formulae being developed by local authorities. We therefore held a short inquiry, taking oral evidence from providers and their representative bodies, local authorities, and the Minister for Children, Young People and Families. We also invited written evidence and were struck by the amount received despite the four-week deadline for submission. Almost all evidence specially prepared for the Committee has been placed on the Parliamentary website.⁷ We

1 Choice for parents, the best start for children: a ten year strategy for childcare, HM Treasury, December 2004, paragraph 1.10

2 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraph 1.1

3 Childcare Act 2006, sections 1, 6, 7 and 11

4 School, early years and 14–16 funding consultation, DCSF, March 2007, introduction to Chapter 5

5 HC Deb, 25 June 2007, col. 1WS

6 “Setting” is a generic word for any institution (such as a school, playgroup, nursery or accredited childminder network) where early years education and care is provided.

7 www.parliament.uk

are grateful to Dame Gillian Pugh and to Professor Christine Pascal for their specialist advice.⁸

8 Dame Gillian Pugh declared interests as Chair of the National Children’s Bureau, Board member of the Training and Development Agency for Schools, Adviser to various sections of the Department for Children, Schools and Families, member of the Children’s Workforce Development Council, visiting professor at the Institute of Education, President of the National Childminding Association, and member of the DCSF/LGA Narrowing the Gap project. Professor Christine Pascal declared interests as Director of the Centre for Research in Early Childhood and Director of Amber Publications and Training

2 Early years and funding: the road towards a Single Funding Formula

Profile of the early years education and care sector

5. There are almost 39,000 early years settings authorised to deliver the entitlement to free early years education and care.⁹ The vast majority of these are run by private, voluntary or independent (PVI) providers, typically pre-school playgroups or daycare centres. They may be run as commercial, profit-making ventures or merely on a break-even basis. Some own or lease their premises; but many rely upon the use of community buildings such as village or church halls. A small proportion of early years education and care is provided by independent schools offering nursery classes. 65% of full daycare providers are from the private sector, and the underlying trend is for daycare provision to increase: numbers of daycare providers were 77% higher in 2008 than in 2001. Meanwhile, the number of ‘sessional’¹⁰ providers has fallen by 39% since 2001. This is attributed largely to the increase in demand from parents for full day care.¹¹

6. There is also a sizeable “maintained” sector, operated on behalf of local authorities. Maintained early years settings might be maintained nursery schools (numbering about 450) or nursery units attached to primary or infant schools (6,700).¹² In January 2009, 78% of four year olds and 37% of three year olds took up free places at either maintained nursery or primary schools.¹³ Maintained nursery schools, unlike nursery units in schools, have their own premises, head teacher and governing body; but they do not have nursery units’ scope to share administrative costs. Staff costs are generally high in comparison to those at PVI settings: teachers at maintained settings are paid using teacher pay scales, non-teaching staff are paid according to local authority pay scales, and the costs of employer contributions to the local government pension scheme may well be higher than those paid to alternative schemes by PVI providers.¹⁴

7. Some areas (particularly in northern England and in inner city areas) have a strong tradition of maintained provision. Many maintained nursery schools were deliberately established in areas of social deprivation.¹⁵ Numbers of these have nonetheless dwindled over the years: they have high cost per child ratios, for reasons which we explore later in

9 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraph 1.10

10 ‘Sessional’ provision is offered in blocks, often of 2.5 or 3 hours in either the morning or afternoon. Pre-school playgroups are prime examples

11 All figures from the DCSF Childcare and Early Years Providers Survey 2008, DCSF-RB164

12 Figures from Childcare and Early Years Providers Survey 2008, DCSF Research Report RR164

13 Provision for children under five years of age in England: January 2009, Statistical First Release 11/2009. Different sets of data are collated and published: the figures cited here count children only once even if they take up provision at more than one provider

14 Guidance: The Early Years Single Funding Formula for Maintained Nursery Schools, DCSF, October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform>). See memorandum from Fran Munby, EYFF 20, paragraph 5.2

15 Memoranda from Fran Munby, EYFF 20, paragraph 4.2; Chelsea Open Air Nursery School, EYFF 10, paragraph 3

this Report, and local authorities are sometimes accused of trying to close them in order to make financial savings.

8. Some childminders are members of accredited networks and are therefore eligible for funding from local authorities to offer early years care under the free entitlement. Unlike other early years settings, childminders can offer flexible home-based care, at hours set to suit the parent.¹⁶ In passing, we record our misgivings about the rather functional term “childminder”, which does little to recognise the caring relationships which often exist between the adult and the child.

9. Staff costs at early years settings will vary according to the levels of qualifications held by staff as well as the number of staff required, which will in turn depend partly on the age of the children for whom education and care is provided. The Early Years Foundation Stage, which sets standards for learning, development and care for children aged up to five, prescribes minimum numbers of staff that must be present with children at any one time in early years settings. These are, in essence:

- For children aged under two, there must be at least one member of staff for every three children, and at least one member of staff must hold a full and relevant Level 3¹⁷ qualification and have suitable experience of working with children under two;
- For children aged two, there must be at least one member of staff for every four children, and at least one member of staff must hold a full and relevant Level 3 qualification;
- For children aged three and above in registered early years provision (including independent schools), there must be at least one member of staff for every eight children and at least one member of staff must hold a full and relevant Level 3 qualification. If a person with Qualified Teacher Status, Early Years Professional Status or any other suitable full and relevant Level 6 qualification¹⁸ is working directly with the children between 8.00 am and 4.00 pm, the minimum is relaxed so that there needs to be at least one member of staff for every 13 children;
- For children aged three and above in maintained schools and nursery schools (except for children in reception classes), provision in each class or group must be led by a ‘school teacher’ as defined under statute,¹⁹ there must be at least one member of staff for every 13 children, and there must be at least one member of staff with a full and relevant Level 3 qualification.

These requirements have statutory force and are set out in greater detail in the Early Years Foundation Stage Statutory Framework.²⁰

16 See memorandum from the National Childminding Association EYFF 50

17 Level 3 is equivalent to A level, Vocational A level (Advanced GNVQ) or Level 3 NVQ

18 Level 6 is equivalent to an Honours degree (for example a BA in Early Childhood Studies)

19 Section 122 of the Education Act 2002 and the Education (School Teachers’ Prescribed Qualifications, etc) Order 2003

20 DCSF, May 2008, Appendix 2

10. Provision for children aged three or above in early years settings in schools is inspected according to the main school inspection framework, usually by Ofsted in discharge of its duties under section 5 of the Education Act 2005 but sometimes by other inspectorates for schools in the independent sector.²¹ Provision for children aged under three in early years settings in schools and for children aged up to five in any non-school setting must be registered with Ofsted and is inspected for compliance with the requirements of the Early Years Foundation Stage, under section 49 of the Childcare Act 2006.

11. SureStart Children's Centres in the 30% most deprived areas in England—largely those established under Phases 1 and 2 of the children's centre programme—are required either to offer or to provide access to integrated early education and care for 10 hours per day, 5 days per week, 48 weeks of the year. These settings incorporate other early childhood and family services, including health services, parenting support and access to Jobcentre Plus services. SureStart Children's Centres established under Phase 3 of the programme—leading towards universal provision—are under no obligation to offer early years education and care, although they may do so if there is sufficient demand locally.

The cost to users

The entitlement to free early years education and care

12. Some early years education and care is free to parents and carers. In September 1998, all four-year-olds in England became entitled to a free childcare place for 33 weeks of the year.²² In April 2004 that entitlement was extended to 3 year-olds, and in April 2006 the number of weeks in which the free entitlement was to be offered increased to 38. The entitlement is currently for 12.5 hours per week, available to children from the term after their third birthday to the term after their fifth birthday, at which point they enter compulsory full-time education.²³

13. The Government now intends to extend the free entitlement to 15 hours per week for all 3 and 4 year olds, from September 2010. In some local authority areas that extension has already been in place for a year or more on a pilot basis; and all local authorities were expected to begin offering the 15 hour entitlement to their 25% most disadvantaged three and four year old children from September 2009. The White Paper on Social Mobility published in January 2009 announced plans for free early learning and childcare places to be made available to the 15% most disadvantaged two year olds nationally, as a first step to universal availability for all two year olds.²⁴

14. Parents can take up as little or as much of the entitlement as they choose. In January 2009, 92% of three year olds and 98% of four year olds were taking up at least some of that entitlement. 53% of three year olds took up free entitlement at private and voluntary providers and 3% at independent schools; 37% of three year olds were benefiting from free

21 The Independent Schools Inspectorate, Bridge Schools Inspectorate, or the Schools Inspection Service. See Office for Standards in Education, Children's Services and Skills, Departmental Report 2008–09, Cm 7597, page 19

22 The term 'childcare' was used as shorthand for early education and care

23 School, early years and 14–16 funding consultation, DfES, March 2007, paragraph 51

24 New Opportunities: Fair Chances for the Future, Cabinet Office, January 2009, Cm 7533, paragraphs 3.27 to 3.30

early education at maintained nursery schools or nursery classes attached to primary schools. For four year olds, the balance is different: 78% of four year olds took up free places at either maintained nursery or primary schools.²⁵ Providers are barred from charging top-up fees for education and care under the free entitlement or from making access to the free entitlement conditional on take-up of ‘paid-for’ hours.²⁶

15. Alongside the increase in the number of hours to be offered free of charge, the Government also seeks to help working parents by increasing the flexibility of provision under the free entitlement. This might entail, for instance, the availability of longer sessions taken over fewer days, or extending provision through lunchtime or to include breakfast time, or availability over more than 38 weeks in the year (described by the Government as a “stretched entitlement”).²⁷ The Government does not expect that all providers will necessarily move to such patterns of provision: it envisages that clusters of providers would, between them, offer flexible provision in response to parental demand.²⁸ One consequence might be that the proportion of children taking up their entitlement at more than one provider is likely to increase. Later in this Report, at paragraph 68, we question whether greater flexibility of care is always in the child’s interests.

Costs outside the free entitlement

16. For early years education and care not covered by the free entitlement, the average fee charged by full day care providers overall in 2008 was £3.50 per hour, and the average charged by sessional providers was £2.30 per hour.²⁹ However, day care fees can be significantly higher where market conditions permit.³⁰

How early years settings are currently funded

17. The entitlement to 12.5 hours’ free early years education and care is funded centrally through the Dedicated Schools Grant.³¹ The Grant is calculated and allocated to local authorities according to the number of children aged between 3 and 16 identified by the January Pupil Census³² and Early Years Census³³ as attending school or an early years setting in each local authority area. At the time that the Early Years Single Funding Formula was first proposed, children attending ten sessions of early years education and care were treated as ‘full-time’ and attracted a full unit of funding; children attending

25 Provision for children under five years of age in England: January 2009, Statistical First Release 11/2009. Different sets of data are collated and published: the figures cited here count children only once even if they take up provision at more than one provider

26 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraph 2.5

27 The Government is amending the prescribed period of free early years provision which must be secured by local authorities. The period will now be expressed as 570 hours in any year and during no fewer than 38 weeks in any year. See The Local Authority (Duty to Secure Early Years Provision Free of Charge) (Amendment) Regulations 2010, S.I. 2010 No. 301

28 School, early years and 14–16 funding consultation, DfES, March 2007, paragraph 186

29 Childcare and Early Years Providers Survey 2008, DCSF Research Brief RB164, September 2009

30 See for example Q 5

31 The Dedicated Schools Grant is a ring-fenced grant which funds school provision for 3–16 year olds.

32 An annual count of pupils in maintained settings

33 An annual count of children at early years settings outside the maintained sector

between one and nine sessions were treated as ‘half-time’ and attracted only a half-unit of funding. Calculation of the Dedicated Schools Grant is now based upon pupil numbers and the total hours of attendance.

18. When allocated to each local authority, the Dedicated Schools Grant is a lump sum: no portion is identified or ring-fenced by the Government for early years provision. Each child attending an early years setting within a local authority area is funded at the same level regardless of any variations in the hourly cost to the authority of that attendance.³⁴

19. A maintained setting is funded entirely by the local authority, from the Dedicated Schools Grant (DSG) (although local authorities can, in theory, top this up from council tax). Local authorities may fund maintained settings either on the basis of numbers of children in settings or on the basis of the number of places offered.³⁵ Budgets for maintained settings are finalised by the local authority before the start of the financial year and are not adjusted to reflect pupil number changes that take place during the year. This is to allow financial stability.

20. A setting in the PVI sector is likely to be funded partly by the local authority (to honour the entitlement to free provision) and partly through fees paid by parents. Funding is calculated according to participation rather than places; and the Department for Education and Skills noted in 2007 that many authorities used a single rate of funding per pupil for the whole of the PVI sector provision in their area and did not differentiate according to local circumstances (such as settings serving areas of high social deprivation).³⁶

21. While the free entitlement to 12.5 hours education and care is funded through the Dedicated Schools Grant, the revenue costs of increasing that entitlement to 15 hours are to be met from ring-fenced grants through the Standards Fund³⁷ totalling £590 million over the three years from 2008–09 to 2010–11. A further sum of £642 million in capital funding over the same period has been allocated for more structural costs, for instance to improve outside play space and equipment, or to provide rest areas for children on the site for long periods, or to buy refrigerators to enable settings to provide lunches. The Department expects that most of the costs to providers in offering more flexible access to the free entitlement will be transitional and will not require ongoing funding.³⁸

The rationale for a single funding formula

22. The Department for Education and Skills issued a consultation paper in March 2007, setting out a series of proposals to “facilitate” local authorities’ work in commissioning early years provision. These proposals included options to reduce inconsistencies in the systems used for counting pupil numbers and for calculating funding for early years

34 See Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraph 5.1

35 See The School Finance (England) Regulations 2008, S.I. 2008, No. 228. Local authorities may choose to fund places rather than pupils “in order to ensure that a maintained nursery school remains open or, in the case of other primary schools, that they are able to continue to provide nursery classes”: Regulation 17

36 School, early years and 14–16 funding consultation, DfES, March 2007, paragraph 199

37 Standards Fund streams reflect Ministerial priorities

38 See Impact Assessment accompanying the new Code of Practice on provision of the Free Early Education Entitlement for 3 and 4 year olds, to be published in March 2010; also HC Deb, 12 October 2009, col. 221W

education and care in the maintained and PVI sectors. The most far-reaching of these was a single formula for funding all settings at a local level, using common criteria for all settings. The rationale was summarised by the Department in interim guidance for local authorities published in 2008:

“To support the extension and increased flexibility of the free entitlement for 3 and 4 year-olds and to address inconsistencies in how the offer is currently funded across the maintained and PVI sectors.”³⁹

A further element of the rationale, articulated elsewhere,⁴⁰ was a desire for transparency in how settings are funded.

Inconsistencies in how providers were funded

23. The main differences in how providers from the maintained and PVI sectors were funded when the Single Funding Formula was proposed were:

- Funding for maintained settings was often on the basis of places offered even if not taken up; but funding for PVI settings was on the basis of participation (places taken up). So there was more pressure on PVI settings to fill places; conversely, there was a risk that public money would fund places not taken up at maintained settings.
- Take-up of places was counted once each year in maintained settings, at the January Schools Census and Early Years Census, and funding allocated on that basis could not be adjusted to reflect increases or decreases in participation through the year. Take-up of places in PVI settings was, however, measured termly, and funding was adjusted accordingly. So funding for PVI settings was more sensitive to levels of take-up; and a local authority could end up funding twice the free entitlement for a child that was moved mid-year between maintained and PVI settings. The Department for Education and Skills noted in 2007 that some local authorities did not allow children to divide their time between two providers.⁴¹

Transparency

24. In many local authorities, the levels of per pupil funding for settings in the PVI and maintained sectors have developed entirely separately;⁴² and local authorities have not been required to justify or reconcile differences in funding levels. The value of a single funding formula in introducing greater transparency into early years funding was set out for us most clearly by the National Day Nurseries Association, which said that a single formula would use common funding criteria for providers in both the maintained and PVI sectors and therefore had “the potential to create a broadly level playing field across the various

39 Implementation of a Single Funding Formula for Early Years: Interim Guidance, DCSF, July 2008, paragraph 1.1

40 See for instance Implementation of a Single Funding Formula for Early Years: Practice Guidance, DCSF, July 2008, paragraph 2.1

41 School, early years and 14–16 funding consultation, DfES, March 2007, paragraph 201(b)

42 School, early years and 14–16 funding consultation, DfES, March 2007, paragraph 203

types and sectors of early years provision, leading to the overall pot of funding being divided up in a way more closely aligned with each provider's delivery costs".⁴³

The decision to introduce a single funding formula

25. In June 2007, the Minister for Schools at the Department for Education and Skills announced by way of a Ministerial Written Statement that, in the light of responses to the consultation, the Department would press ahead with an Early Years Single Funding Formula, to come into operation from April 2010.⁴⁴ Introduction of the formula would be accompanied by a shift from place-led funding to participation-led funding for maintained settings.

43 Ev 20

44 HC Deb, 25 June 2007, cols 1–5WS

3 Drawing up new formulae: principles and process

Core principles

26. The Department set out in interim guidance issued in July 2008 “Core Principles” to govern the development and operation of local authorities’ single funding formulae. These were updated and re-issued in Practice Guidance issued in July 2009 and are reprinted below. Text added when the Core Principles were updated is shown in italics:

The development of an EYSFF should:

- Support effective and efficient distribution of resources at the local level;
- Facilitate greater flexibility of provision so that parents have greater choice in how they use the free entitlement;
- Preserve diversity and choice in the market;
- Incentivise improvements in the quality of provision *and recognise the ongoing costs associated with quality;*
- *Support the narrowing of achievement gaps and recognise the additional costs associated with children from deprived backgrounds;*
- *Be clear and transparent.*

With regards to the operation of the formula:

- The same factors should be taken into account when deciding the level of funding for each sector;
- Decisions must be transparent and any differences between the sectors should be justifiable and demonstrable;
- The level of funding should be broadly cost-reflective and all the main cost elements should have been considered explicitly;
- There should be no perverse incentives and any change in the formula must not endanger sufficiency of provision;
- The formula must be based on common cost information from both the PVI and maintained sectors and all costs and public sources of incomes should be considered;
- Settings should be funded on the basis of participation, not places or similar factors. *Participation must be counted on a termly basis, at the least, and this will be required in regulation;*
- *An additional factor to support sufficiency and sustainability will be allowed but this must not be used widely and must have clear criteria;*

- The formula must take into account the sustainability of all settings, giving sufficient stability to all sectors to plan for the future and improve quality;
- Transition from the current funding mechanism to the future funding mechanism must be planned and managed carefully, and based on a clear impact assessment;
- The application of the formula in different settings should be based on common operating principles wherever possible; *All aspects of the proposed EYSFF must be the result of partnership working with all those involved, and final decisions on structure and operation of the formula should be made only after widespread consultation.*

Source: *Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009*

Timetable

27. In July 2008, the Department's interim guidance on implementation of the new funding formula set out three stages of implementation by local authorities:

- 2008–09 Establish “a robust understanding” of costs
- 2009–10 Count on the basis of participation rather than places
- 2010–11 Full implementation (based on a “clear impact assessment” and underpinned by “appropriate transitional arrangements”)⁴⁵

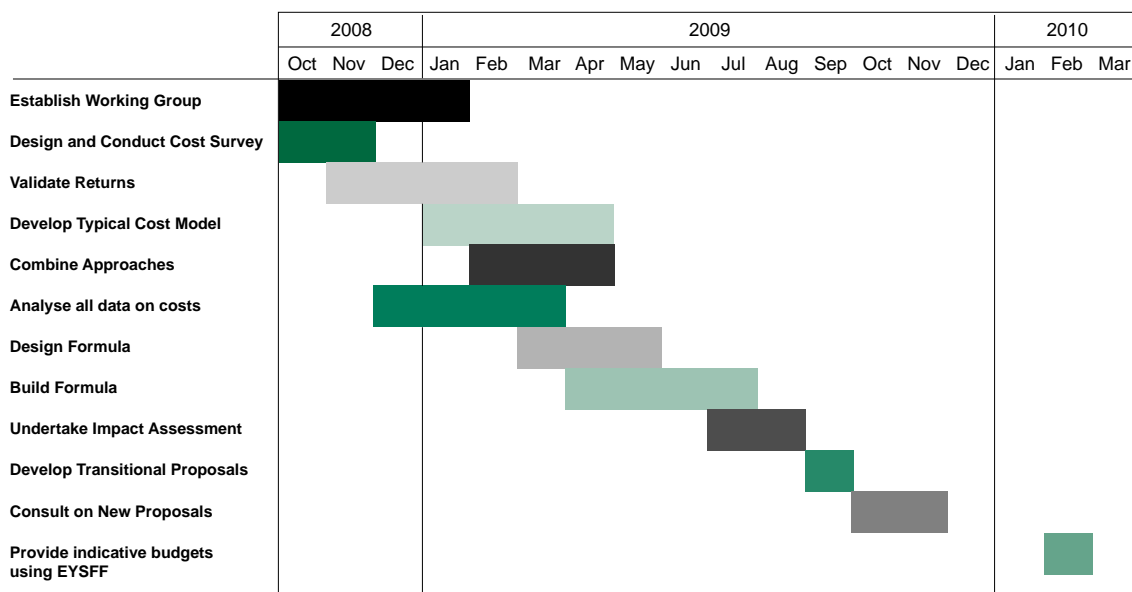
The Government acknowledged that “there are no shortcuts in this process ... the work is unlikely to involve simply taking part of an existing formula and assuming that it can be applied across the board... Local authorities will need to go back to first principles, work with representatives of all providers, and ensure that their formulae meet the whole spectrum of provision”.⁴⁶ A detailed timetable, reproduced overleaf, was circulated to local authorities and published in the practice guidance issued by the Department in July 2009:⁴⁷

45 Implementation of the Early Years Single Funding Formula: Interim guidance, DCSF, July 2008, paragraph 1.2

46 Implementation of the Early Years Single Funding Formula: Interim guidance, DCSF, July 2008, paragraph 1.5

47 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, section 3

Figure 1: Timetable for the Implementation of the Early Years Single Funding Formula



Source: *Implementing the Early Years Single Funding Formula: Practice Guidance*, DCSF, July 2009, section 3

Process

Establishing costs

28. The first step therefore was to establish costs. The Practice Guidance issued by the Department in July 2009 said that the Single Funding Formula “should be based on a detailed understanding of providers’ costs in both the maintained and PVI sectors”.⁴⁸ This was to be achieved through (i) a survey of costs, drawing upon data supplied by providers; and (ii) a “Typical Cost Model”, devised by local authorities themselves, for use as a “sense check” against cost survey results. The Department saw these two approaches as “supportive of one another”, and it recommended that local authorities use both in their work to understand providers’ costs.⁴⁹ In drawing up a Typical Cost Model, local authorities were encouraged to refer to information from a wider range of sources, including the costing model developed by the National Day Nurseries Association.⁵⁰

29. The Department identified two dilemmas which local authorities might face in drawing up Typical Cost Models:

- Whether to use ‘real’ costs or ‘aspirational’ costs (i.e. the costs of the quality of provision which the local authority might desire). The Department advised that local authorities should “operate within known affordability constraints”, which it expected would probably limit the level of aspirational costs;

48 *Implementing the Early Years Single Funding Formula: Practice Guidance*, DCSF, July 2009, paragraph 1.4

49 *Implementing the Early Years Single Funding Formula: Interim Guidance*, DCSF, July 2008, paragraph 5.1

50 *Implementing the Early Years Single Funding Formula: Interim Guidance*, DCSF, July 2008, paragraph 5.3

- Whether to attribute a cost to ‘free’ resources, such as volunteer staff. The Department recommended that free resources should be costed at the appropriate market rate, to ensure that provision would remain viable if the ‘free’ resource were ever lost.⁵¹

Moving towards counting on a participation basis

30. In order to allow funding calculations for 2010–11 to be based upon participation, local authorities were required from 2009 to count children on the basis of participation, rather than places, across all settings.⁵² Local authorities could choose to move towards participation-led funding in 2009–10 but were not obliged to do so until 2010–11. In some cases, such as in very rural areas, where the child catchment was small and where funding on participation alone would not offer a sustainable basis for a setting, local authorities were permitted to assign additional funding to support sustainability. Local authorities were enjoined to use such funding “sparingly”.⁵³

Devising the formula

31. The Department envisaged that the basic structure of each new formula was likely to be:

Basic Hourly Rate + Hourly Supplements			Number of hours of participation		Other supplements
This rate may vary according to the providers’ cost structures	Additional amounts per hour for extra need or to recognise policy objectives such as improving quality	x	The method of counting the level of participation must be same for all providers	+	In some limited circumstances (e.g. sufficiency) it may be appropriate to provide lump sum amounts

Source: *Implementing the Early Years Single Funding Formula, Practice Guidance*, DCSF, July 2009, paragraph 7.1

Supplements

32. The Department expected that local authorities would offer providers a higher rate per child per hour through supplements to the basic hourly rate, when certain criteria were met. Although a wide range of supplements was considered initially,⁵⁴ only two optional supplements were listed in the Department’s practice guidance on implementation, issued in July 2009: quality and flexibility of provision. The Government specified that funding for

51 *Implementing the Early Years Single Funding Formula: Interim Guidance*, DCSF, July 2008, paragraph 5.3

52 *Implementing the Early Years Single Funding Formula: Interim Guidance*, DCSF, July 2008, paragraph 6.5

53 For example, North Yorkshire County Council chose to weight the basic hourly rate by +75% if the setting was more than three miles from the nearest alternative and by +125% if there was no other provider within five miles. See *Implementing the Early Years Single Funding Formula: Practice Guidance*, DCSF, July 2009, paragraphs 2.3, 7.1 and 7.11

54 *Implementing the Early Years Single Funding Formula: Interim Guidance*, DCSF, July 2008, paragraph 6.4

deprivation was mandatory and that, therefore, local authorities should include a deprivation supplement.⁵⁵

33. In considering possible supplements, local authorities were advised to consider:

- Whether it was reasonable to distribute a high proportion of funding on one supplement;
- Whether a low value supplement could actually help to achieve the intended policy aim and whether it was worth the complication of incorporating it; and
- Whether supplements would lead to ‘cliff edges’, in which the gain or loss of a supplement could lead to sharp changes in funding levels.⁵⁶

34. The Department suggested the following indicators as being suitable for underpinning a quality supplement:

- Workforce qualifications
- Ofsted inspection ratings
- Membership of an approved quality improvement or assurance scheme, developed in conjunction with providers, combined with a continuous cycle of quality improvement
- Well-developed self-evaluation processes... which include active plans for staff development and training.⁵⁷

The Department also outlined two “broad approaches to designing a flexibility supplement”:⁵⁸

- Offering an incentive to deliver different patterns of provision (this would normally entail moving away from ‘sessional’ provision); and
- Recognising the additional costs of delivering flexibility.

Consultation

35. The guidance issued by the Department urged local authorities to consult widely and extensively with providers. It stressed the importance of early engagement with providers in all sectors, and local authorities were encouraged to establish a working group with representation from all sectors.

36. Formal approval for the final proposal is required from the local schools forum.⁵⁹ Local authorities with maintained nursery schools in their area are already required to appoint a

55 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.4

56 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.3

57 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.5

58 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.6

59 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 3.1. Schools Forums consist of people elected by local head teachers and school governors to represent them, together with additional non-schools members to represent other relevant interests

maintained nursery schools representative to their local schools forum. Most local authorities also appoint an early years representative from the PVI sector; regulations have now been laid before Parliament to make this a requirement.⁶⁰

Implementation timetable

37. Six local authorities agreed to pilot the single formula and implement it from April 2009: Hertfordshire, Somerset, Leeds, Rochdale, Croydon and Southampton. A further five local authorities—Derby, Greenwich, North Somerset, North Yorkshire and Shropshire—joined the pilot subsequently. Nine out of the eleven pilot authorities succeeded in implementing their new funding formulae in April 2009,⁶¹ and the Department’s Practice Guidance on implementation of the single funding formula, issued in July 2009, drew upon the pilot authorities’ experience.

38. The original intention had been for local authorities not taking part in the pilot to introduce the single funding formula in April 2010. However, in December 2009, the Minister for Children, Young People and Families advised us of her intention to delay full implementation by a year, in the light of feedback that some of these local authorities were struggling with the formula, that providers and parents were becoming increasingly worried about the impact which it might have, and that “perhaps only around a third of all local authorities may be in a secure enough position to proceed”.⁶² The Minister confirmed her intention in a Written Ministerial Statement issued on 10 December 2009.⁶³

39. Some local authorities nonetheless maintained that they were ready to proceed with implementation from April 2010. The Department indicated that it would support those that were ready, and it invited applications from local authorities to become pathfinders in order to offer their expertise and practice to others. 56 local authorities were designated as pathfinders on 16 February 2010.⁶⁴ The Minister said in evidence that “we will seek in the intervening period—the delay of a year—to get ourselves to a sensible position, working with local authorities and the PVI sector to have an implementation for everyone that will work”.⁶⁵

60 The Schools Forums (England) Regulations 2010, S.I. 2010 No. 344

61 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 2.2

62 Q 105

63 HC Deb, 10 December 2009, 25WS

64 DCSF Press Release 2010/0041

65 Q 105

4 Drawing up new formulae: practice and consequences

40. In the bulk of this Report, we set out the evidence which we received on the degree to which the proposed new formulae appear likely to achieve the Government's aims for the Single Funding Formula and for early years education and care more generally:

- Greater transparency in how settings are funded;
- Increasing flexibility in the way in which the free entitlement is offered;
- Securing the quality of early learning and care offered under the free entitlement;
- Increasing access to and availability of early learning and care under the free entitlement.

The consequences: transparency and the “level playing field”

41. The single funding formula has undeniably introduced greater clarity into funding for early years provision.⁶⁶ Interim guidance on implementation of the single funding formula, issued by the Department in July 2008, stressed that “local authorities must as a minimum be in a position to justify and explain in a wholly transparent manner:

- The core level of funding and any differences between providers of different characteristics, including any differences in funding levels between providers in different sectors;
- All supplementary payments over and above the core funding level;
- All funding that is based on anything other than actual levels of participation”.⁶⁷

42. The various hourly base rates set by each local authority have each been informed by an assessment of actual costs of provision; but confidence that funding rates are fair has not necessarily been enhanced, as the data assembled by local authorities on different providers' costs was incomplete. In addition, the anticipated “level playing field” has turned out to be a field in which many have gained less than they might have expected and a few have lost a lot more than they might have expected. We say more on these two themes below.

Poor cost information

43. For one reason or another, it appears that the cost surveys undertaken by many local authorities did not yield enough good quality information to give a solid foundation to local funding formulae. The main cause seems to us to have been the poor response from providers themselves. Sheffield City Council reported that:

66 See memorandum from the NCB Early Childhood Unit, EYFF 23

67 Implementation of the Early Years Single Funding Formula: Interim Guidance, DCSF, July 2008, paragraph 5.1

We experienced difficulties in engaging the PVI sector in the cost analysis exercise with only 31.5% of providers taking part. Once the analysis was completed only 18% of the returns could be used for reliable data, and these returns showed a very wide range of costs, with no reliable standard pattern that could be used to determine the new formula allocation.

As a result, the Council felt able to use the average pound per pupil hour figure only as “a general reference point” in determining the new formula allocation. None of the eight independent schools with nurseries in the city returned data, nor did any of the childminders working at home; and the witness representing the Council concluded that the whole process had been “a bit of a waste of time”.⁶⁸ Birmingham City Council reported a very similar pattern of responses and also noted that the process had been time-consuming.⁶⁹ Cambridgeshire County Council reported a 25% response rate.⁷⁰

44. Various reasons were given for this poor rate. The Department recognised at the outset that many providers might find the cost survey “daunting” and might need help from local authorities or from the local Business Link in completing the survey.⁷¹ Some providers appear to have been given very little time in which to provide cost information.⁷² However, it was regularly suggested to us that PVI providers had been wary of disclosing what they saw as commercially sensitive information about turnover and profit levels.⁷³ We note that some local authorities partly overcame this reluctance by using third parties to assemble the information.⁷⁴

45. Several maintained nursery schools argued that local authorities had not taken account of all of the unavoidable costs which they faced.⁷⁵ One witness reported that local authorities had been “taking, at best, finger in the wind estimates based upon a whole range of factors” and had then found that other factors had not been taken into account, or that certain figures included in the calculation were “complete guesstimates”.⁷⁶ In fact, if cost information supplied by maintained nursery schools was not comprehensive, that may have been because schools lacked a precise knowledge of what their settings cost to run beyond their devolved budget responsibilities. The NUT suggested that, in some cases, local authorities had been unable to provide this information.⁷⁷

46. 36.5% of respondents to a survey by Early Education of head teachers and other staff in maintained nursery schools in June/July 2009 believed that their local authority had a

68 Ev 30; see also Q 99

69 Q 97. See also memoranda from Flatts Nursery School, EYFF 16, West Sussex County Council, EYFF 31, Bob Thompson, EYFF 45, paragraph 7

70 EYFF 28, paragraph 3.3

71 Implementing the Early Years Single Funding Formula: Interim Guidance, DCSF, July 2008, paragraph 5.2. See also memorandum from Diana Rose, EYFF 32, paragraph 16

72 Memorandum from the Montessori Schools Association, EYFF 24, paragraph 2.4.1.

73 Jamie Lang Q 99; London Councils, EYFF 18, paragraph 6; National Association of Head Teachers EYFF 26, paragraph 4, Chichester Nursery School, Children and Family Centre, EYFF 30, paragraph 2.1, NASUWT, EYFF 42, paragraph 13

74 London Councils, EYFF 18, paragraph 6

75 See for example memoranda from Anne Bell, EYFF 9, Penny Mason, EYFF 14, and Flatts Nursery School, EYFF 16

76 Megan Pacey, Q 16

77 EYFF 13 para 14

“good understanding” of the costs of maintained nursery schools; and 59.1% believed that their local authority had “some understanding” of their costs. However, many described the knowledge of local authority officers making decisions on setting the formula base rate as ‘patchy’, and 37% of respondents said that their local authority had not included them or their school in the cost survey.⁷⁸

Cost information provided to us

47. We invited witnesses to identify the hourly cost of providing early years education and care; but they were often cautious about citing figures. Megan Pacey, Chief Executive of Early Education, said that it was “very difficult to give a ballpark figure, because there are so many different variables”.⁷⁹ Claire Schofield, representing the National Day Nurseries Association, agreed, saying that there was “a different picture in every area” and that there was “no straightforward answer”.⁸⁰ This was borne out by the Daycare Trust, which recently undertook research into the cost of providing early years education and care, and which quoted ranges of £1.85 to £4.44 per child per hour in settings “with current wages and qualifications” and £2.94 to £6.17 per child per hour under a high quality model in which 50% [of staff] were qualified to Level 6 and 50% to Level 3, with appropriate pay.⁸¹

48. Other witnesses ventured more precise figures. Colin Willman, representing the Federation of Small Businesses, quoted an average cost of £4.70 per hour for early years provision: this figure was derived from a survey of 1,100 Federation members in the nursery sector.⁸² Jean Ensing, Chair of Governors at a maintained nursery school and Children’s Centre in Bognor Regis, hazarded an estimate of £9.40 per child per hour for the cost of provision at her school.⁸³ Tim Davis, representing Southampton City Council, illustrated the marked extra cost of provision per child per hour in maintained nursery schools, estimated by the Council to be £8.29 per hour as opposed to about £4.50 per hour in maintained nursery classes.⁸⁴

How to improve cost data

49. The Department acknowledged that the work involved in completing the cost survey stage had not been easy and had sometimes led to a poor response. It recommended that, where no survey had been conducted and completed by summer 2009, the local authority should skip this stage and “move directly to building a Typical Cost Model”, but it added

78 Implementing the Single Funding Formula: How is it affecting you?, Progress report on how the implementation of the Single Funding Formula is impacting on Maintained Nursery Provision and Children’s Centres in England, Early Education, September 2009 (available at <http://www.early-education.org.uk>)

79 Q 16

80 Q 17

81 Quality costs: Paying for Early Childhood Education and Care, Daycare Trust/Social Market Foundation/Institute for Fiscal Studies, November 2009

82 Q 21

83 Q 17

84 Q 43

that local authorities should validate those cost assumptions within six months of implementation, using actual cost data.⁸⁵

50. Early years single funding formulae which are based upon inaccurate information on the costs of providing early years education and care will not command the confidence of providers in either the maintained sector or the private, voluntary and independent (PVI) sector. However, criticisms of local authorities for basing their funding formulae on incomplete cost data are not necessarily justified: many early years providers in the private, voluntary and independent sector failed to share key information. The reluctance of some PVI providers to offer cost information to local authorities—perhaps because of a perception that they were in competition for children to fill places—is understandable but ultimately shortsighted.

51. Accurate data on costs to providers must be obtained: this may require the use of a consultancy or other third party to secure information which private, voluntary and independent providers deem to be commercially confidential. Representative bodies for businesses in the private, voluntary and independent sector should encourage their members to participate in cost surveys, guide them through survey forms, and provide advice. Local authorities have a similar role in relation to maintained settings.

The “level playing field” between the maintained and PVI sectors

52. Local single funding formulae were intended to offer greater transparency by using common criteria to set rates of funding to providers across all sectors, with differences in those rates being openly justified.⁸⁶ The Department also took the view that consistent funding by participation rather than by places would ensure that funding would support “a level playing field between different maintained and PVI providers”.⁸⁷ However, some saw the long-desired ‘level playing field’ as being not just about transparency through common funding criteria but also about greater parity of funding between different types of provider.⁸⁸ That parity of funding might be achieved either through an increase in rates for PVI settings to bring them more in line with those paid to maintained settings or by a redistribution of funds from those types of setting which have typically received high unit payments (principally maintained nursery settings) to those which have not (sessional or daycare settings in the PVI sector). The NUT referred to “private and independent providers’ perceptions that the maintained sector received the lion’s share of early years funding and were unfairly subsidised”.⁸⁹

53. In fact, anyone who thought that ‘transparency’ was a way of providing a ‘level playing field’ in terms of parity of funding between the PVI and maintained sectors will have been disappointed, as the funds to be released by substantial decreases in the few maintained providers’ budgets end up being spread very thinly when redistributed among the more numerous PVI providers. Megan Pacey, Chief Executive of Early Education—a body that

85 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 6.2

86 Memorandum from the National Day Nurseries Association, Ev 20

87 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 2.1

88 See Nina Newell, Q 2

89 EYFF 13, paragraph 12

represents providers in the maintained and PVI sectors—said that the single funding formula was “not working for anybody” and added that significant cuts in funding for maintained providers were translating into increases of “pennies” in the funding for providers in the PVI sector.⁹⁰ The Department was clear from early in the process that the Single Funding Formula “does not equate to there being a single rate of payment”, and it stated that variations in unavoidable costs in different areas and between providers meant that a single rate of payment to all providers would be neither fair nor reflective of their needs in covering the costs of the free entitlement.⁹¹

54. Some representatives of the PVI sector agreed that the new formulae did not necessarily lead to any clear gain in the financial position of their providers. Save Our Nurseries⁹² believed that specialist PVI providers would be “disproportionately hit” by the new formulae,⁹³ and the Montessori Schools Association told us that “formula funding will not meet present staffing costs, let alone the full cost per place when on-costs of rent, heating, lighting, etc. are added in”.⁹⁴ **Although we believe that only a minority of private, voluntary and independent providers—chiefly those with highly qualified staff—will actually lose out through introduction of the Single Funding Formula, it will not provide the significant boost to the stability of private, voluntary and independent sector enterprises which some had anticipated. This was not, however, the purpose of the Single Funding Formula.**

The consequences of redistribution for the maintained sector

55. It was put to us very strongly that the consequences of the redistribution of funding could be devastating for some maintained settings, particularly maintained nursery schools. Early Education told us that “many of those working in the maintained sector are reporting that they are increasingly being threatened with closure or significant budget cuts—many with immediate effect”.⁹⁵ It supplied us with summaries of the damaging impact of the proposed local funding formulae upon 26 maintained nursery schools;⁹⁶ and in oral evidence, the Chief Executive spoke of maintained settings losing between 20% and 35% of their budgets.⁹⁷

56. This general theme recurred constantly in submissions to the inquiry from maintained nursery schools, and closure was a fear for many.⁹⁸ The NUT reported concerns that “in Birmingham there is a very real worry that measures being proposed will close most of the

90 Q 8; also Jean Ensing Q2; also Bollin Primary School, EYFF 7, for an example of the measure of losses; also Fran Munby, EYFF 20, Chichester Nursery School, Family and Children’s Centre, EYFF 30, paragraph 2.6

91 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 2.1

92 An organisation campaigning for the suspension of the proposed Code of Practice on the Provision of the Free Early Education Entitlement for 3 and 4 year olds until a full assessment of the likely impact has been made.

93 EYFF 40, paragraph 4

94 Montessori Schools Association, EYFF 24, paragraph 2.1. See also memorandum from Diana Rose, EYFF 32

95 Ev 15

96 EYFF 02 Appendix

97 Q 8

98 Aclet Close Nursery School, EYFF 04; Willow Nursery School, EYFF 09

27 nursery schools”;⁹⁹ and one maintained nursery school in the city told us that it was facing a fall of £156,000 in funding.¹⁰⁰ Sheffield City Council told us that “our three stand-alone nursery schools will receive significantly less funding via the new formula. The highest loss for any single nursery school (before transitional funding) is £104,000 or 30% of its delegated budget”.¹⁰¹ Other annual losses cited in evidence were £59,000 (Flatts Nursery School),¹⁰² £100,000 (McMillan Children’s Centre and Nursery School, Hull)¹⁰³ and £132,878 (Brentwood Early Years Centre, Wirral).¹⁰⁴ An early years officer at Oxfordshire County Council described the potential loss of funding to maintained nursery schools as “disastrous”.¹⁰⁵

57. We were presented with some stark examples. Jean Ensing, Chair of Governors at Bognor Regis Nursery School and Children’s Centre (a maintained setting) told us that the rate being offered by the local authority under the new funding formula was £4.92 per hour and that her school stood to lose 52% of its overall funding—almost £100,000—if the funding reform went ahead.¹⁰⁶ The headteacher at the school listed the likely consequences, which included:

- Redundancy or a cut in hours for eight staff;
- 20 fewer part-time places for children;
- A risk of full or partial closure of the integrated daycare provision;
- Fewer rooms in use, as there would be fewer supervisory staff;¹⁰⁷
- A move to short-term contracts for some staff, with less likelihood of children having a consistent key worker throughout their time at the school as a result; and
- No employment of specialist teaching assistants to support inclusive practice with children who have special needs or who have English as an additional language.¹⁰⁸

58. Other nursery schools reported that they would have to lose staff, with an inevitable impact on quality.¹⁰⁹ In some cases, the head teacher would need to fill the gap, taking on a teaching role with children at the expense of leadership duties.¹¹⁰ However, not everyone accepted that the damaging impact on maintained nursery settings was widespread: one

99 EYFF 13, paragraph 62

100 Memorandum from Fran Munby, Headteacher at St Thomas Children’s Centre Nursery, EYFF 20, paragraph 3.1

101 Ev 30

102 EYFF 16

103 EYFF 19, paragraph 2

104 EYFF 33: figure is for “deficit” in 2011–12.

105 EYFF 27, paragraph 2

106 Q 2 and 19

107 This might also limit use of the garden: see Q 25

108 Ev 14

109 Aclet Close, EYFF 04, Warrender Primary School, EYFF 05, Willow Nursery School, EYFF 09, McMillan Children’s Centre and Nursery School, EYFF 19, Bordesley Green East Nursery and Children’s Centre, EYFF 21, Horsham Nursery School, Children and Family Centre, EYFF 38, Headteacher of Walkergate Early Years Centre, EYFF 51

110 Aclet Close Nursery School, EYFF 4; Warrender Primary School, EYFF 5

written submission claimed that only a small number of maintained nursery classes would lose out significantly under the new formula.¹¹¹

The Department's response

59. The Department anticipated that the most significant implications of the change would be for maintained sector providers “particularly ... where settings have been running with spare capacity”.¹¹² In guidance issued on 28 October 2009 to Directors of Children’s Services in all local authorities with maintained nursery schools, the Department observed that some schools had “received consultation papers showing them likely to receive over £40,000 (in one instance over £160,000) less funding in total than they had received under last year’s formula allocation”. The Department warned that “this type of difference should be cause for alarm. Either a school has been massively overfunded in the past ... or the new funding formula is missing something fundamental. It is more likely that it is the latter”.¹¹³

60. In a cover letter accompanying that guidance on 28 October 2009, the Minister for Children, Young People and Families, the Rt Hon Dawn Primarolo MP, said:

I place a strong importance on ensuring that the funding of [maintained nursery schools] remains viable and that they can continue to deliver the same high standards of provision ... The single funding formula should not be used as a vehicle to close, or close by strangulation, good quality nursery school provision. The presumption against the closure of nursery schools remains, even if the means of funding them is changing”.¹¹⁴

She asked all local authorities with maintained nursery schools to:

look particularly carefully at their proposals for the Early Years Single Funding Formula and consider the effects of the proposals on the nursery schools as a priority over the autumn consultation period, and make necessary amendments to formula and transitional arrangements in time for full implementation.¹¹⁵

Although the tone of the Minister’s letter was welcome, the NUT described her intervention as “too little too late”, noting that “many local authorities are well advanced in their plans and had already published their Early Years Single Funding Formula proposals for consultation before the letter was received”.¹¹⁶

61. We welcome the Minister’s clear signal, in her letter of 28 October 2009 to local authority directors of children’s services, that good quality nursery schools should not be forced into closure by the Single Funding Formula. We believe that it was no

111 Essex Early Years Development and Childcare Partnership, EYFF 43

112 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 1.10

113 Guidance: The Early Years Single Funding Formula for Maintained Nursery Schools, DCSF, October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform>)

114 Letter from Rt Hon Dawn Primarolo MP to Directors of Children’s Services, 28 October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform>)

115 Letter from Rt Hon Dawn Primarolo MP to Directors of Children’s Services, 28 October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform>)

116 National Union of Teachers, EYFF13, para 60

accident that her letter was prepared just as the Committee was announcing that it would take oral evidence on the effects of the Formula. Although the letter may have come too late to influence local authorities implementing the Formula in April 2010, we encourage local authorities aiming for implementation in 2011 to reassess their formulae in the light of the Minister's letter and to find ways of improving prospects for the sustainability of their maintained nursery schools.

The consequences: flexibility and choice

62. The Government recognises that, for many providers, the move from 'sessional' provision, often in blocks of time in either the morning or afternoon, to more flexible 'wraparound' provision "represents not only a significant culture change but also some real practical and sometimes financial barriers".¹¹⁷ These might include the need to recruit extra staff (for instance for cover through lunch hours), limits to the availability of premises, an increase in staff time in drawing up staff rotas and in billing parents (because of the greater variety of patterns of take-up), and contractual limits to the number of "contact hours" which teachers in maintained settings may have with children.¹¹⁸

63. The Government strongly encouraged local authorities to offer incentives to providers "to deliver the entitlement in patterns that are more responsive to parental demand".¹¹⁹ Cambridgeshire County Council supplied us with a copy of its proposed single funding formula, which included a highly sensitive flexibility supplement, with a scale of six different payment premiums being awarded according to the level of flexibility offered.¹²⁰ Yet, according to a data collection exercise carried out by the Department in November 2009, only a minority of local authorities have chosen to offer a flexibility supplement. Those that have done so have based the supplement on factors such as session length, opening hours or "stretched provision" over more than 38 weeks of the year.¹²¹

64. In evidence to this inquiry, there was little sign of any appetite among providers to increase the availability of 'wraparound' or flexible education and care where it was not already offered. In fact, some maintained settings warned that the new funding formula, by bringing about staffing cuts, would actually reduce their ability to provide the free entitlement flexibly.¹²² **Although the picture remains unclear, there is little evidence so far that the Single Funding Formula has encouraged greater flexibility in provision of the free entitlement to early years education and care.**

How "flexible" should the free entitlement be?

65. Absolute flexibility, with parents free to define by the hour start and finish times for early years education and care outside the home would be very difficult to administer and

117 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.6

118 Extended Flexible Entitlement for Three- and Four Year Olds: Pathfinder Evaluation, DCSF Research Report RR080A, 2009. See also memorandum from the Independent Schools Council, EYFF 46, paragraph 17

119 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.6

120 EYFF 28, Appendix 1

121 Ev 53

122 Aclet Close Nursery School, EYFF04, para 3.vi.

fund under the free entitlement. So the Government has set limits within which the free entitlement should be offered:

- No session longer than 10 hours
- No session shorter than 2.5 hours
- Not before 8.00 am or after 6.00 pm
- The full 15 hours over no fewer than 3 days
- A maximum of two providers.¹²³

The Department has defined two models for access to the flexible entitlement, which local authorities should secure as a minimum:

- Three hours a day, over five days of the week
- Five hours a day, over three days of the week

and two further models which it put out for consultation:

- Two sessions of six hours and one of three hours, over three days of the week
- One session of nine hours and two of three hours, over three days of the week.¹²⁴

66. The *de facto* session length would therefore be three hours long rather than the present 2.5 hours. In order to fit two three-hour sessions into one day so as to correspond with school hours (for parents' convenience) and allow a lunch break, some settings will need to start earlier and finish later, and lunch breaks for staff who need to clear up after a morning session and prepare the venue for an afternoon session will be constricted.¹²⁵

67. It would be possible, in theory, for a parent to use a continuous session of 10 hours on one day as part of their free entitlement of 15 hours. However, we doubt that this would be good practice. Barbara Riddell, a freelance consultant on early years education, questioned whether such a pattern of education and care would allow a child to benefit from the opportunity to make friends and establish themselves in peer groups. She also argued in favour of the consistency of a curriculum organised over five days, which she described as "by and large, better for children".¹²⁶ Jean Ensing observed that specialist help for children with particular needs (such as speech and language delay) might be available on only one day of the week and might therefore not be accessible by a child whose parents took up the free entitlement over few days of the week.¹²⁷ On the other hand, one witness suggested that while 15 hours taken in three-hour sessions over five days might be the ideal, a more

123 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraph 3.2

124 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, para 3.5

125 See memorandum from Bollin Primary School, EYFF 7, paragraph 7; also Ian Grayson, EYFF 22

126 Q 8

127 Q 8

concentrated take-up over fewer days could have an overall benefit to the child if it enabled parents to work and escape child poverty.¹²⁸

68. We accept that flexible care may suit parents; however, it risks serving the interests of the parent but not of the child. Some local authorities have put a maximum on the number of hours in a day which can be funded from the free entitlement: we were told that Peterborough City Council had set a limit of six hours, and Islington Borough Council was consulting on a similar proposal.¹²⁹ **We approve of steps taken by local authorities to ensure that take-up of the free entitlement to early years education and care is spread reasonably over the week. We believe this to be the ideal for most children, and the design of any flexibility supplement should favour such a pattern.**

The consequences: quality

Existing levels of quality

69. Maintained early years settings have a high reputation for quality, borne out by recent data from Ofsted. 58% of the 147 maintained nursery schools inspected by Ofsted between 1 September 2008 and 31 August 2009 were judged to be “outstanding” and a further 41% “good” in the overall effectiveness of their provision.¹³⁰ Local authority witnesses described maintained nursery schools in particular as “beacons of excellence”¹³¹ or as “engines developing quality provision that others can learn from”;¹³² and Jenny Spratt, Head of Early Years and Childcare Services at Peterborough City Council, said that maintained nursery schools “provide us with a really key beacon in terms of where the theory and practice of good early childhood education sit, and that can be disseminated”.¹³³ These views were echoed by others,¹³⁴ many of whom drew our attention to the findings of the Effective Provision of Pre-School Education (EPPE) project team in its Final Report, published in November 2004. The authors of the Final Report found that integrated centres and nursery school provision scored highest on pre-school quality and tended “to promote better social development even after taking account of children’s backgrounds and prior social behaviour”.¹³⁵

70. The principal reason given for the higher quality ratings in maintained settings is the level of qualifications among staff. The EPPE Project reported that the most highly qualified staff (for childcare qualifications) were in maintained settings and that centre managers with the highest qualifications (B.Ed or PGCE) appeared to be predominantly in

128 Tim Davis, Southampton City Council, Q 55

129 Q 52 and 53

130 Annual Report of HM Chief Inspector of Education, Children’s Services and Skills 2008/09, Figure 9, page 23, HC 11 (2009–10). 11 out of the 12 maintained nursery schools in County Durham were graded by Ofsted as “outstanding” at their last inspection: see memorandum from Aclet Close Nursery School, EYFF 04

131 Jamie Lang, Sheffield City Council, Q 75

132 Lesley Adams, Birmingham City Council, Q 80

133 See Early Education Ev 16; also Q 57. See memorandum from McMillan Children’s Centre and Nursery School, Hull, for an example of a maintained nursery school as a centre of practice development: EYFF 19

134 Barbara Riddell, Ev 1; memorandum from UNISON, EYFF 37, paragraph 13, NASUWT, EYFF 42, paragraph 4

135 The Effective Provision of Pre-School Education (EPPE) Project: Final Report, Sylva K., Melhuish E., Sammons P., Siraj-Blatchford I., Taggart B., November 2004, Executive Summary, page iv

nursery schools and nursery classes.¹³⁶ As we noted above, in paragraph 9, all nursery classes are required by law to have a qualified teacher.

71. Evidence from Ofsted, academic research and local authorities is overwhelming: the quality of early years education and care offered by maintained nursery schools is almost invariably very high indeed. The standards set are there for others to follow, and they should not be put at risk by implementation of the Single Funding Formula.

72. Good quality provision is by no means exclusive to maintained settings. Claire Schofield, representing the National Day Nurseries Association, maintained that “two thirds of private and voluntary nurseries are good or outstanding” and that quality of provision was improving. The Montessori Schools Association told us that 88% of its 630 member schools had been graded by Ofsted as “outstanding”.¹³⁷ Ofsted judged 67% of childcare providers on non-domestic premises (such as day nurseries, pre-school and playgroups) in 2008–09 to be either good or outstanding in their overall effectiveness.¹³⁸ Changes over time in Ofsted’s presentation of data in HM Chief Inspector’s Annual Reports make direct comparison with performance in earlier years difficult; but the 67% figure is higher than that achieved individually in 2006–07 either by full day care providers or by sessional day care providers.¹³⁹ It should be noted that different frameworks are used by Ofsted in assessing maintained and non-maintained settings.

73. In 2008, 4% of staff in full day care and in sessional settings held a Level 6 qualification¹⁴⁰ but 62% and 51% respectively held a Level 3 qualification.¹⁴¹ In each case these figures were either equal to or slightly higher than those for 2007. Figures for staff in maintained nursery schools in 2008 were 22% (Level 6) and 42% (Level 3).¹⁴² Many staff in maintained early years settings are required to hold higher qualifications such as a PGCE (for qualified early years teachers).

Government policy on improving quality

74. The Government has taken steps to improve the quality of settings in the private, voluntary and independent sector. It intends that, by 2015, those leading full daycare settings should hold Early Years Professional Status, described by the Children’s Workforce Development Council as “a graduate award based on a set of professional standards, similar to Qualified Teacher Status”.¹⁴³ We note that the Government is considering making this a statutory requirement, alongside a requirement that all early

136 EPPE Project Final Report, Section Five

137 EYFF 24, paragraph 1.1

138 Annual Report of HM Chief Inspector of Education, Children’s Services and Skills 2008/09, Figure 5, page 18, HC 11 (2009–10).

139 Annual Report of HM Chief Inspector of Education, Children’s Services and Skills 2006/07, Figure 1, page 15, HC 1002 (Session 2006–07)

140 Level 6 is equivalent to an Honours degree (for example a BA in Early Childhood Studies)

141 Level 3 is equivalent to A level, Vocational A level (Advanced GNVQ) or Level 3 NVQ

142 Childcare and Early Years Childcare Providers Survey 2008, DCSF Research Report, September 2009, DCSF-RR 164, Table 6.2a (Staff qualifications held by all paid staff—childcare providers)and Table 6.3 (Staff qualifications held by all paid staff—Early years providers). Figures indicate the level of the highest qualification held

143 Memorandum by Children’s Workforce Development Council to the Committee’s inquiry into the Training of Teachers: Fourth Report from the Committee, Session 2009–10, Training of Teachers, HC 275-II, Ev 354

learning and childcare workers have a full and relevant Level 3 qualification by 2015.¹⁴⁴ The Department also makes available to local authorities a Graduate Leader Fund (worth £305 million over the 2008–09 to 2010–11 period), which may be used to support providers in developing, attracting and retaining staff with Early Years Professional Status.¹⁴⁵ Nina Newell¹⁴⁶ accepted that the Graduate Leader Fund did help private and voluntary sector providers to pay higher rates to staff qualified to graduate level, but she argued that there was no guarantee that the Fund would continue.¹⁴⁷

75. Further funding is available under the Outcomes, Quality and Inclusion strand of the Sure Start, Early Years and Childcare Grant. The Department’s Memorandum of Grant setting out conditions for the release of this funding states that local authorities should use this element of the Grant “to support practitioners, including childminders, to raise the quality of their delivery of the Early Years Foundation Stage (EYFS)”. In part, that would be achieved “through the support and challenge of Early Years Consultants”.¹⁴⁸

76. Claire Schofield, Director of Policy, Membership and Communications for the National Day Nurseries Association pointed out that funding was needed to improve quality in PVI settings. She told us that “low funding caps salaries and the way that you can reward your staff, so if we want graduate leadership, which we do—we want everybody more highly qualified working in nurseries—that needs to be funded appropriately”.¹⁴⁹ Typical hourly rates of pay being offered for vacancies in PVI settings, as advertised in *Nursery World* at the time of the inquiry, were £9 per hour for a nursery manager and £6 per hour for Level 3 staff.¹⁵⁰ Barbara Riddell suggested that rates of pay in the maintained sector could be as much as two and a half times higher,¹⁵¹ and the Federation of Small Businesses told us that PVI settings, having trained staff, struggled to retain them as they were attracted to jobs in the maintained sector “at far higher salaries”.¹⁵²

Improving quality through the Single Funding Formula

77. The Department’s practice guidance on implementation of the single funding formula noted that “the pilot authorities who most successfully incentivised quality through their early years single funding formula did so through the use of a quality supplement”. It continued: “All local authorities should strongly consider including a quality supplement to reward providers who demonstrate strengths or efforts to raise quality”.¹⁵³ We took evidence from local authorities which had established quality supplements or were

144 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.5

145 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, section 4

146 Area Manager for the Pre-School Learning Alliance

147 Q 21

148 <http://www.dcsf.gov.uk/everychildmatters/research/publications/surestartpublications/1925>

149 Q 2

150 A nursery manager’s responsibilities would be likely to include the daily running and administration of the nursery. Level 3 staff would include nursery nurses, who would typically assist qualified teachers in nursery, infant or primary classes

151 Q 21

152 Colin Willman Q 21

153 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.5

proposing to do so, using staff qualifications as an indicator.¹⁵⁴ Peterborough City Council had devised two forms of quality supplement, one reflecting levels of staff qualifications and another to reflect the undertaking of a quality assurance programme.¹⁵⁵

78. We were astonished to learn of local authorities that had not incorporated any quality supplement into their funding formula. In one case, which came to light in oral evidence, providers could not agree on a suitable measure: maintained providers wanted to use staff qualifications as a yardstick but PVI settings were opposed and preferred to use Ofsted gradings.¹⁵⁶ The result of the stand-off was that there was no quality supplement at all.¹⁵⁷ However, this proved not to be an isolated case: in a data collection exercise undertaken by the Department, 61 out of 126 returns from local authorities (48%) reported no quality supplement.¹⁵⁸ We were told that one local authority had decided against offering a quality supplement because there was “no clear method of measuring quality”: it was reported to have taken the view that “staff training and qualifications could be measured but would be costly”.¹⁵⁹ Other local authorities have set low hourly rates for their quality supplement. One nursery school reported a rate of 10 pence per child per hour; the total gain for the school concerned was £3,500 per year, which did little to acknowledge the costs of employing highly qualified staff.¹⁶⁰ Another local authority proposed supplements to recognise qualifications above Level 3 only when held by the setting’s leader.¹⁶¹

79. The Department observed that “a significant number” of local authorities which had not managed to reach agreement over criteria for a quality supplement nonetheless intended to introduce one in future “as part of the iterative process of developing their formula”. It also noted that some authorities had decided not to include a quality supplement as “they considered quality to be built into their system to such a degree that an additional supplement was not necessary.”¹⁶²

80. Whatever the stated purposes of the Early Years Single Funding Formula, it is unacceptable for a local authority not to use it to try to stimulate improvement in quality of early years education and care. As Nina Newell told us, “the whole point is to close the gap, and it has been proved that a quality provision does that”.¹⁶³ Every local authority should include a quality supplement in its single funding formula, and the level of that supplement should be credible and not minimal. We recommend that the Department specify in future guidance to local authorities that a quality supplement is

154 Sheffield City Council, Q 83

155 Peterborough City Council, Q 43

156 Jean Ensing Q 22. See also memorandum from Sian Rees Jones, paragraph 32, Ev 15

157 The local authority concerned was still considering the introduction of a quality supplement for 2010–11. See EYFF 31, paragraph 2.4

158 Ev 52. Three local authorities returned two forms, one with a quality supplement and one without. See also memorandum from Cambridgeshire County Council, EYFF 28, paragraph 4.5

159 Memorandum from S Sowe, EYFF 29, paragraph 16

160 See memorandum from Willow Nursery School, EYFF 9, paragraph 7

161 London Borough of Harrow: see memorandum from Montessori Schools Association, EYFF 24, paragraph 1.2

162 Ev 52. See also Lucy Connolly, Q 86

163 Q 11

mandatory. At the very least, local authorities which have decided that a quality supplement is unnecessary should be challenged by the Department.

How a quality supplement should be applied

81. We acknowledge that providers will not necessarily agree on what indicator of quality should be used to trigger payment of a supplement within the single funding formula. There is also evidence of doubt about how any such supplement should be used. We were told that a lot of providers in the private and voluntary sectors wanted “an aspirational element” to the single funding formula, in order to pay for more highly qualified staff.¹⁶⁴ One local authority officer told us that it was “tricky to decide whether you give more money to your good and outstanding settings or to those that are inadequate or satisfactory”.¹⁶⁵

82. We note that the Draft Code of Practice on the Provision of Free Nursery Education Places for Three and Four Year Olds, issued for consultation in September 2009, encourages local authorities to rate providers in terms of quality, using the principles set out in the Early Years Quality Improvement and Support Programme (EYQISP) guidance issued as part of the National Strategies. The Department specifies that EYQISP ratings should be awarded after taking into account “the full local evidence base”, which might include (for example) the setting’s Ofsted rating, or participation in any local quality improvement or assurance programme. The Department proposes that where there is a surplus of free entitlement provision which is flexible, accessible and meets parental demand, free entitlement funding should be concentrated on best quality providers according to EYQISP assessments; when there is a deficit of providers rated ‘good’ or above, local authorities may fund settings with a lower rating.¹⁶⁶

83. It would be perverse for a funding formula to reward settings with highly qualified staff at a lower rate than those with less qualified staff. **We believe that a quality supplement should normally be payable to settings not on an aspirational basis but rather to those which demonstrate that a standard has been or is on the way to being achieved. Local authorities should be using funding from other sources, such as the Outcomes, Quality and Inclusion element of the Sure Start, Early Years and Childcare Grant, to improve quality in settings needing intensive or targeted support. In order to continue stimulating the recruitment and retention of graduate level staff in early years settings, the Government should not allow the Graduate Leader Fund to peter out after 2011.**

84. **Early Years Quality Improvement and Support Programme (EYQISP) ratings of early years settings are reached following a consistent process across local authorities. We believe that they would serve as good indicators of quality for the purposes of allocating a quality supplement under the Single Funding Formula.**

164 Nina Newell Q 21

165 Lucy Connolly Q 86

166 Draft Code of Practice on Provision of the Free Early Education Entitlement for 3 and 4 year olds, DCSF, September 2009, paragraphs 4.1 to 4.7

The cost implications of increased quality

85. The free entitlement is now being made available, on a pilot basis, to the most disadvantaged two-year olds. Jean Ensing pointed out that, in the case of the nursery at which she chaired the governing body, these were children with particular family problems, such as mental health problems, sudden bereavement, isolation, depression, sudden mounting debt and poverty because of unemployment.¹⁶⁷ As we noted in paragraph 9, a much lower staff to child ratio is required in settings when caring for two-year-olds, so costs of provision will be correspondingly higher,¹⁶⁸ particularly when specialist care is needed. Tim Davis, representing Southampton City Council, told us that “we are having to commission places of high quality because they are for very vulnerable two-year-olds”.¹⁶⁹ **As access to the entitlement to free early years education and care is extended to disadvantaged two-year-olds more widely, and given the possibility that such provision may in time need to be funded from the Dedicated Schools Grant or its equivalent, single funding formulae may need revision to acknowledge the cost of high quality care for two-year-olds.**

86. We also observe that one consequence of enabling the free entitlement to be taken up more flexibly is likely to be greater mobility between providers funded at different rates, which in turn will lead to much less certainty at the start of a financial year about how much Dedicated Schools Grant will be needed for early years education and care. The Single Funding Formula will itself stimulate higher payments to settings as thresholds for higher quality and flexibility payments are met. Tim Davis warned that the impact on budgets “could be quite massive” and that his local authority would “need to keep a very, very close eye on it”.¹⁷⁰ Cambridgeshire County Council also identified risks to the local authority should there be a significant shift to provision funded at higher rates.¹⁷¹ **We draw the Department’s attention to the possibility that the cost to local authorities of early years provision may rise significantly if quality levels rise and parents make more use of high-cost provision under the free entitlement.**

The consequences: availability

Availability of the free entitlement at PVI settings

87. Widespread availability of the entitlement to free early years education and care cannot be achieved without PVI providers, which operate the majority of settings. Unless the education and care provided by those settings is given on a voluntary basis or is funded by charitable income, PVI providers need to cover their costs through fees charged to parents, combined with income from local authorities to honour provision of the free entitlement.

88. We were told that the economics of providing the free entitlement have been precarious for many PVI providers, who have found the hourly rates paid by local

167 Q 8

168 Memorandum from the Daycare Trust, EYFF 44

169 Q 50

170 Q 54

171 EYFF 28, paragraph 5.1

authorities to cover provision under the free entitlement insufficient to cover costs.¹⁷² Typically, therefore, the books have been balanced by deriving sufficient profit from fees for provision outside the free entitlement—either for children under 3 years old or for hours of care over and above the free entitlement.¹⁷³ Nina Newell, an Area Manager for the Pre-School Learning Alliance, pointed out that these were limited options for providers of sessional care, such as pre-school playgroups, which might only be able to open for three hours in a morning and which might have two-thirds of their children aged three and above. In such cases, the setting was in effect capped as to the amount of income it could generate.¹⁷⁴

89. The Federation of Small Businesses conducted a survey of PVI nurseries in February 2009: 84.6% of 274 respondents said that the level of funding for the free entitlement was insufficient to cover the cost of provision, and 58% said that extending the free entitlement to 15 hours would negatively affect their business.¹⁷⁵ A similar picture emerged from research commissioned by the Department to assess the extension of the early learning entitlement in pilot areas. Private providers in many local authority areas were found to be “already unhappy about the rates for the existing 12.5 hours’ free provision”, and “they did not want to deliver any additional hours at these rates”:¹⁷⁶ increasing provision of ‘free’ hours at below cost was loss-making, and it reduced the market for ‘paid-for’ hours. This was especially so for providers with highly qualified staff and consequently high staff costs. Both the Independent Schools Council¹⁷⁷ and Save Our Nurseries indicated that many PVI providers would decline to offer the free entitlement and would opt out of it entirely.¹⁷⁸ The consequences would be higher fees for parents and fewer options for those without the means to pay.

90. As we noted above, providers are barred from charging top-up fees for education and care under the free entitlement or from making access to the free entitlement conditional on take-up of ‘paid-for’ hours. The Montessori Schools Association objected strongly to the imposition of this bar, arguing that top-up fees were essential to help cover the cost of highly qualified staff.¹⁷⁹

91. The independent sector was especially unhappy with the way in which the Single Funding Formula had been modelled. The Independent Schools Councils listed a series of factors which it believed had not been taken into account, including independent schools’ inability to reclaim VAT, the higher costs of business insurance, and greater administrative overheads.¹⁸⁰ One independent early years setting argued that the local authority cost

172 See Colin Willman and Claire Schofield Q 2; also memorandum from the National Day Nurseries Association, paragraph 2.4, Ev 19

173 Claire Schofield Q 4; Daycare Trust EYFF 44

174 Q 4; Daycare Trust EYFF 44, paragraph 3

175 See memorandum from Save Our Nurseries, EYFF 40

176 Extended Flexible Entitlement for Three- and Four Year Olds: Pathfinder Evaluation, DCSF Research Report RR080A, 2009.

177 EYFF 46, paragraph 3

178 EYFF 40, paragraph 2.11. This was also noted as an option by the Montessori Schools Association, EYFF 24, paragraph 3.4; also memoranda from Diana Rose, EYFF 32, paragraph 10, UNISON, EYFF 37, paragraph 7, House Schools Group, EYFF 41, paragraph 16

179 EYFF 24, paragraph 5.0; see also memorandum from Claire’s Court Schools, EYFF 46A, paragraph 3

180 EYFF 46, paragraph 7

survey had failed to distinguish properly between different elements of the PVI sector when estimating the average hourly cost of provision in PVI settings: it suggested that the figure had been distorted by the lower operating costs of voluntary settings.¹⁸¹ Another independent school challenged the assumption made by its local authority that the costs of provision in the independent sector “were most akin to those of the maintained sector’s primary schools which have attached nursery classes”.¹⁸²

92. The Department intended that the creation of single funding formulae based on “clear and robust understandings of provider costs across the sector” would help to address anxiety among providers about whether the rates paid by the local authority would “support the sustainability of settings”.¹⁸³ To some extent, this seems to have been achieved. Colin Willman, Chair of the Education, Skills and Business Support Policy Unit at the Federation of Small Businesses, told us that many PVI providers that had been informed of the rates of funding under the new formula “do feel that it’s going to be useful for them and raise the price above the cost so they are not going to be operating at a loss in that area”.¹⁸⁴ Jamie Lang, representing Sheffield City Council, believed that PVI providers in the city “would be small winners” from the new formula, and he doubted that PVI providers would want to withdraw from offering the free entitlement.¹⁸⁵ The National Day Nurseries Association, while describing the Single Funding Formula as “not a perfect process”, was nonetheless hopeful that “it would make a difference”.¹⁸⁶

93. The free entitlement to early years education and care is available to any parent. We do not support any erosion of that universal availability through allowing providers to charge top-up fees for ‘free’ hours. Nor are we convinced that it is necessarily good economics to regard a constant element of income, such as local authority funding for early education and care under the free entitlement—even at or slightly below cost of provision—as dispensable if it provides a reliable basis for other, more profitable activity, as long as there is demand. One form of income would sustain the other. If the costs of providing the free entitlement are far exceeding the income received for it, then either providers should be re-examining those costs or they should be making a forceful case to local authorities for those extra costs to be recognised through supplements. This is particularly so for the cost of highly qualified staff.

94. It is in local authorities’ interests to ensure that provision under the free entitlement continues to be offered by a wide range of private and independent providers, who may offer the greatest degree of flexibility. Otherwise, local authorities will risk being unable to discharge their statutory duty to secure sufficient childcare for working parents.

181 Memorandum from Heathside Preparatory School, EYFF 47. The Montessori Schools Association made much the same point: EYFF 24, paragraph 1.3

182 Claire’s Court Schools, EYFF 46A, paragraph 8

183 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 2.4

184 Colin Willman Q 2. In West Sussex, for instance, the proposed formula would allow an increase in funding to PVI providers of at least 7%. EYFF 31, paragraph 1.2

185 Q 81

186 Q 2

Availability of protected places: the consequences of termly counts

95. The Department's practice guidance on implementation of the single funding formula stated in July 2009 that "there will be a requirement that, as a minimum, participation must be counted on a termly basis across all providers, but where a local authority already has systems in place that go beyond this and are more reflective of participation, they are free to continue to use such systems".¹⁸⁷ Funding will depend on those termly counts and will fluctuate accordingly, so the change will introduce instability into maintained settings' budgets.¹⁸⁸ The requirement upon local authorities to count children at early years settings termly (rather than only at the January Census and Early Years Census) also seems likely to introduce new pressures on maintained providers¹⁸⁹ to maximise participation at the start of the school year, possibly at the expense of children whose birth dates mean that they only become eligible for the free entitlement, or only become ready in developmental terms for education and care at an early years setting, later in the school year. This has already led to some anxiety at local level.¹⁹⁰

96. Maintained nurseries commonly allocate places to children in September for deferred take-up later in the school year. The justification for this is that staggered entry "facilitates the settling-in process" and allows better care of children at a lower developmental age, many of whom may have toileting issues and anxiety about separation from parents.¹⁹¹ Places are also sometimes kept open for cases of particular or unforeseen need. Jean Ensing, Chair of Governors at Bognor Regis Nursery School and Children's Centre, told us that:

We really use and need the planned places. We have referrals that suddenly come in as a result of bereavements, a parent with mental health problems, a parent going to prison, social isolation, children being found on their own or substance abuse. If we had to fill up in September and we did not have the extra space, we could not take them in.¹⁹²

97. However, under participation-led funding, no unit funding would be received for those protected places in the autumn term, even though it may be impractical or uneconomic not to employ the full complement of staff throughout the school year.¹⁹³ The Department's practice guidance on implementation of the single funding formula does permit exceptions to participation-led funding in "a very few circumstances", and it gives as an example sustainability of settings in very rural areas.¹⁹⁴ Jean Ensing was aware of this

187 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 1.8; see also paragraph 7.13

188 See memorandum from Andy Collishaw, Darlington Borough Council, EYFF 03; also memorandum from Susie Warburton, Walkergate Early Years Centre and Nursery School, Newcastle, EYFF 12, paragraph 7

189 Funding for PVI providers is already based upon termly counts

190 Mr Morphitis, Q 54; Willow Nursery School, EYFF 9, paragraph 15; also memorandum from the NUT, EYFF 13, paragraphs 48 and 49

191 Memorandum from S Sowe, EYFF 29

192 Q 27. See also memorandum from UNISON, EYFF 37, paragraph 12

193 Memorandum from S Sowe, EYFF 29, paragraph 13

194 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.11

saving, but she said that her local authority was “not choosing to interpret it” in a way which would fund protected places.¹⁹⁵

98. Strict application of participation-led funding is not in a child’s best interest if the effect is to pressure them into early years education and care prematurely. The Department should permit local authorities to fund—even if not at a full unit rate—places which have been allocated to a child whose entry has been deferred until they reach a suitable stage of development. Such arrangements should apply equally to settings in the maintained and private, voluntary and independent sectors.

Full-time places

99. Some local authorities choose to fund full-time places at maintained settings, generally for children in areas of significant disadvantage with a high proportion of families suffering social deprivation.¹⁹⁶ Many, however, plan to discontinue the practice when they implement the Single Funding Formula.¹⁹⁷ There is in fact no requirement to do so, as the Daycare Trust made clear:

Spending on the EYSFF does not have to be the only funding on early years entitlement ... It may be that local government is implementing strategic decisions about reducing the number of hours funded in early years (although not below the 15 hour requirement) and using the EYSFF as the reason, while it is perfectly valid for local authorities to fund provision over and above the 15 hours if they choose to.¹⁹⁸

Guidance attached to the letter sent by the Minister for Children, Young People and Families to local authority directors of children’s services on 28 October confirms that local authorities may continue to fund full-time places from the schools budget “provided they have a clear rationale” and on a participation-led basis.¹⁹⁹ We are aware of at least one local authority which has chosen to do so.

100. It is not entirely clear whether local authorities which have decided not to continue funding full-time early years places did so because they thought that the Single Funding Formula prevented it in some way or whether they judged that it was a justifiable economy.²⁰⁰ Either way, it has caused alarm among schools which are not confident that there is enough demand locally for the number of part-time places which would need to be filled in order to compensate for the loss of full-time places.²⁰¹ The NUT said that the

195 Q 8

196 See memorandum from the National Association of Head Teachers (NAHT), EYFF 24, paragraph 7; also Gillian Leonard, in relation to Walkergate Early Years Centre, EYFF 6, and McMillan Children’s Centre and Nursery School, Hull, EYFF 19, paragraph 8

197 For instance Trafford Borough Council (see EYFF 7 from Bollin Primary School), Birmingham City Council (see EYFF 20 from the Head Teacher at St Thomas Children’s Centre Nursery)

198 Memorandum from the Daycare Trust, EYFF 44, paragraph 9

199 Guidance: The Early Years Single Funding Formula for Maintained Nursery Schools, DCSF, October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform>)

200 See memorandum from the National Association of Head Teachers, EYFF 26, paragraph 7

201 Memoranda from Gillian Leonard, in relation to Walkergate Early Years Centre, EYFF 6, Susie Warburton, EYFF 12, paragraph 6, Fran Munby, EYFF 20, paragraph 3.2

Formula did “not provide sufficient flexibility for local authorities to continue with this practice, however much they might wish to”.²⁰² However, we believe that it is more a matter of local priorities than of flexibility under the Single Funding Formula. **Local authorities may be perfectly justified in deciding that they can no longer afford to fund full-time early years education and care, but they should not portray the cessation of funding as a direct consequence of the Early Years Single Funding Formula.**

202 EYFF 13, NUT, paragraph 25

5 Should the Government proceed with the Single Funding Formula?

The principle

101. The Minister for Children, Young People and Families gave evidence to us in December 2009, at a time when there was a great deal of uncertainty about the Single Funding Formula. She recognised that the implementation process had been difficult and that a delay was merited, but she was bullish about the principle of a single funding formula: “All of the feedback that we are getting ... is that the idea of having a single formula is the right thing, and the basic principles are the right thing”.²⁰³ Others, including representatives of providers and local authorities, also gave some support to the underlying principle, even if they had reservations about the method of implementation. The Chief Executive of Early Education, for example, saw “no problem with a single funding formula if it is equitable, if it raises the bar and particularly if it raises the quality across all sectors”.²⁰⁴ Nina Newell, an area manager for the Pre-School Learning Alliance, told us that “the feedback that I have had from providers is not that they disagree with the basic principles of the formula or that there should be transparency, but that they are concerned about the level of funding that they will ultimately receive”.²⁰⁵

102. Tim Davis, an officer of Southampton City Council with a role in implementing the Council’s single funding formula, told us that it “certainly has helped significantly to close some of the funding gaps between different providers of good quality and the maintained sector”,²⁰⁶ and he believed that it had offered a chance to replace an unsustainable method of funding PVI settings.²⁰⁷ Jamie Lang, a finance manager for Sheffield City Council, also welcomed the opportunity to introduce a more flexible and responsive formula for PVI providers.²⁰⁸ Others believed that the introduction of the formula had been a lever for quality improvement²⁰⁹ and had enabled PVI providers to strive to develop the quality of their provision.²¹⁰

103. This positive view of the Single Funding Formula was not universally shared. Some challenged the principle, describing the Formula as “a poorly thought out, irresponsible initiative”,²¹¹ or as “based on false assumptions”,²¹² or as “unsustainable for all”.²¹³ Barbara Riddell, an early years consultant, maintained that it was a myth to assume that, because

203 Q 109. See also memorandum from London Councils, EYFF 18, paragraph 3

204 Q 9

205 Q 11

206 Q 48. See also Mr Morphitis Q 48

207 Q 44

208 Q 74

209 Jenny Spratt Q 44

210 Lucy Connolly Q 103

211 Headteacher, Willow Nursery School, Dunstable, EYFF 09, paragraph 17

212 Independent Schools Council, EYFF 46, paragraph 21

213 Save Our Nurseries, EYFF 40

children in every early years setting were exposed to the same Early Years Foundation Stage curriculum, a single funding formula should be applied throughout, when in fact the child's experience in a childcare setting would be very different from that in an educational setting.²¹⁴ The NUT argued that the Single Funding Formula was fundamentally flawed as it “does not actually reflect the true costs of high quality provision but seeks to reduce all provision to a minimum standard, rather than genuinely rewarding and incentivising quality”.²¹⁵

104. It is widely accepted that “early years education and care” covers very many things, from informal home-based childcare to education in a school environment, and from care provided by someone with few formal qualifications to guided development provided by highly skilled and qualified staff with many years' experience. **While the Early Years Single Funding Formula may have its faults, it can, if the underlying principles are applied carefully and consistently, be sufficiently versatile to fund all settings sustainably and in a way which respects and rewards the varying provision offered. It is undeniably more transparent than the unco-ordinated methods which it replaces. If greater stress is placed in future on using the Single Funding Formula as a way to improve and reward quality of early years provision, it should develop that provision over time in a way which brings substantial long-term benefits for children and parents. We do not believe that the concept of the Single Funding Formula is flawed.**

105. **A great deal of work has been done by local authorities to prepare single funding formulae: that work should not be abandoned without very good reason. Given the advantage of greater transparency, and the work done so far in gaining a greater understanding of costs and the economics of operating an early years setting, we believe that the Government, local authorities and providers should continue to work towards implementation of the Early Years Single Funding Formula throughout England.**

Implementation: timetable and process

106. The introduction of the Early Years Single Funding Formula has been difficult both for local authorities and for providers—perhaps rather more difficult than was generally foreseen.²¹⁶ Although the timetable for implementation seemed generous (and some witnesses assured us that they had been content with it),²¹⁷ it proved to be impossibly tight for others. Some local authorities were clearly struggling to produce and secure agreement on a viable formula in the time available, and even some of those that did succeed in doing so would have welcomed more time. Lesley Adams, Head of Integrated Services for Children and Families at Birmingham City Council, told us that she “would have liked to have had better, longer conversations with all of the sectors” and had felt “very rushed”.²¹⁸ The Montessori Schools Association, in a written submission prepared before the decision to postpone full implementation had been made, concluded that the arrangements for the

214 EYFF 01 and Q 1

215 EYFF 13, paragraph 65

216 See memorandum from NCB Early Childhood Unit, EYFF 23

217 Mr Lang, Ms Connolly Q 95

218 Q 103

Early Years Single Funding Formula were “too uncertain and variable to enable the scheme to operate effectively from April 2010”.²¹⁹

107. Although the introduction of the Single Funding Formula is inextricably linked with the extension of the free entitlement from 12.5 to 15 hours, the conjunction of these two changes has been problematic.²²⁰ The Minister herself accepted this.²²¹ Lesley Adams described the timing as “a great shame” and said that difficulties with the implementation of the new formula had distracted council staff from discussions on the extension of the free entitlement, which was in itself “quite exciting and challenging”.²²² For maintained providers faced with the consequences of moving to funding by participation rather than by places, the impact has been especially severe. Jean Ensing, Chair of Governors at Bognor Regis Nursery School and Children’s Centre, described the combination of policy changes as “like being in a box and all the sides are coming in”.²²³

108. Another factor which frustrated progress was the mixed record of local authorities and providers in establishing a fruitful working relationship. The Government noted that engaging fully with providers had been a challenge for the pilot authorities, and it advised that “key learning points [from the pilots] have been that it is essential to persevere ... to help the different providers to understand the needs and aims of other sectors and to demonstrate progress and build trust”.²²⁴ This would suggest that local authorities’ efforts to engage with providers were often not reciprocated; and we have already noted the poor response from many providers to local authorities’ attempts to undertake surveys of the costs of offering the free entitlement. **Whatever the reasons why many providers did not become engaged with the Single Funding Formula—and it may be that in many settings staff did not feel confident or able to spare the time to engage—we do not believe that local authorities should bear sole responsibility for that failure.**

109. **Given the difficulties faced by local authorities and early years providers in achieving such a major reform, the Government was correct in deciding not to press ahead with the introduction of the Early Years Single Funding Formula by all local authorities in April 2010. We suspect that the Committee’s inquiry helped to focus minds on this decision. The year’s delay in full implementation must be used to settle nerves and restore some stability in the sector, and to rework funding formulae where necessary. We welcome the chance for pathfinder local authorities to disseminate good practice.** We say more about review of formulae below, at paragraph 125.

219 EYFF 24, paragraph 4.1

220 See memoranda from NAHT, EYFF 26, paragraph 10; Maggie Smith, EYFF 27, and West Sussex County Council, EYFF 31, paragraph 2.7

221 Q 108

222 Lesley Adams Q 96

223 Q 8

224 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, section 5

Safeguarding early years provision

Scope within existing funds

110. The main risk to be addressed before full implementation of the Single Funding Formula, in our view, is to the viability of maintained nursery schools which are of good or outstanding quality and which support other providers. Some local authorities have gone to considerable lengths to protect their nursery schools, using whatever scope they could, within the confines of the single funding formula, to channel funds towards them. For instance, the formulae adopted by Sheffield City Council and by Cambridgeshire County Council include an additional factor, applicable only to maintained nursery schools, allocating them a fixed lump sum towards headteacher salary costs.²²⁵ Southampton City Council adopted a variant of this approach to funding its maintained nursery school which also serves as a children's centre: an hourly base rate of funding was set which was some way short of hourly costs, but that base rate was complemented by payments for other services commissioned separately from the children's centre.²²⁶

111. Another option may be federation or treating a nursery school as a hub for provision of other services. The Minister for Children, Young People and Families wrote to local authority directors of children's services in October 2009 suggesting that "where it makes sense to look at structural solutions, e.g. federation, to support the ongoing viability of maintained nursery schools, then sensitive consideration should be given to that in the longer term".²²⁷ However, one consequence would probably be the loss of a dedicated, specialist headteacher to lead strategy and direction, described in one written submission as being "one of the main advantages of a nursery school".²²⁸ The NUT warned that co-locations or mergers of nursery schools would lead to specialist early years teachers being replaced by people "who may have little early years or educational experience".²²⁹

112. We are also aware that local authorities have tried to stage funding reductions over a number of years, as recommended by the Government's practice guidance,²³⁰ or have allocated transitional funding to bridge the gap.²³¹ Maintained nursery schools will not necessarily be the only beneficiaries of such an approach. Sheffield City Council has put in place extra funds to ensure that no provider loses more than £5,000 in the first year of the new formula.²³² According to the data collected by the Department from local authorities in November 2009 on their plans for implementation of the single funding formula, 42 out of the 104 local authorities which had provided relevant information expected to have transitional arrangements in place for three years or more. Eight local authorities were

225 Ev 31. See also memoranda from Cambridgeshire County Council, EYFF 28, paragraph 4.3, Bob Thompson in relation to Bedfordshire, EYFF 45, paragraph 15, and from Andy Collishaw, Darlington Borough Council, EYFF 03, paragraph 3

226 Q 43

227 Guidance: The Early Years Single Funding Formula for Maintained Nursery Schools, DCSF, October 2009 (available at <http://www.dcsf.gov.uk/everychildmatters/earlyyears/fundingreform/fundingreform/>), paragraph 7. See also Q 121

228 Memorandum from Headteacher of Willow Nursery School, Dunstable, EYFF 9, paragraph 8

229 EYFF 13, paragraphs 19 and 21

230 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF July 2009, paragraph 8.1

231 For instance, Walkergate Early Years Centre, a maintained nursery school in Newcastle, told us that it would receive transitional funding for two years: EYFF 51, paragraph 3

232 Ev 30

planning for transitional arrangements to be in place for fewer than three years; 29 would definitely have transitional arrangements but had yet to decide the details; but 25 said that they had no plans for transitional arrangements at all.²³³

A greater share of Dedicated Schools Grant for early years?

113. There are limits to what can be achieved without increasing the share of Dedicated Schools Grant allocated to early years education and care, and the Pre-School Learning Alliance told the Committee that if no extra money was available, “the consequences are that if you are going to pay Peter you have to rob Paul”.²³⁴ Darlington Borough Council likewise suggested that “it is almost impossible to ensure that maintained settings do not get a reduction in funding, introduce parity in the funding of all settings, introduce a deprivation factor, all within existing resources”.²³⁵ Others made similar points.²³⁶

114. Some witnesses suggested that allocating a larger proportion of the Dedicated Schools Grant (DSG) to early years provision was the only means by which local authorities could implement the Single Funding Formula and deliver the policy objectives set out for it. Tim Davis, representing Southampton City Council, told the Committee:

One thing that helped make a difference in making it smoother in Southampton ... was that we identified early on to our Schools Forum that to do it properly without big negative consequences would cost a larger share of the Dedicated Schools Grant. We communicated that as soon as we took part in the pilot.²³⁷

He subsequently added:

If any authority is trying to deliver the single funding formula and the policy drivers behind it, without taking a larger share of the Dedicated Schools Grant, it will be difficult because it will probably have to undermine some of its more expensive provisions. I cannot think how you would do it within the same envelope otherwise.²³⁸

115. Any such increase in the proportion of Dedicated Schools Grant allocated to early years provision has to be justified and argued at the local Schools Forum against competing demands from the primary and secondary education sectors: that process was described by one witness as “a challenge”,²³⁹ and there were fears that the quality of learning at Key Stages 1 and 2 could ultimately be compromised.²⁴⁰ Sheffield City Council nonetheless intended to follow this route,²⁴¹ and Birmingham City Council had reached the conclusion

233 Ev 54

234 Nina Newell Q 2

235 Memorandum from Darlington Borough Council, EYFF 03, paragraph 5

236 See for instance Lesley Adams Q 66.

237 Q 39

238 Q 50

239 Nina Newell Q2

240 Memorandum from the NASUWT, EYFF 42, paragraph 22

241 Q 83. See also Lucy Connolly Q 86 and Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 7.7

that more funding from the Dedicated Schools Grant would be needed “in order to do everything we are being asked to do and keep nursery schools open”. However, it had yet to seek final agreement from the Schools Forum.²⁴² At a time when schools’ budgetary constraints are expected to become much tighter, such negotiations will become harder. **The prospect of an increase in funding for early years provision being met by a corresponding decrease in funding for primary or secondary school provision is not attractive, although this is largely a matter for local determination. Nevertheless, there is compelling evidence to show that a child’s experience in its first years is key to its development, and we believe that the Government should re-iterate to local authorities the primary importance of properly funded early years provision.**

116. However, in our opinion, the time has come for the Government to re-examine the boundary between early years funding and primary education funding. Little mention was made in evidence of the possible consequences of the recommendation by Sir Jim Rose, in his Review of the Primary Curriculum, that “the preferred pattern of entry to reception classes should be the September immediately following a child’s fourth birthday ... subject to well-informed discussion with parents”.²⁴³ In making this recommendation, Sir Jim sought to reduce what he described as “considerable physical, cognitive, social and emotional differences” between children starting school, in particular those that might be related to age differences. We did not support this recommendation when first presented in Sir Jim’s Interim Report, published in April 2009;²⁴⁴ but it was accepted by the Government nonetheless and the School Admissions Code has been revised to reflect the change. However, the NUT pointed out that Sir Jim’s proposals would reduce significantly the number of four year olds receiving the free entitlement and hence the funding which settings would receive.²⁴⁵

117. It seems to us that all early years settings face a drop in the number of four-year-olds taking up places. In some areas, strong competition for places at popular primary schools could make this decrease quite marked. Furthermore, four year olds who might currently be funded ‘part-time’ from the free entitlement will be funded ‘full-time’ either from individual schools budgets (for children entering primary school) or from early years budgets (for children whose parents choose for them to remain at an early years setting until they reach statutory school age). We note that the Government has committed to funding full-time provision (up to 25 hours) for children in the latter category.²⁴⁶

118. Constraints on public spending and difficult financial times lie ahead. If the Government’s policies lead to greater take-up of the entitlement to free early years education and care, and to full-time rather than part-time funding for four-year-olds, at public expense, the Government should make a commitment to extra long-term core funding to allow for those extra financial demands.

242 Q 84 and 85

243 Independent Review of the Primary Curriculum: Final Report, December 2009, Recommendation 14

244 Fourth Report from the Children, Schools and Families Committee, Session 2008–09, National Curriculum, HC 344-I, paragraph 69

245 EYFF 13 paragraph 4

246 Implementation of the Early Years Single Funding Formula: Practice Guidance, DCSF, July 2009, paragraph 8.1.2

119. The implementation of Sir Jim Rose’s proposals to encourage entry to primary school in the September following a child’s fourth birthday will have far-reaching consequences for early years funding. The distinction between early years and primary education is being blurred: some four-year-olds will be in school while others will be in early years settings. The former will be funded by local authorities according to the schools funding formula, the latter through the early years single funding formula. We question whether this is fair or logical, and **we recommend that the Government examine whether a unified funding system should be introduced for all children aged from 2 to 11 years old.**

Local inconsistencies

120. There is no single early years funding formula; each of the 152 local authorities has designed its own formula after a process of consultation and refinement. The result has been huge variation in hourly base rates and supplementary rates. The Department’s data collection exercise in November 2009 indicated base rates ranging from £0.18 to £8.35 per hour, with a median hourly rate of £3.50.²⁴⁷ It should be borne in mind that the Department’s guidance on implementation of the formula advised that setting a low base rate and allocating a high proportion of funding through supplements was a perfectly valid approach,²⁴⁸ and a minority of local authorities chose this option.²⁴⁹

121. Even within the limited sample of local authorities which gave oral evidence to us, the mandatory supplement payable to acknowledge deprivation ranged from 15 pence per hour in Sheffield to as much as £1.05 per hour in the most deprived areas of Hertfordshire.²⁵⁰ The Department recorded a median deprivation supplement per child per hour of £0.20 per hour, although one authority had set a maximum hourly rate of £3.07. The proportion of early years funding budget allocated to deprivation supplements ranged from 0.1% through an average of 3% right up to 22.1%.²⁵¹

122. We were told that one local authority was proposing to eschew optional supplements altogether on the grounds that they were “complex, costly and uncertain”.²⁵² By contrast, another authority—Hampshire County Council—was reported to be proposing a flexibility supplement with a four-level scale of payment, a quality supplement with a four-level scale of payment, and a deprivation supplement with a five-level scale.²⁵³

123. This variety is both a strength and a weakness in the Single Funding Formula. In theory it will allow funding to respond to local priorities and greatest need, and decisions on the design of the formula are locally accountable.²⁵⁴ On the other hand, inconsistencies between local authorities in their approach have led to discontent and claims that local

247 Ev 50

248 Implementing the Early Years Single Funding Formula: Interim Guidance, DCSF July 2008, paragraph 6.3

249 Ev 50

250 Q 102 and Ev 39

251 Ev 51

252 See memorandum from S Sowe, EYFF 29

253 Memorandum from the Montessori Schools Association, EYFF 24, paragraph 3.1

254 See memorandum from NCB Early Childhood Unit, EYFF 23

authorities have interpreted Departmental guidance differently.²⁵⁵ Certainly, we are aware from constituencies of cases where flexibility inherent within the Government's guidance seems to have been ignored or overlooked. There is also evidence of anomalous hourly rates. One witness claimed that in some local authority areas the highest hourly rate being proposed was for childminders:²⁵⁶ on the face of it, this seems extraordinary, although it is likely that the base rate would be complemented by supplements favouring other forms of provision, for instance by recognising the costs of qualified staff.

124. Inconsistencies between local authorities' base hourly rates and their approaches to supplements for funding early years settings are not necessarily a bad thing: they may merely show necessary sensitivity to local circumstances and needs. However, there have clearly been some wayward and potentially damaging decisions by local authorities, and Departmental guidance appears to have been interpreted differently in some cases. We note the Department's advice that each single funding formula "will need to be kept under review as a matter of good practice", especially in the first few years.²⁵⁷ Local authorities are also required to make their early years single funding formulae widely available once finalised: besides allowing providers an opportunity to comment, it will also allow easy external comparison.

125. However, the implications of the Early Years Single Funding Formula are so far-reaching that the Government should play a part in reviewing formulae, drawing attention to anomalies and re-iterating principles where necessary. **We recommend that the Government review all early years single funding formulae—whether proposed or implemented—by the autumn of 2010. In particular, the Government should assess:**

- **The use made by local authorities of the quality supplement, with a view to making it mandatory;**
- **The supply of cost information, with a view to requiring private, voluntary and independent settings to supply that information if they are to receive payments for provision under the free entitlement;**
- **The impact on Children's Centres, to inform the development of Phase 3 centres and the evolution of Phase 1 and Phase 2 centres; and**
- **Whether local authorities are setting formulae which assume unrealistic rates of take-up.**

255 See for example, Megan Pacey, Q 8; memorandum from Headteacher of Willow Nursery School, Dunstable, EYFF 9, paragraph 10

256 Q 10

257 Implementing the Early Years Single Funding Formula: Practice Guidance, DCSF July 2009, paragraph 8.3

Formal Minutes

Wednesday 17 March 2010

Members present:

Mr Barry Sheerman, in the Chair

Ms Karen Buck
Mr David Chaytor

Paul Holmes
Helen Southworth

Draft Report (*The Early Years Single Funding Formula*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 125 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 22 March at 4.00 pm]

Witnesses

Wednesday 28 October 2009

Page

Jean Ensing CBE, Chair of Governors, Bognor Regis Nursery School and Children's Centre; **Nina Newell**, Area Manager, Pre-school Learning Alliance; **Megan Pacey**, Chief Executive, Early Education; **Barbara Riddell**, Freelance Consultant; **Claire Schofield**, Director of Membership, Policy and Communications, National Day Nurseries Association, and **Colin Willman**, Chair, Education, Skills and Business Support Policy Unit, Federation of Small Businesses

Ev 2

Tim Davis, Service Manager: Children's Data and Policy Co-ordination, Southampton City Council; **Thanos Morphitis**, Assistant Director, Strategy and Commissioning, Children's Services, Islington Borough Council, and **Jenny Spratt**, Head of Early Years and Childcare Services, Peterborough City Council

Ev 21

Wednesday 9 December 2009

Lesley Adams, Head of Integrated Services for Children and Families, Birmingham City Council, **Lucy Connolly**, Early Years Team Leader, Standards and School Effectiveness, Hertfordshire County Council, and **Jamie Lang**, Finance Manager, Schools Budget, Sheffield City Council

Ev 31

Rt Hon Dawn Primarolo MP, Minister of State for Children, Young People and Families, and **Ann Gross**, Director for Early Years, Extended Schools and Special Needs Group, Department for Children, Schools and Families

Ev 40

List of written evidence

1	Barbara Riddell	Ev 1
2	Sian Rees Jones, Headteacher and Head of Centre, Bognor Regis Nursery School	Ev 13
3	Early Education	Ev 15
4	Federation of Small Businesses	Ev 17
5	National Day Nurseries Association	Ev 18
6	Sheffield City Council	Ev 30
7	Lesley Adams, Head of Integrated Services for Children and Families, Birmingham City Council	Ev 39
8	Hertfordshire County Council	Ev 39
9	Letter to the Chairman from the Rt Hon Dawn Primarolo MP, Minister of State for Children, Young People and Families, Department for Children, Schools and Families	Ev 39: Ev 49

List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed on the Parliamentary website and in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Early Education

Andy Collishaw

Aclet Close Nursery School

Warrender Primary School

Gillian Leonard, Walkergate Early Years Centre

Bollin Primary School, Trafford

Anne Bell

Kathryn Solly, Chelsea Open Air Nursery School and Children's Centre

Dorothy Gregory

Susie Warburton

National Union of Teachers

Penny Mason

Walkergate Early Years Centre

Flatts Nursery School

Department for Children, Schools and Families

London Councils

McMillan Children's Centre and Nursery School

St Thomas Children's Centre Nursery

Bordesley Green East Nursery and Children's Centre

Ian Grayson, NUT representative, Newcastle upon Tyne

Early Childhood Unit, National Children's Bureau

Montessori Schools Association

National Association of Head Teachers

Maggie Smith

Cambridgeshire County Council

S Sowe

Chichester Nursery School, Children and Family Centre

West Sussex County Council

Diana Rose

Brentwood Early Years Centre

Trafford Council

Wirral Nursery Schools and Early Years Centres

UNISON

Horsham Nursery School, Children and Families Centre

Anne West, Jonathan Roberts and Philip Noden, Education Research Group, LSE

Save our Nurseries

House Schools Group

NASUWT

Essex Early Years Development and Childcare Partnership

Daycare Trust

Bob Thompson, Early Years and Extended Services Consultant

Independent Schools Council

Clares Court Schools Group

Heathside Preparatory School

Pete Rogers

National Childminding Association

Dee Teasdale

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2009–10

First Report	School Accountability	HC 88-I and II (<i>HC 486</i>)
Second Report	Elective Home Education	HC 39-I and II (<i>HC 423</i>)
Third Report	The Work of the Committee in 2008–09	HC 187
Fourth Report	Training of Teachers	HC 275-I and II
Fifth Report	Sure Start Children's Centres	HC 130-I and II
Sixth Report	Transforming Education Outside the Classroom	HC 418
Seventh Report	The Early Years Single Funding Formula	HC 131

Session 2008–09

First Report	Public Expenditure	HC 46 (<i>HC 405</i>)
Second Report	The Work of the Committee in 2007–08	HC 47
Third Report	Looked-after Children	HC 111-I and II (<i>HC 787</i>)
Fourth Report	National Curriculum	HC 344-I and II (<i>HC 645</i>)
Fifth Report	Allegations Against School Staff	HC 695 (<i>HC 1000</i>)
Sixth Report	Policy and delivery: the National Curriculum tests delivery failure in 2008	HC 205 (<i>HC 1037</i>)
Seventh Report	Training of Children and Families Social Workers	HC 527-I and II (<i>HC 358 of Session 2009–10</i>)
Eighth Report	Appointment of the Children's Commissioner for England	HC 998-I and II

Session 2007–08

First Special Report	Creative Partnerships and the Curriculum: Government Response to the Eleventh Report from the Education and Skills Committee, Session 2006–07	HC 266
Second Special Report	Special Educational Needs: Assessment and Funding: Government Response to the Tenth Report from the Education and Skills Committee, Session 2006–07	HC 298
First Report	Children and Young Persons Bill [Lords]	HC 359 (<i>HC 711</i>)
Second Report	The Department for Children, Schools and Families	HC 213 (<i>HC 888</i>)

Third Report	and the Children's Plan Testing and Assessment	HC 169-I and II (<i>HC 1003</i>)
Fourth Report	The Draft Apprenticeships Bill	HC 1082 (<i>HC 259 of Session 2008–09</i>)

Oral evidence

Taken before the Children, Schools and Families Committee on Wednesday 28 October 2009

Members present:

Mr Barry Sheerman (Chairman)

Annette Brooke
Mr David Chaytor
Paul Holmes

Mr Andrew Pelling
Helen Southworth
Mr Edward Timpson

Memorandum submitted by Barbara Riddell

THE MYTH OF THE LEVEL PLAYING FIELD

1. The Childcare Act 2006 effectively marked the end of a distinction between childcare and education. The language has changed. The dominant terms are childcare market and providers; not education and schools. This is a fundamental shift. The concept of the specialist nursery school and nursery teacher is disappearing. The consequences of this loss are profound and will damage the early years sector as a whole.

2. The Early Years Foundation stage curriculum applies to all settings though it is taught by staff whose qualifications range from NVQ Level 1/2 to qualified teachers with advanced degrees. Ofsted inspect all settings (although the inspection frameworks for schools and daycare are still significantly different).

3. If every child in every setting is exposed to the same curriculum this implies that every child's experience will be broadly similar. It must surely follow that a single funding formula should apply to all settings. This is the myth.

4. The educational experience is very different. Of course there are exemplary nurseries in every sector but the Ofsted data is persuasive.

5. Ofsted's 2005–08 review of all childcare and early years settings, excluding maintained schools revealed that only 3% were judged outstanding, and 57% were good. Quality was poorer in disadvantaged areas (In the thirty areas of greatest disadvantage only 54% of day care groups provided good or better childcare, compared with 63% in the rest of the country).

6. In 2007–08 the Chief Inspector of Schools noted that “nursery schools are particularly effective. 96% of those inspected are good or outstanding”. 47% of maintained nursery schools were judged outstanding.

7. Ofsted is important but there are other indices of quality and other evidence that nursery schools offer a different educational experience. EPPE, the Government's own longitudinal study of comparative effectiveness of early years settings found that maintained nursery schools have the greatest impact on children's intellectual and social development and their subsequent progress in school. The most significant factors are, unsurprisingly, the qualifications of the staff, their specialist knowledge and skills and their consistent ways of teaching young children which have been found to be particularly effective.

8. The Childcare and Early Years Providers Survey 2008 survey recently published by the DCSF records that only 2% of staff in childcare settings were qualified teachers. Only 5% of staff in childcare and 4% in sessional care (mainly playgroups) were qualified to degree level. In Nursery Schools 31% of staff are at Level 6.

9. Nursery Schools are headed by qualified teachers but in the childcare sector most nursery managers are still only qualified to NVQ Level 3.

10. Age is not an index of the quality of staff but it does reflect experience. In daycare settings 30% of staff are under 25. In Nursery Schools 5% of staff are under 25.

11. Staff turnover is also important in securing quality. In daycare settings there is an annual turnover of 16%. In Nursery Schools the figure is 6%.

12. There are differences too in the range of children who attend nursery schools. Nursery schools have admissions policies determined by their local authorities. They give priority to children in medical and social need.

13. The DCSF survey statistics confirm this. 47% of nursery schools have at least 11% of children with special educational needs (SEN). 5% of daycare settings have at least 11% of children with SEN. PVI settings are not required to have such admissions policies. Children are generally admitted on the basis of their parents' ability to pay the fees.

14. Children with a wide range of learning and behavioural difficulties require specialist support. This is typically long-established in nursery schools. Nursery schools also have a particular expertise in the teaching of young bi-lingual children. 33% of children in nursery schools are from a BME background. The figures for daycare and sessional nurseries are 15% and 11%.

15. 62% of Nursery Schools are in the 30% most disadvantaged areas of England. Many are children's centres and almost all have extensive experience of working closely with parents and supporting families. Children's learning and development is the central focus. While caring for young children they are not childcare providers. They are schools. Like other schools they are free, accountable to their governing bodies, local authorities and their local communities. They are public bodies open to public scrutiny.

16. The myth of the Single Funding formula is that it is reasonable to apply the same basic funding mechanism to such fundamentally different kinds of institution. A school is properly constrained by education law; teachers pay and conditions and local authority scales for staff. PVI nurseries have different constraints but it is impossible to ignore the evidence. Lower qualifications and salaries, higher staff turnover and the pressure of profitability inevitably affect quality. Additional funding for PVI nurseries may well, in the longer term, raise standards but this must not be at the expense of those nurseries that are already of proven quality.

17. The best PVI nurseries (with the highest level of fees) may well justify higher rates of funding based on their costs. However it is inevitable that the richest families are likely to be the beneficiaries.

18. There are other consequences of funding all nursery education as if it were child care. It is possible under the new guidance for a three year old to attend nursery for as many as 10 hours in a single day. This assumes that their learning and social development can be compressed in this way. Secondary school children have much shorter school days.

19. A further consequence of the formula will be the loss of full time places (25 hours a week) in those many nursery schools where they are provided.

20. The interpretation of the Single Funding Formula varies sharply between authorities. In some the suggested hourly rate for childminders is higher than that for outstanding nursery schools.

Some local authorities are clear that the new funding formula should not damage their nursery schools. In many others such clear commitment is not evident and nursery schools stand to lose substantial elements of their budget. They will lose teachers, lose experienced teams and lose the capacity to train and support other early years staff from all sectors. The best model of early education will become extinct. This cannot be the intention of a government whose expressed aim is to improve the educational and life chances of children who live in poverty.

October 2009

Witnesses: **Jean Ensing CBE**, Chair of Governors, Bognor Regis Nursery School and Children's Centre, **Nina Newell**, Area Manager, Pre-School Learning Alliance, **Megan Pacey**, Chief Executive, Early Education, **Barbara Riddell**, Freelance consultant, **Claire Schofield**, Director of Membership, Policy and Communications, National Day Nurseries Association and **Colin Willman**, Chair, Education, Skills and Business Support Policy Unit, Federation of Small Businesses, gave evidence.

Chairman: Good morning. May I welcome you all here while people are settling down. We are delighted that we have such an array of talent and knowledge, which I understand, was put together at quite short notice. So we are very grateful to Megan Pacey, Jean Ensing, Barbara Riddell, Colin Willman, Claire Schofield and Nina Newell. I think that one member of the Committee has a declaration of interest.

Annette Brooke: Yes. I am president of the Campaign for Real Nursery Education.

Chairman: Claire, should I make a declaration of interest because the National Day Nurseries Association is based in Huddersfield, in my constituency?

Claire Schofield: Probably.

Q1 Chairman: We are going to get started. I am going to ask all of you whether you want to say a few words, and I mean quite brief words, about where we are. Barbara Riddell sent me a piece of paper, so I will start with her. After that, I will work left and then right.

Barbara Riddell: Thank you, Chairman. My particular concern—I know that it is shared by other people on the panel—is that although the single funding formula purports to introduce a more level playing field, I think that is a myth. It is a myth because the decision in the Childcare Act 2006 that all child care is, effectively, education—the definition of child care is education—has led to the idea that the funding of child care and education should be based on exactly the same thing. Really, my contention is that we are talking about apples and eggs, and you cannot fund apples and eggs on a level playing field—that is perhaps a very confusing mixed metaphor. My particular concern is maintained nursery schools. They are the absolute bedrock of the high-quality nursery education of which this country has quite rightly been so proud. Indeed, they have been the basis of the Government's planned, and continual, expansion of early years services.

Q2 Chairman: Just for the outside people here, what do you mean by maintained?

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Barbara Riddell: Maintained nursery schools are local authority schools, but they are separate schools. They are not a nursery class or part of a primary school; they are independent schools and they have the same status as other schools. They have head teachers, governing bodies and delegated budgets. With the introduction of the single funding formula, I fear very much that the quality of these nursery schools will be so compromised that they will not be able to continue in the way that they have. More than that—just a last point—nursery schools are important for two reasons. They are important because of the early education that they offer, and that quality is supported by Ofsted evidence. Over the 2005–08 period, 47% of nursery schools had outstanding Ofsted reports. During the same period, 3% of child care and other settings were deemed outstanding, but we should be clear that it is a different funding regime, and, of course, there are real improvements in the private and voluntary sector. My point is that these nursery schools are vital not only in terms of the quality they offer the children who attend, although as you will see from my paper, those children predominantly come from communities where there are real needs; 62% of maintained nursery schools are in the most disadvantaged areas and they have admissions policies that make sure that they take some of the most deprived children. The point really is that these schools have a vital role not only in terms of the quality in their areas, but as training institutions. Like teaching hospitals, we need them more than ever to improve and raise the quality of early education across the sector as a whole.

Chairman: Thank you for that Barbara. I am going to go to first names. Is that all right? Megan, would you like to come in?

Megan Pacey: I am Megan Pacey. I was appointed chief executive relatively recently at Early Education. We share Barbara's concerns. Over the last 10 years, we have had significant investment in early education and care. If the single funding formula is implemented as it is proposed, we risk undoing a decade's good work, particularly where that work has benefited the most disadvantaged children and their families. There are issues about children at risk and children under safeguarding measures, and all that will be lost. We are on a continuing and long road in terms of improving the quality of provision and we are not in a proud place in England—one where quality has been fantastic across the board. It's a very slow process. I am particularly concerned that if this measure goes ahead in its current form without further investment, we are going to be in a situation where the quality is dire, and that's not going to be particularly helpful to our children or our families, particularly those most in need.

Jean Ensing: I am the Chair of Governors at Bognor Regis Nursery School and Children's Centre. The remit of the centre, as Barbara said, is to take all children, to prioritise need, to provide the highest quality education and care and to lead on development and training. We've done all of that.

We've been judged outstanding over the past 14 years in every single inspection on every single aspect. I guess, like everyone at this table, we thought "level playing field" meant that everybody was going to receive a really good level of funding. Certainly, as a person who is seeing what's happening on the ground, I would be delighted if everybody else had the same funding that we have at the moment. Under the single funding formula, we will lose 52%.

Chairman: 52% of your overall funding?

Jean Ensing: Yes, the overall funding, if you're looking at amount per hour per child. We stand to lose—I said £100,000 in my little brief, but I was wrong—£99,000 and several hundreds, but I rounded it up. It particularly badly hits authorities like ours: West Sussex, a big county but with historically a low level of what used to be called the old county council services. So we only have four nursery schools, which are children's centres, 12 nursery classes that are left now and 430 private, voluntary and independent providers—and good relationships with them. But we stand to lose, in the maintained—the-county-council bit, half a million pounds from our budgets. Averaging it out on the 430, they are going to get £1,100 each. It's taking a lot from relatively few to give little to many. I think that's going to cause so many problems and yes, my real fear is the loss of the maintained sector.

Colin Willman: Obviously, I am looking at it from the PVI area. The funding formula was going to be the light at the end of the tunnel for most of the PVI providers, because they've been operating the early years at a loss since the code of practice changed, or was implemented. Many who have been informed of the figures do feel that it's going to be useful for them and raise the price above the cost so they are not going to be operating at a loss in that area, which may change our survey, when we do it next year, to show that they are going to stay in the trade—18% say they won't be there in 2015. We're already seeing some members selling their nurseries either to chains or to other people who probably haven't done sufficient due diligence. I don't know how you can work the formula out fairly to make sure of the maintained sector because you have two different structures. It is in our members' interests as well to make sure of that because, in general, they need to have the children of their employees going to nurseries so they can go to work. If they can't afford to pay for the nurseries, they are looking to the people in the maintained sector, and if they don't get sufficient funds, they won't be able to do it.

Claire Schofield: I am Director of Membership, Policy and Communications, National Day Nurseries Association, and we represent private and voluntary nurseries. Our perspective is similar to Colin's. Our members have had a history of not meeting their costs in delivering free entitlement sessions. So the commitment from Government to bring in a single funding formula really came in response to problems being recognised there. I think the issues are around quality. I would say that two thirds of private and voluntary nurseries are good or

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outstanding, which is equivalent to about 9,000 providers across England. Quality is improving—that has been recognised by Ofsted—but funding needs to support that improvement. Naturally, low funding caps salaries and the way that you can reward your staff, so if we want graduate leadership, which we do—we want everybody more highly qualified working in nurseries—that needs to be funded appropriately. The single funding formula is not a perfect process, but for our members, we are seeing signs and we are hopeful it will make a difference. It is a mixed picture across different local authorities, but we would like some progress to be made, because for them that is the best chance of getting improved funding so that they can do more to raise quality and improve things for their work force.

Chairman: We'll come back to that, Claire.

Nina Newell: I represent the private and voluntary sector also. As an organisation, the Pre-School Learning Alliance has a large membership within sessional pre-schools or playgroups. Often those are the settings working in areas of deprivation and as my colleagues have quite rightly said, they have been considerably underfunded, particularly in certain areas, for a number of years. In fact, they rely very heavily on the good will of their volunteers. Indeed, when it is a privately run sessional pre-school, they rely on the good will of the owners, who often do not necessarily take out salaries for themselves. I probably have a slightly more grassroots view because, as an area manager, I have been involved in the initial discussions in various local authorities within the south of England since this was first mooted. The general reaction from providers was one of relief that somebody had at last acknowledged that they were being expected to operate on an even playing field with their maintained colleagues, and that with the advent of the early years foundation stage they were also going to be inspected on the same basis. I think they all thought this would then mean that they would have an increase in funding that would bring them up to the level of their maintained colleagues. It does not look as though that will be the case, because from the discussions I have been involved with in two of my areas, there is no more funding available. Obviously, the consequences are that if you are going to pay Peter you have to rob Paul, and that has a huge impact on the maintained provision. However, I would point out that there is not always a maintained nursery school within an area, so parents do not have that choice. Often, it is parents in areas of deprivation who do not have a choice of good high-quality provision. With the need to close the gap, we need to make sure that there is choice for parents to enable them to access high-quality provision. I am not sure that the single funding formula is the best way in its present format to do that, because it is so dependent on the relationship that each authority has with its members and the other demands on the direct schools grant. At the moment, funding comes down through the direct schools grant. If there is to be an increase, it has to

be justified and argued at Schools Forum against all the competing demands from primary and secondary education as well, and that obviously is a challenge.

Q3 Chairman: Can I just press you, Nina, Claire and Colin, on one thing. For those of us who did our economics at university many years ago, tell us a bit about the economics of a private or independent nursery. The free provision guaranteed by the Government—12.5, now going to 15 hours—is only a part of your market. You have lots of other children who are there eight hours a day, who pay higher fees, so in a sense, looked at overall, if I was in another business I would say that the guaranteed 12.5 or 15 hours, even at a low rate, is a steady income that helps you balance the books, and your higher paying, longer staying clients are part of that mix.

Nina Newell: Can I take that for the sessional sector. I won't speak about day care, I'll let Claire do that. I am talking about pre-schools that are probably operating either in a community hall or in a church hall within a local community and are offering the minimum entitlement to children, probably from two and a half and above.

Q4 Chairman: They're what we used to call pre-school playgroups, are they?

Nina Newell: They're still called pre-school playgroups. It hasn't changed. There is still a demand for them and often that is what parents will access, because the people who work there are familiar and they feel able to go to those settings. We obviously want them to be of high quality. You can't look at the single formula in isolation. Alongside it, there is the increase in free entitlement to 15 hours and the drive towards more flexibility. That, alongside the new code of practice—the final draft is under consultation at the moment—limits the amount that those sessional providers, and, indeed, day care, can actually charge for the rest of their services. They are not allowed to charge; the free entitlement has to be free at the point of delivery. That therefore limits their ability to charge for their additional services. So a sessional group that is only able to open for three hours a morning and has two thirds of its children aged three and above—quite a common make-up, because usually Ofsted will only register for perhaps four children under three—is capped as to the amount of income that it can get. It can't charge at all; it has just got to offer the free entitlement for those children.

Chairman: That is different, Claire.

Claire Schofield: There are similarities. Historically, most children were attending nurseries full-time many years ago, but now, because of the improvements to maternity leave, paternity leave and flexible working, the pattern is much more about part-time. A child may have 15 hours of free provision, but only be attending for 20 hours, even in a private setting. The other issue is that you get perverse things happening to nursery fees and cross-subsidies, so what happens is that to recover the

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losses on free sessions, children under the age of three pay a higher rate, and parents that use nursery full-time pay a higher rate for the hours outside that free entitlement. So it is raising fees elsewhere to recover losses.

Chairman: That's what businesses do, isn't it? All businesses do that.

Claire Schofield: They do, but that then has an impact on the fees that parents are charged and on the affordability for all parents using child care settings.

Q5 Chairman: I was talking to someone who has a young child in nursery three days a week for £600 a month. Is that a pretty normal cost?

Claire Schofield: For three days a week that is higher than normal. It depends on where they are and the type of nursery. In a city area with expensive property costs and wages, that sounds perfectly possible.

Q6 Chairman: Colin, these are businesses after all; you represent businesses. Should you complain too much if some of your businesses are guaranteed a customer base at a lower rate, but you are free to charge what you like for other customers?

Colin Willman: For some businesses, that would work, but when you are dealing with people, or children in this case, you've got to have a level playing field in the nursery. You cannot have one group receiving high-quality provision, and another receiving medium-quality provision.

Q7 Chairman: But we know from Ofsted that that's true, don't we?

Colin Willman: Well, perhaps that is Ofsted. We don't necessarily trust the way Ofsted judges us.

Chairman: Whatever you think of Ofsted, with most other parts of the educational system, we pretty much know that the quality mark is what Ofsted is rating. In fact, Nina was just boasting about the number of good or outstanding nurseries.

Colin Willman: I stand corrected. Economy-wise, the day nursery people we talk to say that they cannot actually provide all the services they would like, because the free entitlement is taken up and they cannot afford to put more into a loss-making area and encourage people to come along. Where people pay £600, those are quite often completely independent nurseries not taking the free care, which some of our members have threatened to do—they are going to break away from the system. They boast about quality, and what they can offer is in competition with the people who are taking in the early years, and they cannot offer the service. So the economics mean that the products cannot be the same.

Q8 Chairman: So we've got it all wrong? Everybody on this side wants a level playing field, but the fee isn't enough to make it profitable enough as a level playing field?

Barbara Riddell: I do not want to trespass on the details of fees, but I think there is a real issue in terms of the economics of a nursery as I understand it, with children under three and children over three, because you need different staff-child ratios. You need far more adults for younger children. Therefore the cost to any nursery, whether in the maintained, private or voluntary sector, is far higher for younger children. So there is an element of cross-subsidy anyway within the nursery, if you are charging every child of every age the same. Quite a lot of nurseries, not unreasonably, charge more for children under three, so that is one issue. On the point about flexibility, there is another concern. Flexibility is an element of the single funding formula, and many local authorities are giving additional supplements to nurseries that are able to offer greater flexibility. Of course, we are all anxious to provide really good nurseries and really good opportunities for parents to return to work. But if you look at the actual details—I don't know how many of you have got, or remember, three-year-olds, if you have children or grandchildren and so on—for some three-year-olds this is their first time away from home. There is concern about the idea that you could actually choose that your free entitlement is to be used for 10 hours in one day and then on two other days—let alone issues about what good nursery education is. In my view much of it is to do with the social development of children, the opportunity to make friends and the peer groups they make, let alone the consistency that a good nursery can offer by really organising the curriculum over five days, which is frankly, by and large, better for children. One of the crucial issues—this applies to school nursery classes as well as separate, local authority nursery schools—is that with flexibility there is an extra supplement, a financial incentive, for them to be as flexible as possible. How compatible is that with maintaining really good quality for children? The idea of a 10-year-old being able to do all their learning in 10 hours—

Chairman: A 10-year-old?

Barbara Riddell: Sorry, a three-year-old.

Jean Ensing: Even a 10-year-old.

Barbara Riddell: Jean is right—even a 10-year-old. We don't expect children in secondary school to work for 10 hours a day. I think it is part of the confusion about the idea that all child care is education.

Jean Ensing: It's not just a single change. One of the difficulties, and I am sure this affects all sectors, is that it is too much too soon. We have four pressures on us. I was thinking of a pincer movement earlier, but it is not, it is like being in a box and all the sides are coming in. We've got reduced funding from next April. We've got reduced places, because under the old funding system you were allowed protected places. You were funded as a school, as all schools are, and you have so many places and can take children in to fill them over the year. But we are going to have reduced places, because the single funding formula says, or part of the guidance says, that you cannot have planned places. I think there are

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exceptions, but our authority is not choosing to interpret it that way. I am not blaming them for that either—totally. Reduced funding and reduced places take our funding down even further. As well as that we've got the flexible time for the 15 hours. We are piloting it and some parents have chosen—it suits them—two and a half days, rather than five mornings or five afternoons. It suits the family and we can understand that fully. But it means, for example, that if your child has speech and language delay, and you choose Wednesday afternoons, Thursday and Friday, and the speech therapist is there on Monday, you lose that entitlement. It also means, for children with behaviour “problems”—children who need a lot of social development—that to have it squashed into two and a half days is not as good as having it spread over five days. Equally, in terms of the fee-paying part, if you have your two and a half days, you take out the sessions that would have been paid for if you were coming in for your five half days, plus adding extra time for child care in the afternoon, or a lunch or a breakfast to go with it. So we are losing out on funding. It has made quite a big impact on us already and we have only been piloting for two or three months. The other pressure is to take in the two-year-olds. In our case, these are referred children with particular family problems—mental health problems, sudden bereavement, isolation, depression, sudden mounting debt and poverty because of unemployment—and for two-year-olds you have to have a higher level of staffing. So we feel that to have all this complexity coming in at once is very hard to deal with.

Chairman: I understand that. Shall we have a quick word from you, Megan?

Megan Pacey: Can I just add that it's a no-win situation for anybody. I represent a body that has members in both the maintained sector and the private, voluntary, independent child minding world. Our members join our organisation because they're interested in the quality of provision that they can provide across the entire spectrum. Certainly the feeling I'm getting from my membership is that I have people in the maintained sector who're losing somewhere between 20 and 35% of their budgets almost overnight and that is having a huge impact. At the same time, I have members on the telephone telling me that what has been proposed under the single funding formula might add pennies to their bottom line but they need a lot more than pennies to deliver what the single funding formula is about. It strikes me that that's not working for anybody. It's time to put the brakes on, reassess the whole situation, look properly at what this is about and then take it forward from there. We have real inconsistency across the local authorities in this country as to how they're interpreting the guidance, and that's starting to come through in what they see as a sensible base rate. At this point, I have base rates being reported of anything from £2.79 per hour per child to £9.40 per hour per child. That is a huge difference and questions have to be asked. Where's the equity for all children in that?

Chairman: Thank you for that. I've warmed you up, I think. David?

Q9 Mr Chaytor: Picking up Megan's point, is the objection in the sector to a single funding formula as such, or just to the way this particular formula seems to be impacting on different areas?

Megan Pacey: From the point of view of my members, there's no problem with a single funding formula if it is equitable, if it raises the bar and particularly if it raises the quality across all sectors, but we have found ourselves in a kind of us-and-them situation, with the maintained protecting their interests and the PVI protecting theirs. They are very different beasts; we need to be honest about that. The downfall here is that what's good for children and their families, those needs—that's why we're in this game—are not being met at all. That's been lost sight of.

Q10 Mr Chaytor: So it's an issue of detail rather than of principle?

Megan Pacey: And an issue of interpretation as to what this is all about. We're getting 150 different versions of what this is about across 150 different local authorities.

Chairman: Barbara's shaking her head.

Barbara Riddell: Yes, I am shaking my head because, for me, the idea that nursery education, as part of schools funding, and nursery schools and indeed nursery classes should no longer be funded in line with other schools and other activities of schools is a matter of huge regret and will lead to dilution of quality. I was talking right at the beginning about the idea that all child care and education are indistinguishable. Some anomalies that are coming out of the single funding formula—for example, in some authorities, the highest hourly rate proposed is for child minders. I'm not suggesting for a moment that child minders aren't an absolutely crucial part of child care and early years provision—indeed, in some authorities, they are particularly skilled at looking after children under three with particular medical, social and all kinds of special educational needs—but that's what comes out of a formula that just takes costs and then divides them by children. What it doesn't take account of is that there might be a beacon nursery school two streets away, which is getting a proposed lesser amount per hour than that child minder, and which is providing the most enormous range of other services to children. The statistics that I included in my paper are really persuasive, I think. It just shows the kinds of children and the differences in terms of the levels of children with special educational needs and other needs and children who have English as a second language—that is an absolutely crucial point. If the single funding formula in its present form goes ahead, there's a nursery school I can think of in Westminster that is going to lose all its Standards Fund. Another consequence of the single funding formula, as I understand it, is that the Standards Fund will no longer go to nursery schools in the way

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that it does to every other school. That school will lose its EMAS teacher who works with children who have English as a second language. That is an absolutely crucial point.

Q11 Mr Chaytor: But isn't this really an issue for each individual local authority? If there are particular elements of the formula that each individual local authority has constructed, it's a matter of local determination and local lobbying, isn't it? Surely it would be even more problematic if a single national funding formula was imposed on each local authority, regardless of the circumstances.

Nina Newell: I take on what you are saying, but all the issues that you are mentioning and the challenges—

Chairman: Through the Chair, please.

Nina Newell: Sorry. Those are issues for the private, voluntary and independent sector as well, and they do not get additional funding for that at the moment. Under the formula, a lot of local authorities—I have had experience of four—are trying to redress the balance by having the supplement built in, for example, around special educational needs or quality of provision. The problem is that sufficient funding is not available—or may not be—to enable them necessarily to incorporate that. They are having to decide whether to include the supplements and top-slice their existing level of nursery education funding, which is what some authorities have had to decide to do, so that ultimately people are getting very little more, which one of my colleagues was alluding to, or to keep their current rate and add on the supplements. Of course, everybody would like that, but there is a doubt about whether or not it can be achieved if the funding cannot be found out of the dedicated schools grant. Under those circumstances, they are having to prioritise their supplements. Then, of course, you get a dilution. The one supplement that has to be there—it has been dictated—is the deprivation supplement. We could reach a situation where the only settings that get a supplement because of the level of funding that is available are those settings in areas of deprivation. It would be a real pity if we were not able to include quality because, obviously, the whole point is to close the gap, and it has been proved that a quality provision does that. I do not think that any of us on this panel would disagree. We need to make sure that the formula does what it is set out to do, which is improve the settings in an area to give parents real choice and make sure that, wherever they live and whatever their financial circumstances, they can access quality provision. I am not sure that that will be possible in all areas, but I do not think that there is a problem with the funding formula per se. The feedback that I have had from providers is not that they disagree with the basic principles of the formula or that there should be transparency, but that they are concerned about the level of funding that they will ultimately receive.

Q12 Mr Chaytor: I want to ask Claire or Colin for a quick comment on the issue of the 15 hours. Is part of the problem that the extension to 15 hours has been brought in at roughly the same time as the introduction of the new formula?

Claire Schofield: From the perspective of full-day care, 15 hours is less of an issue because they are open all the time, and it is quite manageable—it is sessional settings with their shorter hours that are struggling—so that is not part of the problem. However, flexibility and achieving it go hand in hand with the funding formula. The message from our members was very strongly in support of delivering free sessions, but as for whether that is extended to two-year-olds or extending the hours, please, give us the funding we need to cover the costs of that delivery.

Colin Willman: In our survey in February, 62% of our members said that they thought it would have a negative effect on their businesses. Our concern is the amount of money that is available. The funding put in for the early years actually worked out to be sufficient: it just did not get to the delivery end in the PVI sector. It seems a great shame that the adjustment of that £1 per hour per child, which was the shortfall, is now creating such a hole in the finances of the maintained sector. One asks if any sleight of hand is going on and putting funds in other areas. Perhaps that is where the rules should come in on how the rates are calculated for the local authorities. Another ignored area is bureaucracy: if you are operating with different local authorities, you have different requirements and different paperwork to complete. That creates a lot more labour, which isn't always taken into account.

Q13 Mr Chaytor: Finally, may I ask about linking the funding to the outcomes achieved by the child. Megan, you are smiling a lot at that, so you have some strong views.

Megan Pacey: In many respects, we have a situation where we have not been required to measure outcomes in perhaps the way that we ought to have over a period of time. Outcomes and the impact of the investment is something that has only recently started to come to the fore—in a related issue, the inquiry into children's centres, which I understand you are hearing next week, we submitted evidence to that effect, and that was one of the key questions of the inquiry. It is very early days in terms of how practitioners start to measure those outcomes. What we do have, though, is some vision of the early years foundation stage in England, which is hugely helpful in the way that practitioners can easily start to measure those outcomes so that would be quantifiable in the not-too-distant future. How then do you do the funding? Do you take away funding because those outcomes are not being met or do you invest more because they are not being met—the reward and the discipline that may or may not go depending on the expectation of whatever government is in power when those rules and regulations come in? That is a huge moot point and we could spend an entire day debating the pros and

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cons of that. I do not think that there is a fear in the sector of needing to demonstrate the money being invested, but it does need to demonstrate the role that it's doing. I think that the maintained sector at the moment is much better at doing that than, potentially, the private, voluntary and independent sector, which has not been so heavily regulated in that area by Ofsted over a period of time.

Chairman: Thank you very much for that. We are now going to move on to the cost of provision—meeting that cost—and Annette will lead. Annette, I think, has already been to your centre.

Jean Ensing: Yes.

Q14 Annette Brooke: I have indeed. I'm sure it's in the paperwork somewhere, so please forgive me, but how many maintained nurseries are there in England?

Jean Ensing: When I was an HMI in the '90s there were about 600. Even with the presumption against closure, there are only 437 or something now, so we have lost nearly 200 in the past 15 years.

Q15 Annette Brooke: I do see that as quite significant in my constituency. We are totally dependent on the private and voluntary sectors, and therefore quite involved in the lobbying around the single funding formula. Equally, I have visited some maintained nursery schools, and you clearly see the difference of the money being spent. It has to be something that we aspire to. Can you—particularly Megan and Nina—give us some idea of the cost per child per hour of provision, give or take, in the different parts of the country?

Megan Pacey: In terms of the rates being proposed, I have a range of between £2.79 and £9.40 an hour. What I am not able to give you off the top of my head is how that is being put together. I did have a lady on the phone yesterday who has got a proposed rate of £2.79 saying, "I have just been to Sainsbury's and what can I buy for £2.79? Barely a box of wet wipes." These are key things in an early years setting. Her frustration was that she did not really believe that the local authority had done the due diligence and had really understood the costs of delivering the quality, and just even the basic provision, let alone the additional quality aspects. She was wondering how she was going to deliver—or attempt to deliver—what she is currently delivering on £2.79 per hour per child.

Annette Brooke: So that's the amount of money that the local authority will pay for the free entitlement per hour—between £2.79 and £9.40.

Megan Pacey: Yes.

Q16 Annette Brooke: I just wondered whether you had done any work on the actual cost of provision. What sort of range are we talking about?

Megan Pacey: It varies enormously. It is very difficult to give you a ballpark figure, because there are so many different variables. I think this is part of what is starting to unravel as people try to set these hourly rates. No one has ever done the work to know what that is. Local authorities are taking, at best,

finger-in-the-wind estimates based on a whole range of factors, and then getting a bit further down the line and realising that not all of the factors have been taken into account, or that the figures that have been given for some of those factors are just complete guesstimates.

Q17 Chairman: But that can't be true in the private sector, can it, Claire? You must know the average of your members' costs, surely.

Claire Schofield: In terms of fees—

Chairman: No, costs.

Claire Schofield: I think it's a different picture in every area, and that is why with 150 local authorities doing the cost-analysis process, we have had such variable results. Extracting the cost of that nursery session is a very complex process. There isn't a straightforward answer to say that the average cost is exactly this amount.

Annette Brooke: Can anybody give me any idea?

Jean Ensing: It is complex so I am going to say "I believe". Based on workings out, I believe the actual cost is about £9.40 an hour per child at the moment.

Q18 Chairman: Where?

Jean Ensing: In nursery.

Q19 Chairman: In any nursery?

Jean Ensing: In our nursery, with qualified teachers and qualified nursery nurses. All of ours are at the top of the range, which is why we are a good school and a good centre. They are skilled and experienced and have been there many years—someone retiring has just completed 27 years. You build up quality that way. Under the new arrangement, we have been offered £4.92 an hour.

Q20 Chairman: Does that include your rent?

Jean Ensing: That's for everything. Yes.

Chairman: That does include rent for the building you're in?

Jean Ensing: We're supposed to cover all of our bills. Yes.

Q21 Chairman: How do you work that out, though? It is more difficult in a maintained setting.

Jean Ensing: Absolutely. It is. The PVI in our authority has been offered £3.88. It is difficult all round.

Barbara Riddell: I can't give you an average cost of maintained schools, although with nursery schools you could work it out. It is a question of what you're working out. In the case of nursery schools, many are providing extensive training to other providers within their area. They are taking on students; they have PGCE students and NVQ students—they are doing all kinds of other things. That is one of the difficulties. Rates of pay is an issue. If you look at this week's "Nursery World" you will see advertisements for senior nursery workers at £12,500, a nursery manager at £9 per hour and level 3 staff at £6 per hour. That is in the private and voluntary sector. Rates in the maintained sector in some instances can be two and half times that,

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because local authorities are using national scales. It is part of our contention although those kinds of salaries and qualifications do cost more, look at the results—47% of nursery schools in those areas are outstanding. It makes a difference.

Colin Willman: We surveyed our 1,100 members in the nursery sector. They came up with an average cost of £4.70 per hour per child for early years provision. There was a range of less than £1 in that, covering the whole of England. The amount of money they were receiving from local authorities was on average £3.64. Again, there was a smaller range of about 50p, varying from London boroughs to other areas of the country. We have been lobbying about that shortfall of £1.06. Many complain they can't keep their staff once they've trained them because they go off and get jobs in the maintained sector at far higher salaries. They can't pay people on the amount of money they can raise from the activities of the nursery.

Nina Newell: I think that's why it has been so difficult to get a proper hourly costing because the variables are so huge, not just between maintained and the private and voluntary sector, but between different types of private sector and voluntary sector organisations. One concern that has been raised continually by providers at meetings I've attended is that the costings have been done in general. With the best will in the world, they have taken a sample of providers across an area, but they have been costing them on now and not on aspiration. Of course there is a huge drive for there to be a graduate leading practice within all provision. There is also a requirement for there to be a 1:8 ratio within the non-maintained sector provision where there is not a qualified teacher leading practice. At the moment the graduate leader fund goes some way towards stopping the gap and enabling private and voluntary sector provision to pay their staff who are qualified to graduate level at a higher level, but there is no guarantee that that is going to continue. A lot of providers wanted this to be an aspiration. They wanted an aspirational element to the single funding formula so that they could perform on an even playing field with their maintained colleagues. At the moment they sometimes struggle with the quality because they are able to pay only £9 or £6 an hour for qualified members of staff, some of whom have 20 years' experience in the sector. Even if we came up with an hourly rate, and I think that Colin's hourly rate is probably there or thereabouts, we are still not comparing like with like. We are not including the need for continually increased funding to pay for more highly qualified staff and we are not enabling them to aspire to that. It is a challenge.

Q22 Annette Brooke: Following through on that, given that local authorities can, in special circumstances, pay individual nurseries more than the single funding formula, are any local authorities taking on board those settings that are supporting training when there are highly trained and qualified workers?

Megan Pacey: Some, but not all. The final guidance that has been issued in July relates to this—the fact that the quality aspect is no longer a compulsory supplement to have. The only supplement you are required to have is a deprivation level, so if local authorities do not value the quality aspect of what goes on in their early years settings, then that is just something they have not invested in.

Jean Ensing: In West Sussex, we only have the deprivation supplement. No common ground was found for a quality supplement. The maintained sector was pushing for it to be linked to qualifications, but the non-maintaineds did not want it linked and there was no common ground, so we have no quality supplement at all.

Annette Brooke: I am staggered by that.

Chairman: That is staggering.

Claire Schofield: In some areas, the quality supplements are being put in place, but it is a very mixed picture. Some are putting them in, tending to be based on qualifications. It may be worth mentioning something that is under consultation in the code of practice for free entitlement, which is encouraging or requiring local authorities to rate nurseries and all their providers in terms of quality and then to fund them in a way that incentivises quality. It has not been implemented across the board yet, but that will certainly be the direction when the new code of practice comes in.

Megan Pacey: May I add to that. That has a knock-on effect on the question that was asked earlier about how you measure the impact. If the quality is not there and is not required to be there, if implementation and instruments are not in place to support that quality, then it is very difficult to measure the impact. It is a vicious circle that is going nowhere very fast.

Nina Newell: It is also a question of how the quality supplement is implemented. There has been a lot of debate around the table at meetings I have attended about whether you are rewarding existing quality, which obviously you need to do, but also encouraging quality to be improved. When we are talking about areas of deprivation you have to fund the settings in those areas to enable them to improve their quality because otherwise there will be no quality provision for families to access there at all. Not all families are able to access a quality provision elsewhere. It is a bit of a dilemma and it is not one that has been finally bottomed out anywhere.

Q23 Annette Brooke: I just have a very brief question, which you half-answered in your introduction, Jean, about the fact that you won't have funding for all your places if they're not filled on day one in September. Does this affect the private and voluntary sector as well?

Claire Schofield: The private and voluntary sector has always been funded on participation—on the numbers of children attending—so it is not a change in position for that sector.

Annette Brooke: So the change has been to make you all the same in that respect.

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Chairman: Who is answering that?

Annette Brooke: I think I got my answer there.

Q24 Mr Timpson: Jean, can I take you back to an answer that you gave earlier in connection with your projected loss—I think you said £99,700—to your nursery?

Jean Ensing: Yes, it's almost £100,000.

Mr Timpson: Should this funding reform be brought in? Could you perhaps break that figure down for us and explain how you've come to it? How much of it is due to the losses that you can tangibly find within the nursery, and how much of this is you projecting what the loss may be?

Jean Ensing: It is based on the figures we've been given. We had this year's budget. If there wasn't the single funding formula, we were told the figure would be say, £400,000—I can't remember it for all nurseries together. That is what it would be, but under the single funding formula, with the new rates, it would be £100,000 less. That is only the first year; it gets worse in the next two years. That is also with a transition arrangement in place. It's not just us—the three other nursery schools in West Sussex stand to lose more than £80,000 each in the first year—but you're given a global figure. One of the difficulties for us is that we try to provide a seamless service as a children's centre/nursery school, but we handle three separate budgets coming in, and in those three budgets there are more than 27 funding streams. However pleased you are to have these bits of money, it is incredibly complex to handle.

Q25 Mr Timpson: You also told us earlier that your nurseries have 14 years of outstanding Ofsted reports across every single indicator, and you told us that a lot of that is due to the long-term commitment of your staff—their experience, their high quality, etcetera. What is the likelihood that, because of the losses that you've described, you're going to have to make some cuts to your staff, and what will the implications be for your nursery?

Jean Ensing: The nursery is a Victorian building. Half of it, the children's centre, is in the new bit. We've got lots of small rooms set up as workshops, and obviously you can't have one person between two rooms. We know we've probably got to make five people redundant. We've already closed one room and we try to squeeze the activities into the other rooms. You've got to be legal. You've got to have supervision and sight of children, let alone teaching or working with them. We also have a garden that we use 100% of the time. In the very best of practice children are in and out. Although we are a seaside town, 43% of our children live in flats with no gardens or access, and we know that it makes a tremendous difference, especially on a Monday morning if children have been cooped up for the weekend, to come in and be in a garden. We have all the areas of learning outside. We have a garden room focused on science—scientific and sensual learning. We won't have sufficient people to have it all open at once. That then reduces your quality, so you are in

the worst of practice really, almost like a secondary school; all the children over here for this and then out for that and in for this, and so on.

Q26 Mr Timpson: You have a children's centre affiliated with the nursery. I assume that in your children's centre, like many others across the country, there is a smaller involvement from the private and voluntary sector, is that the case?

Jean Ensing: We have day care provision for 24 children. We also have child minders coming in. We have so many services that they are difficult to go through: toddler groups, family learning, adult learning, Jobcentre Plus, baby clinics, health clinics, breast feeding clinics, teenage pre and post-natal support groups and dads' breakfast on Saturdays for dads and granddads, which is especially for parents who have access to their children, so they can come in and play and be involved, with support workers there, rather than going to the nearest pub or McDonald's for their access.

Q27 Mr Timpson: What is the likely impact of the single funding formula on your ability to provide all those services that you describe? I think that Barbara is itching to get in as well.

Jean Ensing: Because many of the babies and siblings of the children in the nursery are in the other bits and pieces, and we are working with a lot of families. We have some lovely case histories where we have worked with people coming in from babyhood and have supported them, so we have the mums—quite a group now—who are in adult education and are on to their NVQs and one or two are now planning to go to college. They would have been write-offs without the support that they have had in the system. They would have been a huge cost later; they would have been a huge cost already. I'm sorry to take the space, but we really use and need the planned places. We have referrals that suddenly come in as a result of bereavements, a parent with mental health problems, a parent going to prison, social isolation, children being found on their own or substance abuse. If we had to fill up in September and we did not have the extra space, we could not take them in. It is going to cost society a great deal more for those children and those families to be broken up and the different elements dealt with elsewhere. But the impact—

Chairman: I bet you want one of these in your place, don't you Edward? I'm drooling with envy that this isn't in Huddersfield.

Mr Timpson: Absolutely, yes.

Barbara Riddell: Very briefly, I just want to say that many maintained nursery schools are children's centres. Your question was about whether day care was run privately or separately. No, it's run as an absolutely fully integrated single institution—the head teacher, whom I know well, at the wonderful Bognor Regis nursery school and children's centre is the head of the children's centre as well. It goes back to the point that the maintained sector is able to cater for a significantly different group of children because of admissions policies and because it is

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giving absolute priority to those children who are most in need. That goes back to my contention, which is that it really is not reasonable to compare them to a private nursery that may be providing an absolutely excellent service but has admissions criteria based on the ability of parents to pay.

Q28 Mr Pelling: I am not a supporter of the Government but I think that it is important not to have a ritual debagging of the Government when they are not here. The Government have put a lot of resources into early years; education spending is up a lot and it has had a particular emphasis. I appreciate how a formula can be so destructive and disruptive, but in terms of the resources that have gone into children's centres/nursery schools, surely they have been more significant over the years than the cuts that you are being obliged to make by the formula. Is that right?

Jean Ensing: We have had more than £1 million—maybe up to £2 million—spent on extending our nursery into a children's centre. To me, it seems ridiculous that it should now be half-empty or underused because we can't afford to run it. In terms of the funding coming in to run it—I mentioned three budgets and 27 funding streams—we actually subsidise it by moving our qualified teachers, if they are not teaching, into work with parents. So it's the other way round: it isn't huge resources going into the children's centre, it's a balancing act so that we can provide all these services. If we reduce the time and the number of qualified teachers, which we will under the cuts, we won't be able to do some of the really good things that we've done across the centre. I would hate you to think that it's a cycle of deprivation. We do prioritise needy families, but because we are so good, the people buying in to the day care side are largely professionals such as teachers and nurses—people who know where the quality is. So 10 or 15% of our children are gifted and talented. Across the board, all the children achieve well, but those children do particularly well.

Q29 Mr Pelling: To the extent that there is cross-subsidisation, would that be an argument for saying that nursery schools are too expensive, that it would be better for provision to be in another educational establishment and that, in some ways, what the Government are doing is making you face up to the issues raised by increased economies of scale? Many LEAs aspire to close nursery schools and to tack nursery classes on to schools.

Megan Pacey: We've talked a lot about maintained nursery schools, and that is very important, but there is another part of the maintained sector. This single funding formula is having a bigger detrimental impact on all the other maintained provision—be it the nursery units in primary schools or nursery classes in primary schools. Given the nature of the maintained world and the children whose needs are prioritised to be met in it, the maintained nursery schools are probably being hit hardest, because they are, for the most part, small stand-alone units, but there is certainly common

ground between units that are contained in primary schools and maintained nursery classes in terms of the impact that the funding formula will have.

Q30 Paul Holmes: To go back to something that Colin said, I want to clarify one point. The general written and oral evidence that we have had has said that the implementation of the formula will mean that maintained places will get less money and that private and voluntary places will get more. Colin said there was agreement that there was enough money generally in the pool, but that it did not seem to be coming through—some of it was disappearing somewhere in the process. What did you mean exactly?

Colin Willman: I'm just trying to remember the actual figure that was agreed. I think it was £3 billion for the early years. It was worked through that there would be sufficient funding for all the places in the PVI sector to be fully covered, but they were not getting that—they were getting £1 short per hour. Those funds were being taken for administration down the line or going into other parts of the DSG. The formula was not clear and transparent, so you couldn't actually find out where the money was falling out.

Q31 Paul Holmes: So clearly the local authorities are not diverting that money from the private and voluntary sector to the maintained sector, because the maintained sector is taking cuts. Where are they diverting it?

Colin Willman: We don't know, because the system is not clear and transparent. That was one of our questions—we wanted a clear and transparent system.

Q32 Paul Holmes: Some of the extra money that was specifically provided has supposedly been ring-fenced by the Government, but you are still fairly clear that some money is disappearing somewhere in the system into some other purpose?

Colin Willman: It is not just us—some people from the Conservative party worked it out as well. They worked out that what was going in the top wasn't coming out the bottom.

Paul Holmes: What you are telling us has just become less reliable because you said that, but never mind.

Megan Pacey: To give an example, in one local authority a maintained nursery school was losing 25% of its budget, but if you talked to a PVI in that same local authority that was one of our members, they were gaining pennies. Somewhere along the way, somebody is not being clear and transparent about what is happening with the redistribution of this money. If you take the guidance at face value, it is about a clear and transparent process, but there is something not clear and transparent at local authority level about where the money is being siphoned off to.

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Q33 Paul Holmes: Have you asked your local authority, “If we’re losing 25% and they’re gaining 5%, what’s happening?”

Megan Pacey: It is certainly a question that is being asked in the Schools Forum at the moment: if I am losing 25% of my budget yet my PVI colleagues are only gaining pennies on their bottom line to deliver what is required, where is all the money going? I am not certain at this point whether they have got a straight answer, but there is a real need to hold local authorities accountable for the decisions they are making under the single funding formula.

Q34 Paul Holmes: Right, that leads to the general question. Obviously the local authorities are at the centre of working out this standard formula. Are they the right people to do it? What alternative would there be?

Megan Pacey: Again, it is a national impression as opposed to hard evidence. I certainly have a sense from numbers of members that they are very frustrated with the local authority officers they are having to deal with because they just do not understand the issues. The person with the most capacity in the local authority has been put on the job, more or less told to get on with it and they are not being supported for the most part. There have been people who are interested in bottom lines rather than the education elements, and they just do not understand the consequences of the decisions that they are making.

Q35 Paul Holmes: The research that you did on early education specifically said 59% of respondents. Are you saying that the knowledge of the local authority officers who were doing the job seemed quite patchy?

Megan Pacey: Indeed, yes. I don’t have a huge sense from my membership that there are lot of people out there in local authorities who really understand this.

Paul Holmes: Does that fit with anybody else’s impressions?

Claire Schofield: It is certainly a mixed picture. Our members are very aware of the tensions that local authorities are under and the difficulties of the officers who are trying to implement this. In some areas it is a very challenging thing for them to do.

Q36 Chairman: But this money is ring-fenced. You wouldn’t want local authorities not to be able to make decisions. Jean has just said that West Sussex might take deprivation into account but not the quality and the pay of higher-paid professionals. That is down to West Sussex. It isn’t down to the Government, is it? I thought we were wanting to trust local authorities more with their money.

Nina Newell: I don’t think all the money is ring-fenced. The bit that has been ring-fenced is the amount that has come down to pay for the additional free entitlement. The existing pot of money was not ring-fenced. That was changed several years ago. It comes down in the general direct schools grant, with all of its competing demands. It

is a very complicated formula. Indeed, I have tried to bottom it out in one of the areas I work in. Even the officers involved find it difficult. There is a will on the part of some local authorities to work very much in partnership, particularly when they have engaged with partners at an early stage. I think that a lot of them are trying very hard to get to grips with it and to make it fair and equitable. However, when there is a limited pot of money, it is very difficult for them to do. I would like to go back to Megan’s point about when a maintained nursery is getting a reduction of 25% and other PVI colleagues are only getting pennies at the bottom. If you have a situation, which I have in one of my areas, where there are only 11 maintained nurseries and the rest of the provision is all in the private, voluntary and independent sector and therefore the bit of money that is being taken from the maintained is being divided out, it is going to seem a lot less, but when you add it all up together then maybe that is where the discrepancy is.

Q37 Paul Holmes: What about the time scale? There were six pilot authorities that were doing it this year, but everybody has to be doing it from next year, which means budget-setting in the next month or two ready for next April. Again, the Early Education survey found that 81% of respondents said that by the end of July, when the formula was supposed to have been decided, it had not been.

Megan Pacey: No. We are now just about at the end of the second phase of consultation. It is wrapping up in the next 10 days or so. The reaction from Government was that the second phase of consultation would sort all this out and all would be rosy from the middle of November. I am currently talking to the membership again and asking for more evidence at the end of that phase, but the impression I am getting so far from local authorities who have already proposed a rate is that that is anything but the case. I know the Local Government Association has said that another year would be helpful. Many of the pilot areas that I had contact with are still grappling with some of these key issues. It does feel like a situation with quite large cracks that are being papered over to get us through this calendar date. I have grave concerns that it will all unravel as this is rolled out, between when the budgets are implemented in April and when it has to kick in—in the next school year, in September.

Q38 Paul Holmes: Local authorities could be voting on their budgets this autumn, although it will not come into effect until April, so they have very few weeks left. Generally, given the time scale, is a year too short?

Megan Pacey: Really tight, and so much is going on in a very tight time scale, as Jean has already explained. There are four issues in her area that all need to be implemented at the same time. I don’t think that we understand the consequences of any of them, so we can’t understand what the knock-on effect is going to be.

28 October 2009 Jean Ensing CBE, Nina Newell, Megan Pacey, Barbara Riddell, Claire Schofield
and Colin Willman

Chairman: Thank you very much. It has been a very good session. We learned a lot, as you can see. Will you remain in touch with us. This is quite a short inquiry, but a very valuable one we think. As you wend your way home or back to work—I think for you lot it's back to work—could you think of anything you didn't tell the Committee or questions you wish you'd been asked. We want to write a good report and we can only do that if we know what you think. Thank you very much.

**Memorandum submitted by Sian Rees Jones, Headteacher and Head of Centre,
Bognor Regis Nursery School**

SUMMARY

1. Maintained Nursery Schools are the most effective schools in England. They are consistently judged as outstanding by Ofsted yet they are at risk of closure as a result of the new Early Years Single Funding Formula introduced by the Government. Bognor Regis Nursery School and Children's Centre is one of these schools. It has been graded by Ofsted as "outstanding" on six occasions after each of its inspections, placing it in the top 1% of schools in the country.

2. It is of deep concern that Nursery Schools are being removed from School Status (as far as funding is concerned) and yet the expectations of them to function as schools remain and they will continue to be inspected under Section 5 of the Education Act 2005.

3. Nursery Schools (many of which have integral children's centres on site) are not cheap but they represent excellent value for money. Nursery Schools have a proven record of making a difference to children's life chances, particularly those growing up in disadvantaged communities. Nursery Schools offer a universal service: the compositional effects of a mixed intake are hugely beneficial to vulnerable children and families and are not replicated in profit making institutions. Similar to other Nursery Schools, the progress children make at Bognor Regis Nursery School is exceptional. Attainment levels of children "on entry" to our Nursery School are varied with 43% of the 2008–09 cohort functioning at levels below those expected for their age group across the combined areas of development. "On leaving" data demonstrated that 96% of this cohort was functioning at levels we would expect for their age group, or above, across all areas of experience. If the work of the Nursery Schools is undermined by the introduction of the SFF it will cost the tax payer more in the long term, eg in terms of special school placements and through an increase in pressure on Social Care budgets.

4. As exemplars of outstanding quality their role as training and support centres for other children's centres and early years settings in their area is largely unexploited but could prove crucial in raising the quality across the sector. This "teaching hospital" model has been raised with our Local Authority but has not been adopted due to a lack of funding.

5. Government should act immediately to prevent the loss of the very centres that have consistently demonstrated that they make a significant difference to the poorest families and children. If the "gap" hasn't been narrowed by the age of 5 years old there is a 70% chance that it will never be narrowed (Feinstein F, 2003). "Only the highest quality integrated services overcomes disadvantage and transforms the life chances of children and families living in poverty" (EPPE Project 2004). "Investment in Nursery Schools 'pays off' in terms of savings in special educational needs support, raised aspirations, enhanced task commitment, social skills and feelings of efficacy as well as in terms of later economic savings to society" (Pascal *et al*).

BACKGROUND INFORMATION

6. Bognor Regis Nursery School was established during WW2. It has a long history of high quality education and care and close partnership work with parents and carers; focusing on the well-being of the whole family as the key factor in enabling each child to thrive. The innovative work of the School was recognised in 2002 when it became a Beacon School, disseminating its good practice both locally and nationally. In July 2003 it became an Early Excellence Centre and the new extension was commissioned to support its partnership work with parents, create an under-threes provision and develop further training opportunities for early years practitioners. In March 2004 it became a Children's Centre, building on its partnership work with colleagues in Health, Social Care and the Voluntary Sector, with the aim of providing seamless services for young children and their families. In April 2007 it opened a Special Support Centre for 8 (fte) children aged 3–5 with significant speech and language needs.

7. Bognor Regis Nursery School and Children's Centre is located in the Pevensey ward of the town, which is among the 20% most disadvantaged areas in the country. It is estimated that nearly 48% of children in this ward live in families reliant upon means tested benefits.

BOGNOR REGIS NURSERY SCHOOL AND CHILDREN'S CENTRE MAKES A SIGNIFICANT DIFFERENCE TO YOUNG CHILDREN'S LIFE CHANCES AND TO THOSE OF THEIR FAMILIES BY RAISING ASPIRATIONS AND SKILLS

8. 26% of children attending the School are from MEGs; 22% have English as an additional language and 12% are at the very early stages of learning English.

9. The School and Centre is exceptionally successful in accessing families from traditionally "hard to reach" groups and was graded as "outstanding" in its last Ofsted inspection for its work in promoting partnerships with parents and carers and community cohesion (November 2009).

10. The School's data demonstrates that all groups of children thrive in the School with exceptionally strong rates of progress recorded and high levels of attainment.

11. Case studies show that many parents and carers gain significantly in confidence from working alongside the team members in a partnership approach to the education of young children: also from attending the additional services that are run at the School and Centre. As a result, a significant minority move into training and the workplace.

What impact will the Early Years Single Funding Formula make to Bognor Regis Nursery School and Children's Centre?

12. Despite recent additional guidance from the DCSF, West Sussex is proposing that in April 2010 our School will lose £99,424 per annum (20% of its current budget share). The following year (after an initial transitional period) it will lose £137,803 per annum (27% of its current budget share).

13. Transitional funding is insufficient to stop radical staffing reductions. The SFF will lead to the redundancy or cut in hours of 8 staff (including 1.5 teachers).

14. There will be 20 fewer places available (10fte) for children in this disadvantaged community (with the removal of existing protected places) in the County's highest performing school.

15. The exceptionally high quality integrated daycare provision for 24 fte children aged three to five years and 18 fte children aged 0-3 years will be placed at risk (as it is currently subsidised by the Nursery School budget). 65 families (and 70 children) would be affected if it closed today.

16. At the beginning of each academic year, 2 classrooms/areas will be closed or have restricted access because we will have insufficient staff for oversight.

17. After initial restructuring, some staff will either be employed on short term contracts (as children begin school each term after their 3rd birthday) or team members will be made redundant every July (when around 100 children leave us for primary school). (Note: This is not the case in the PVI sectors as additional fees mean they can employ a consistent team over the year. None of these sectors have to pay local authority rates or take into account LA conditions of service.)

18. Because of short-term staffing it will be difficult, or no longer be possible, for children (and parents) to have a consistent key worker (stated as a requirement in the EYFS framework) throughout their time with us.

19. With the best will in the world, the current level of record keeping and planning for children's individual needs in partnership with children's parents and carers can not be maintained.

20. We will no longer be in a position to employ specialist teaching assistants to support our inclusive practice with children who have special educational needs (22% of our current intake), have English as an additional language (22%) or whose families are under considerable stress (14%). This will in turn impact on our partnership work with parents and carers and these target groups of children's wellbeing and exceptional rates of progress.

21. Our successful work with vulnerable children and families, in partnership with other agencies, will have to be cut significantly. There will be insufficient skilled staff to act as Lead Professionals who, in partnership with parents, drive the initiatives identified through the Team around the Child meetings (TAC) forward. (Note: staff from the School maintained 11 CAFs last year).

22. Interagency work in general will have to be cut considerably as there will be no flexibility to release staff ie staffing levels cut to the minimum requirement to meet adult/child ratios. This will lead to an increase in the workload of those professionals working in the community including those in Social Care and could ultimately cost the tax payer more in the long term.

23. The proposed budget under SFF is not sufficient to cover the basics ie staffing required to keep children safe in a complex learning environment, utility bills, sickness absence insurance, maintenance bills etc.

24. As a result of the cuts listed above, the children's outstanding progress and high attainment levels at BRNS and CC cannot be maintained.

25. Similarly, our nationally recognised partnership work with parents and carers (with a proven impact on their own aspirations and its knock on effect onto those of their children) will be reduced significantly.

26. Our work with Higher and Further Education will be lost. Leaders will no longer be able to sit on advisory boards eg with Universities, Colleges of Further Education, Portage etc thus they will lose access to valuable Early Years knowledge.

27. Our work as trainers will be lost—we will no longer be in a position to train students from a range of backgrounds including teachers.

28. Our work providing information to families and early years workers will be damaged or lost because we will not have sufficient staff to develop and publish training materials.

29. The whole nursery sector will be damaged if highly qualified, experienced staff no longer wish to work in such an uncertain and volatile sector.

30. Maintained Nursery Schools will be cut adrift from school funding initiatives and yet the expectations of us as schools will remain. We will no longer be able to play a part in our communities of schools as we will not be able to pay for the time to take part in locality planning.

31. Our capacity to sustain excellence will be eroded because the SFF funding level will no longer enable us to deliver such a high level of service. The Ofsted expectations for schools (and we are a school) are set at a higher level. There are huge differences in the expectations of the differing provisions through the Ofsted inspection regimes (Nursery Schools under Section 5 School Inspections and private and voluntary sector settings under Section 40 of the Childcare Act). The criteria for outstanding, good, satisfactory and inadequate are not comparable.

OTHER ISSUES:

32. Our local authority has not been able to agree a “quality supplement”. The PVI sector did not want it linked to qualifications, the maintained sector did. PVI wanted it linked to Ofsted grading; we did not because of the differences noted in 31 above.

33. There have been difficulties in creating a formula which safeguards the nursery schools. We reported continuously the likely impact on our services but the local authority has not used the flexibility in the guidance to accommodate our views and most importantly they had to keep within a tight budget.

34. Finally we fear that if the SFF goes ahead without other government support, Maintained Nursery Schools will be at risk of closure—not just in West Sussex but nationally. Our unique institutions with proven, exceptional practice which improves life chances hugely for young children and their families will be lost forever.

December 2009

Memorandum submitted by Early Education

The British Association for Early Childhood Education (Early Education) is the leading independent UK wide charity for early years practitioners and parents, campaigning for the right of all children to early education of the highest quality. Founded in 1923, it has members in England, Northern Ireland, Scotland and Wales and provides a national voice on matters that relate to effective early childhood education and care of young children from birth to eight, advising parents, central and local government and through the media. The organisation supports the professional development of practitioners through training, conferences, seminars and access to a national and regional branch network. For more information on the work of Early Education visit www.early-education.org.uk

THE EARLY YEARS SINGLE FUNDING FORMULA

1. In June 2007, the Government announced that local authorities in England will be required to design and implement an Early Years Single Funding Formula for funding the Free Entitlement to early years provision for three and four year olds across all sectors. The aim is to improve the fairness and transparency in the way that funding is allocated to providers delivering the Free Entitlement and thereby support its extension to 15 hours, to be delivered more flexibly from September 2010.

THE IMPLEMENTATION OF THE EARLY YEARS SINGLE FUNDING FORMULA TO DATE

2. As local authorities in England have sought to establish their Early Years Single Funding Formula, there have been significant concerns raised about the impact of the implementation of the Single Funding Formula. Many schools and settings who have contacted Early Education have been reluctant to make their concerns public. As a consequence, evidence has been submitted anonymously in order to protect the identity of the school setting.

3. Many of those working in the maintained sector are reporting that they are increasingly being threatened with closure or significant budget cuts—many with immediate effect. Appendix One¹ of this submission is a dossier of evidence from 26 maintained nursery schools or nursery classes in primary schools.

¹ Not printed. See Early Years Single Funding Formula memoranda published on the Committee’s website at www.publications.parliament.uk/pa/cm/cmchilsh.htm

The evidence demonstrates the impact that the changes created by the Early Years Single Funding Formula will have on the children, their families, the staff in the school, the budget of the school and the quality of learning and teaching that is undertaken in the school.

4. Appendix One represents a significant body of evidence that demonstrates that for the most part, the formulas being proposed and adopted by local authorities will have significant and adverse consequences on the teaching, learning and services that these high quality, effective schools currently deliver to support many of the most disadvantaged children and families in England. It is evident that the majority of the Early Years Single Funding Formula that are being proposed by local authorities are going to adversely affect those children who have been identified as being vulnerable and at risk, those with special education needs and the parents and families who benefit from the support that this existing high quality provision provides.

5. Appendix Two² to this submission demonstrates the impact of the Early Years Single Funding Formula on a setting in the private, voluntary and independent sector. While the initial impact of the implementation of the Early Years Single Funding Formula is less dramatic on the children accessing their early education in private, independent and voluntary settings, the evidence contained in Appendix Two demonstrates that there is likely to be little gain through the implementation of the Early Years Single Funding Formula for the majority in the private, voluntary and independent sectors in order to support the improvement of quality across all provision.

6. There is little evidence that local authorities are being supported or rigorously monitored to ensure that the aims of the Early Years Single Funding Formula are genuinely achieved across all sectors. A significant proportion of Early Education members at this point in time have been unable to describe the impact of the Early Years Single Funding Formula on their schools and settings, as at present, the local authority is yet to determine the base rates and any additional supplements. Many have only recently begun to consult again for the second time and this puts them significantly behind the expected implementation timetable as described in the Department for Children, Schools and Families guidance. There is also an emerging sense that the full impact of the implementation of the Early Years Single Funding Formula on maintained nursery classes in primary schools, is only just beginning to be understood and that there is likely to be a detrimental effect on much of this provision as well.

7. There is little evidence in Appendix One to suggest that to date, the Minister for Children's letter (29 October 2009) to Directors of Children's Services which categorically states that 'the single funding formula should not be used as a vehicle to close, or close by strangulation, good quality nursery school provision' is being acknowledged or that the presumption against closure of nursery schools remains, even if the method of funding them is changing.

8. The effectiveness of maintained nursery schools, confirmed by the recently published Ofsted Annual Report appears to have little or no bearing on the decisions being made by the local authorities of those nursery schools who have provided evidence. Equally, the evidence provided so far by maintained nursery schools shows that few maintained nursery schools are valued for the role that they play engaging with and supporting the overall improvement of quality in the early years—particularly in private, voluntary and independent learning and childcare settings. There is little evidence that despite many of the maintained nursery schools who have provided evidence being judged as 'outstanding' by Ofsted, that they are valued and engaged as models of effective practice, and as a resource to improve the leadership, pedagogy and practice across all sectors.

9. There is significant evidence that over the past ten years there has been substantial investment in many of these maintained nursery schools as they have developed into integrated children's centres or evolved to deliver further extended provision. It is apparent that if the Early Years Single Funding Formula is implemented as many of these local authorities have already notified or proposed, a decade of investment benefiting the most disadvantaged children and their families is at risk and the highest quality and most effective early education provision will be lost—in some cases, almost overnight.

THE POTENTIAL LONG TERM IMPACT OF THE EARLY YEARS SINGLE FUNDING FORMULA

10. Early Education is clear from the international academic research that failure to invest or maintain investment in young children has long-term costs. These include school failure and lower achievement; poor physical and mental health; lower workforce productivity and; crime and delinquency. Economic benefits far exceed the costs. High quality provision is necessary for significant economic returns, but where the quality is meagre, the investment in the provision is likely to be far less effective. Ensuring quality must be an essential component of public programme investment. (Siraj-Blatchford, I and Woodhead, M (Eds) (2009).

11. As it is presently proposed, the implementation of the Early Years Single Funding Formula risks undoing the benefits of the significant investment that the present government has made in childcare, the early years, Sure Start and Children's Centres. For many disadvantaged children, the quality of their early childhood education and care has a significant and long-term influence on their educational performance and life chances (Sylva et al, 2004; Schweinhart et al, 2005). Any desired "levelling of the playing field" must take into consideration, the differences in the quality of the early learning experiences on offer as well as the

² Not printed. See Early Years Single Funding Formula memoranda published on the Committee's website at www.publications.parliament.uk/pa/cm/cmchilsch.htm

impact of poverty, ill health and other adversities. These disadvantages are beyond the control of the individual child and their family and social justice therefore demands that adequate provisions should be made (Siraj-Blatchford, I and Woodhead, M (Eds) (2009).

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Memorandum submitted by the Federation of Small Businesses

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the Committee's inquiry.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 215,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3% of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51% of the GDP and employ 58% of the private sector workforce.

The FSB represents approximately 1,150 day nurseries across the UK and many are concerned by the lack of funding available to meet the cost of compulsory free provision.

The Government is currently running a consultation on legislation that would give parents the right to fifteen hours of free nursery care a week per child; an increase of 2.5 hours from the current weekly entitlement of 12.5 hours. Nurseries are refunded for the hours taken through this scheme at an hourly rate set by their Local Authority. However, as a result of a survey completed by nurseries, the FSB is concerned that the hourly rate is not high enough to cover the cost of providing childcare. As a result, the FSB is calling for the suspension of the current code of practice until more research can be carried out in to the funding formula that Local Authorities are using before the new legislation comes into effect in September 2010.

Local Authorities are required to generate an "Early Years Single Funding Formula" (EYSFF) for all Private, Voluntary and Independent (PVI) nurseries in their area, although supplements can be built in to the formula to account for quality or unavoidable cost differences. Central Government has instructed Local Authorities to complete a cost survey involving all maintained and PVI sectors—then use the resulting information to create a Typical Cost Model (TCM) in order to generate an appropriate formula. However, the deadline for completing the survey and providing funding formulas was July 2009 and many Local Authorities were unable to complete a survey in the timeframe given and have therefore not based their funding formula on a thorough knowledge of the costs incurred by nurseries in their area.

A survey conducted by the FSB found that Nurseries charged an average hourly rate of £4.69 whilst the average hourly funding given for hours taken under the free entitlement was just £3.64. Government advice stated that the EYSFF should allow nurseries to make a profit as the ability to make a return on investment is vital to provide incentives for the operation of nurseries as well as providing capital for future investment to improve service provision.

Inadequate funding for the programme creates a system of incentives that could have a detrimental impact on the quality of nursery care. Local Authorities are instructed to allocate places under the free entitlement scheme to the nurseries that provide the highest quality care. If the EYSFF produces an insufficient hourly rate then nurseries will prefer to provide nursery care on the free-market rather than through the Early Years programme which could mean lowering the quality they provide so that they are obliged to provide fewer hours of care under the Early Years scheme. There is also the likelihood that the EYSFF will not be particularly reactive to increases in the quality of care. This means that the incentives to invest in new equipment or provide extra training for staff in order to increase the quality of care will be reduced as they will only derive benefits from doing so for the hours of care provided that they are able to charge parents for, leading to under-investment in the nursery sector.

The FSB feels that it is vital that Local Authorities conduct comprehensive surveys of the costs of providing nursery care and use this to inform the EYSFF—and until this is undertaken the Code of Practice, which prevents many PVI providers from meeting costs for the 12.5 hours, should be suspended. The FSB also suggests that Local Authorities should look at the prices that nurseries charge for care outside of the Early Years programme and use them to help set the EYSFF as this will help to correct the incentive problem that an unresponsive formula would create.

FROM AN FSB MEMBER:

“The Maintained Nursery Schools and Classes are having their premises costs paid in full while an averaged payment (apparently £0.53p per child hour) is being offered to the PVI Sector where actual premises cost vary enormously”.

The FSB urges the Committee to advise the Government to suspend the 2006 Code of Practice on the provision of free nursery education places for three and four year olds to enable nurseries to charge at a level which enables them to cover costs until a workable funding formula can be applied across all local authorities.

The FSB position, based on legal advice, is that the government should conduct a post implementation impact assessment into the 2006 Code of Practice on the provision of free nursery education for three and four year old children before deciding whether the move from 12.5 hours to 15 hours is discussed.

A recent Barrister’s opinion advised the FSB to push for a post-implementation impact assessment to fully address the negative impacts on Nursery providers. We are delighted that the DCSF has decided to undertake an RIA on the extension from 12.5 hours to 15 hours; however, many providers have told us that they will be out of business by 2010 which is why the FSB urges the Government to:

- (1) Hold a post implementation impact assessment on the current state of the nursery sector.
- (2) Suspend the current Code of Practice until a full assessment of the Early Years Single Funding Formula has been undertaken.

December 2009

Memorandum submitted by the National Day Nurseries Association

The Early Years Single Funding Formula (EYSFF), if rolled out properly, has the potential to improve the overall sustainability of delivery of the free early years care and learning entitlement, a welcome step as the initiative brings real benefits to children and families.

The EYSFF initiative has been taken forward over the last two years in response to evidence that many early years providers, mainly in the private and voluntary sectors, were being underfunded on delivering free entitlement hours as a result of existing arrangements on funding allocation.

DCSF guidance on EYSFF implementation encourages local authorities to factor into the criteria, on which their local formula is based, special considerations to safeguard quality and places for children from disadvantaged areas. Other criteria should be fair and consistent to all local settings.

Such a funding model is central to a system that is based on a diversity of provision across the maintained, private and voluntary sectors, which prioritises parent choice over the type of early years care and learning they want their child to have, and prizes continuity of care.

Sustainable funding rates for all free entitlement providers are also important to achieving other goals the government has set the early years sector. These include longer, more flexible hours for the free entitlement, extending it to two-year-olds, and workforce development.

Although some local authorities are finding development of EYSFF a challenge, there is also evidence that others are making good progress and revising funding rates to a more sustainable level. DCSF guidance and government regional office children and learners teams are there to support councils.

For these reasons, NDNA believes it is important that all local authorities implement EYSFF by the April 2010 target date. The impact, however, must be monitored. If EYSFF does not for any reason produce a sustainable funding model, DCSF must consider further measures.

1. ABOUT NATIONAL DAY NURSERIES ASSOCIATION

1.1 National Day Nurseries Association (NDNA) is the national charity and membership association promoting quality care and early learning for children in nurseries across the UK.

1.2 NDNA’s vision is a society where all children and families receive the best quality care and early learning that enables them to reach their full potential. Our mission is to support the delivery of quality care and early learning for children across the UK.

1.3 NDNA supports its members to develop their quality of care and to run a healthy sustainable business by providing members with information, training and support.

1.4 This written submission follows on from the oral evidence NDNA gave at the Select Committee’s initial hearing on EYSFF on 29 October 2009, which preceded the call for written contributions.

1.5 We concentrate on the background to EYSFF development, its anticipated impact and the importance of working hard to overcome any implementation difficulties in order to ensure that the formula goes live in all local authorities in April 2010.

2. CONTEXT AND BACKGROUND

2.1 The Government believes that overall funding for the free early years care and learning entitlement—totalling around £4 billion annually—is sufficient to deliver the scheme to every three and four-year-old, free at the point of delivery for 15 hours a week, 38 weeks a year.

2.2 However, serious problems with the free entitlement began to emerge in 2005 after the Government published a new code of practice advising local authorities and providers on how to implement the programme.

2.3 The 2006 code of practice tightened rules on the free entitlement, explicitly stating that early years providers could under no circumstances ask a parent to “top up” the money received from the local authority for their child’s free entitlement hours, even if the allocation failed to cover the provider’s delivery costs for that provision.

2.4 In a number of localities, private and voluntary childcare providers reported that the funding they received from the local authority did not cover what it cost to deliver integrated early years care and learning in the free entitlement hours. For many this remains the situation. Private and voluntary full daycare settings can charge parents for additional hours outside free entitlement where these extra hours are taken up, but they are not able to recover losses on funded hours directly and cannot raise fees to a level unaffordable for parents. Also, the free entitlement is determining income for an increasing number of hours as the hours of provision offered to families are extended by government.

2.5 On the basis of evidence that underfunding locally would have on the medium- to long-term sustainability of early years provision, and in the absence of extra funding from central government, the then Department for Education and Skills pledged to review how free entitlement funding was apportioned and distributed among early years providers at a local level.

2.6 The review formed an important part of the government’s wider appraisal of the Dedicated Schools Grant (DSG) during 2008 and 2009. The process resulted in a package of reforms designed to make allocation of free entitlement funding fairer, based on consistent criteria applied across the settings, a system which would align funding rates locally much more closely with providers’ delivery costs by using a comprehensive and sophisticated formula.

2.7 As such, all local authorities have conducted a providers’ costs analysis as the starting point to develop their EYSFF. All councils can also draw on the experience, knowledge and good practice established in six pilot authorities, who the Department for Children, Schools and Families (DCSF) asked to take a lead on EYSFF implementation. NDNA understands that they report relatively few problems.

2.8 The DSG reform has sparked several other reforms. These include having an early years representative on Schools Forums and funding based principally on headcount rather than places. These innovations complement EYSFF by giving all early years providers a (albeit modest) voice on the local decision-making body for funding on early years care and learning, support transparency and should lead to less money being spent on unoccupied places.

2.9 Ensuring that all early years providers can deliver the free entitlement sustainably is central to maintain parent choice over who and where they want their child to receive early learning. It is also fundamental to several other headline government policies in early years. These include introducing more ‘flexible’ provision, extending the free entitlement to two-year-olds and consolidating and continually developing the quality of early years provision. DCSF guidance on EYSFF allows local authorities to give special consideration when devising their formula to reward quality and protect places in deprived areas or for disadvantaged children.

3. ANTICIPATED IMPACT OF EYSFF

3.1 Private and voluntary nurseries are important delivery partners for local authorities in securing sufficient early years provision locally, including the free entitlement. They play a particularly important role in delivering the free entitlement to three-year-olds and in developing more flexible provision attuned to families’ particular needs. 53% of three-year-olds and 17% of four-year-olds (around 420,000 children) take the free entitlement in private and voluntary settings, compared with approximately 40,000 maintained nursery classes.

3.2 As such, in England, private and voluntary settings form by far the largest part of the nursery sector: approximately 13,800 compared with 450 maintained nursery schools. (There are also 3,000 children’s centres, a proportion offering daycare run by local authorities). Overall 65% of full daycare providers are private, 22% voluntary, 5% local authority and 6% school-based (DCSF Childcare and Early Years Providers’ Survey 2008). With this range and the number of children in their care, private and voluntary settings need sustainable free entitlement funding.

3.3 The DCSF Childcare and Early Years Providers’ Survey calculates average fees per child in private settings at £3.50 an hour. Analysts Laing and Buisson suggest average hourly free entitlement funding is £3.41 per child. But even a small differential can lead to significant loss on a group of children over a year and settings in many areas say they receive much less than this amount, leaving an unrecoverable funding gap. Only 34% of full daycare providers recorded a profit or surplus in 2008, while 33% are just breaking even.

3.4 Sustainability was a big issue for private and voluntary nurseries even before the recession. The economic downturn has intensified pressure on a good number. Underfunding on the free entitlement is not the only factor here, but for many it is an important aspect of the difficulties they experience. Particularly acute underfunding tends to occur in and around the South East.

3.5 As such, EYSFF is an important development for the majority of early years providers across the country. Previous free entitlement funding arrangements failed to take account of various delivery costs specific to private and voluntary daycare settings. These include higher business rates and property costs. Funding on headcount and places was inconsistent.

3.6 EYSFF aims to factor in the various costs that settings in different sectors incur in delivering the free entitlement. Common criteria have the potential to create a broadly level playing field across the various types and sectors of early years provision, leading to the overall pot of funding being divided up in a way more closely aligned with each provider's delivery costs.

3.7 Sustainable free entitlement funding is also at the heart of progressing the early years workforce development agenda. It supports settings to establish a firm financial footing that puts them in a position to meet ambitious targets for graduate leadership and Level 3 training. Evidence shows both are attributes of quality and can lead to positive outcomes for young children.

3.8 Indeed, a new code of practice on the free entitlement, due to be published by DCSF in early 2010 and currently under consultation, will explicitly define the free entitlement as a lever in early years quality development. This will encourage local authorities to use the free entitlement specifically to incentivise and reward a setting's quality improvement.

3.9 Moreover, the decision by government to introduce longer, more flexible hours of free entitlement—growing the scheme from 12.5 to 15 hours a week, extending it progressively to two-year-olds and giving parents greater choice over the hours their child takes the free entitlement—makes it imperative that funding rates correspond with delivery costs, as an increasingly greater share of provision is being determined by the free entitlement. DCSF has made extra funding available for these objectives; a formula using consistent criteria should help private and voluntary settings secure funding to deliver the free entitlement sustainably.

4. EYSFF AND QUALITY

4.1 NDNA supports continuous quality improvement in nurseries. We want to see quality develop for children and families much further across the early years sector, not concentrated in relatively few settings. Despite the much good quality in the private and voluntary sector already, loss-making on the free entitlement is one of the barriers to further and wider quality improvement, impacting on the availability of funding for investment, training and salaries.

4.2 An equalisation of funding between the sectors brought on by EYSFF does not mean that high quality needs to be sacrificed. Maintained settings are known to generally have high quality; but quality is not exclusive to them. Of 13,800 private and voluntary full daycare providers, 3% are outstanding (414) and 61% are good (8,418). That is nearly 9,000 settings deemed of good or better quality by Ofsted. Many will have achieved this with underfunding on the free entitlement.

4.3 There is much still to do in growing the early years sector's quality, but the sustainable free entitlement funding rate for private and voluntary providers will support investment in quality, offering the potential to turn satisfactory settings into good ones and good nurseries into more outstanding ones. As childcarers' salaries account for up to 80% of nurseries' fee income, a more sustainable free entitlement funding rate may also help alleviate constraints on pay and reward among the early years workforce.

4.4 Longer term ambitions for workforce development means salaries in the PVI sectors must not continue to be capped by under-funding of the free entitlement. To achieve and sustain the Government's vision for the workforce, funding that covers the cost of quality and in particular the model of a well-rewarded graduate lead and Level 3 qualified workforce, must reach the front-line in private and voluntary settings.

4.5 EYSFF guidance permits local authorities to take special measures to protect quality and finance places in deprived areas. If followed by councils, this should leave some spare capacity within the system for special circumstances. It should also be noted that private and voluntary settings play a full part in delivering in deprived areas, with 29% of private and voluntary nurseries located in the 30% most deprived areas, many experiencing a funding gap on the free entitlement.

4.6 Guidance has been circulated over the last 12 months to help councils and providers prepare for EYSFF implementation. NDNA's good practice guide with the Local Government Association, published widely in autumn 2008, also offered advice on developing EYSFF. EYSFF pilot projects provide a resource of good practice too—what to adopt and what to avoid—which other local authorities can draw from, while children and learners teams in government regional offices are also at hand to facilitate development and implementation of local formulae.

5. IMPLEMENTING AND MONITORING EYSFF

5.1 Adapting to EYSFF will be challenging for local authorities and providers. But guidance and support is available to assist them and the benefits in terms of sustainability for many providers could be significant. Extensions and innovations to the free entitlement make a transparent, criteria-based distribution method for early years funding especially important. Otherwise the strain on providers' sustainability may become too great, creating a dangerous and costly to replace gap in provision.

5.2 Local authorities are adopting a range of approaches to the EYSFF. Some are more advanced than others in their preparations. Leading local authorities have consulted widely and are in regular communication with all local providers. Models vary from locality to locality in their sophistication and complexity. Providers in some areas already know their new funding rates; others do not. Some nurseries tell us they are seeing real change towards sustainable funding; others are less confident and some remain very concerned that real change to support their sustainability will not happen. Given the recession, and the history of underfunding, no private or voluntary provider will want to see its funding rate reduced. It is not unusual, however, for providers not to know their funding rate at this time of year, as consultation with Schools Forums may not conclude until December. A picture of implementation is still emerging, although providers will need to know their circumstances by February.

5.3 In some areas, EYSFF is likely to be an evolutionary process, although NDNA would want to see local authorities and providers learn lessons quickly and draw from the good work established in the pilot areas. But to postpone EYSFF implementation beyond April 2010, as some are calling for, would waste that significant effort and investment to date, as well as risk further instability among key private and voluntary delivery partners at a time when they are already coping with the adverse consequences of recession and challenge of developing and rewarding their workforce. Better aligning local authority funding with providers' fees would give a welcome stimulus to nursery sustainability. At the very least, all providers will be looking for evidence of greater transparency in early years funding and a level playing field in apportioning that funding.

5.4 Central government, local authorities and key stakeholders have invested considerable time over the last two years to develop reforms to the DSG in relation to free entitlement funding. There has been transparency, guidance and communication about what the EYSFF will entail. All stakeholders have long known that without central government increasing the size of the overall free entitlement funding allocation nationally, the new criteria would equalise how funding is apportioned between the sectors locally. DCSF must, however, ensure that free entitlement funding is not spread too thinly to be sustainable for any type of operator.

5.5 However, if EYSFF fails to produce the answer to sustainable funding for frontline delivery of the free entitlement, particularly given its forthcoming extensions and new flexibilities, DCSF will need to look at additional measures. This will need to include a post-impact assessment of the scheme's impact on early years providers since its inception, a review of whether the overall funding pot really is sufficient, and an analysis of what proportion of free entitlement funding is getting through to frontline early years providers.

5.6 This in turn will require consistent monitoring of EYSFF's implementation and impact. Ministers would also need to consider additional funding—admittedly difficult at a time of fiscal pressure and spending constraint—or separately identifying free entitlement funding within the education and schools budget to ensure it remains protected for its intended purpose on investing in children's early years.

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Witnesses: **Tim Davis**, Service Manager: Children's Data and Policy Co-ordination, Southampton City Council, **Thanos Morphitis**, Assistant Director, Strategy and Commissioning, Children's Services, Islington Borough Council and **Jenny Spratt**, Head of Early Years and Childcare Services, Peterborough City Council, gave evidence.

Q39 Chairman: I welcome Jenny Spratt, Head of Early Years and Child Care Services at Peterborough city council, Tim Davis, Policy Co-ordinator at Southampton city council, and Thanos Morphitis from Islington borough council, who is replacing Alison Ruddock. I think that the three of you were sitting at the back during that first session, so you'll know what people feel is wrong with the single funding formula situation. I'm going to give you what the others had—two minutes to say where you think we are. You've heard all the rest of the evidence we've had. What do think of where we are now?

Jenny Spratt: I think the situation for local authorities is very different, because we are all at different time scales in the process. If we're thinking about the flexible 15 hours, in Peterborough we were part of the pilot authority for that, so delivering it to our providers is very well embedded. The introduction of the single formula is the next phase. In our sector in Peterborough we have one maintained nursery school and five nursery units, and the rest of our provision is from the private, voluntary and independent sector. We have tried to engage with the whole of that sector throughout the whole of this process. The decision making on any

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single funding formula has been done in partnership with a working party group, which has taken all the decisions and has taken them forward to the Schools Forum.

Tim Davis: In Southampton, we were a pilot for the single funding formula, and at the same time we were invited to become a pilot for the extension of early years to 15 hours. From our perspective, we did engage early, I think, with all the people we needed to engage with. Touch wood, it is going very smoothly in terms of the PVI formula having been rolled out in April. We delayed the roll-out of the new formula to the maintaineds for a year, until April next year, because there were some additional difficulties that we needed to iron out with them in a bit more detail. Those are now sorted out, as far as we're concerned. It hasn't been too bad, though it was a lot of hard work and it took a lot of engagement early on with the right people to make sure that everything went reasonably smoothly. One thing that helped make a difference in making it smoother in Southampton, which does not appear to have been the experience in some other places, was that we identified early on to our Schools Forum that to do it properly without big negative consequences would cost a larger share of the dedicated schools grant. We communicated that as soon as we took part in the pilot. As soon as we started modelling the cost, we started a dialogue with them in terms of what levels of supplement for what sorts of things would have what sort of price tags. Having that debate early and repeatedly with the Schools Forum helped make that a mature debate about outcomes.¹

Thanos Morphitis: We are not a pilot authority in Islington. Obviously, we have heard that there is different practice and interpretation across the country—150 different authorities. Everything I say is in the context of where we're starting from in terms of our provision and our duties. That is one thing I am concerned about—that the single funding formula is seen in the context of the whole policy requirements and duties of the local authority: to provide sufficient child care and a range of children's centre services, and to improve outcomes for children at the end of the foundation stage. In Islington, the context is a very high level of provision, so that 38 of our 44 primary schools have got one or more nursery classes, and we have a range of 16 children's centres provided through nursery schools, primary schools and the voluntary sector, and four by the local authority directly. Our priority overall is to ensure that all provision is the highest quality possible. We have built an integrated service in Islington from the strength of our nursery schools. That has been our *raison d'être*. We have developed 16 children's centres offering a comprehensive range of services for nought to five. In terms of the single funding formula, for us it is, where does it fit into the

whole picture rather than dominate our developed services? Our priority is for all our centres to be good or outstanding and for all our providers to reach those standards. Of our three and four-year-olds, 70% are getting free provision, either in nursery schools or primary schools. All four-year-olds are being offered full-time provision already and, of those three-year-olds in schools, 70% of them are full-time. It is a very different picture. We have a diverse range of providers, and we fund a number of voluntary sector organisations to provide under a subsidised scheme for working parents, and provide additional funding for them. The private sector is small but thriving because it picks up the areas where we are not able to make provision, typically with the under-threes and also for those people who work in Islington or on its borders who are taking advantage of the provision available. From our point of view, it is a matter of how we can sustain the good-quality provision from the range of different funding sources. The single funding formula is one element. We have also got to look at the children's centre funding element and the other school funding formula that goes into our institutions, and seek to ensure sustainability. We are concerned that a simplistic approach could lead to a real reduction in funding for nursery schools and classes. We are trying to look at funding across the piece and how we are looking at the factors. We are including factors—obviously deprivation, and also around quality to reflect that. The other thing that we are concerned about, which was picked up in some of the earlier evidence, is that institutions have very different functions. I wouldn't describe this as a level playing field as I don't think it is a very helpful description. I don't think that institutions are playing the same game—it's different aspects of the same game. Institutions have different objectives. For our context, if we are saying that our children's centres are there to provide for those most in need—and indeed 30% of all places are reserved for children in need—then we have to have a funding methodology that reflects that. It has to reflect the fact that children in need don't all turn up at the same time to meet particular dates. We have to have an allocation that allows for that, to supplement the single funding formula. We also need to recognise the additional needs of individual children with special educational needs, so we fund those, again, on top. We're trying to sustain the comprehensive range of services through different funding formulae and trying to ensure that our basic objective of high-quality provision for all children is sustained.

Q40 Chairman: Listening to the evidence in the previous session, did you recognise that picture in terms of the feeling that the maintained sector was going to suffer disproportionately to the rest of the sector?

Thanos Morphitis: It depends how it's interpreted. If people take a very simplistic approach, dividing the total costs of an institution by the number of children, and say that therefore the cost is x per hour, and the approach does not differentiate between children of different ages and different services that

¹ *Additional comment from Southampton:* We were also fortunate to have clear and consistent leadership at Schools' Forum from our Director of Children's Services throughout the pilot. This helped to ensure that the focus of the debate was upon the strategic outcomes we were looking to achieve in Southampton.

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are provided, it can lead to a simplistic answer, which would lead to significant turbulence in those institutions. That's why we're trying to break—

Q41 Chairman: Is it simplistic to say, “My budget's going to be cut by £100,000, so I won't be able to employ as many people with professional qualifications”?

Thanos Morphitis: Sorry?

Chairman: Are you not sympathetic to the view of one of the witnesses who was going to lose a budget of £100,000 and would no longer be able to appoint or maintain the employment of skilled professionals?

Thanos Morphitis: Absolutely, which is why we're putting quality within our formula to ensure that for those institutions that have qualified head teachers and qualified staff, the costs are reflected in that formula.

Q42 Chairman: Where do you get that resource?

Thanos Morphitis: From the additional funding.

Q43 Chairman: Who loses out? If you're going to give more to that, who loses out? You saw the allegation. People don't quite know where the local government money goes.

Thanos Morphitis: This is why I explain the context. We fund at a high level already, so this is additional funding and it's not replacing—we have to be careful it doesn't impact on the core way we fund our nursery schools. I don't think people are losing, from that point of view.

Chairman: How does that compare with Jenny's experience in Peterborough?

Jenny Spratt: We did the initial cost analysis through the National Day Nurseries Association; we asked it to undertake it for us. We then appointed a project manager and, once the results came in from the cost analysis, we followed that through and did some direct questioning of the providers. We got a 92% response, so we feel we got a pretty accurate picture of the situation out in the field. We've created a formula with a base rate that represents a variance from £3.21 an hour, which would be for a pre-school, through to £8.75, which would be for our maintained nursery school. On top of that, we have incentive payments and we have two different incentives for quality. We have one that reflects the qualifications of the staff and we have another that reflects the undertaking of a quality assurance programme, so we feel that quality is being supported very well, and it is there as a lever. For those settings that aren't engaging in improving their quality, obviously we can say, “If you start a quality assurance scheme and improve your qualifications, you'll get more money on top of your base rate.” We also have a flexibility supplement and the deprivation supplement. There is a head teacher supplement for the nursery schools, which we are required to put in. On top of that, as a result of listening to our working party, we've put in a supplement for administration, because obviously the administration of all this is quite a heavy burden for some pre-schools and some day nurseries if they

don't have admin staff. So we've gone through the process and the process has been costed. The cost modelling has been undertaken. We have now the figures that we can give to any of our settings as to what their budget would look like, but we're also using the head count data of the funding for the three and four-year-olds as they come in this term, to look at the accuracy of what it's looking like for them.

Chairman: Tim, what's your perspective on this?

Tim Davis: One of the reasons why we delayed the implementation to our maintained settings was that exactly those sorts of issues and complications around maintained providers applied. We have one maintained nursery school and eight nursery classes attached to primary schools. In particular, there was a problem for the nursery school. The equated cost per child per hour of provision in the maintained nursery school was approximately £8.29 an hour, and the equivalent rate for the maintained nursery classes was about £4.50 an hour. So there is quite a big difference in running a maintained nursery school. We were uncomfortable with the funding formula that would pay nursery schools at anything like that level, because it makes them extremely vulnerable to swings in the number of children who attend them once you fund them on a participation basis, rather than a place basis. We spent the first part of this year modelling other things.² Effectively, the maintained nursery school is also a children's centre, and we looked at making its cost base more similar to that of the other maintained provision. We then looked at commissioning separately the other children's centre and the leadership roles that it contributes as a high-quality early years setting within Southampton, and funding that separately. So our single funding formula for the maintaineds, when we roll it out, will cover a range of rates from about £4.64 an hour to £5.12 an hour per child in different maintained settings. The maintained nursery school will sit within that range, but it will also get a payment, which will be us commissioning the other services that it provides within the community. That is how we approached solving that particular problem. I certainly see the problem. On the allegation about where the money goes within the dedicated schools grant, we did quite a lot of work on that, because when all of our settings complete the early years census every January, our dedicated schools grant for under-fives is based on the number of children in all settings, and we receive it at the same level. The funding then goes into the dedicated schools grant, from which the individual schools' budgets and other pupil-related provision are calculated. Local authorities do not get to use that funding—it is pupil-related provision funding—but historically, quite a lot of it had gone into main schools' budgets. Part of the debate we had with the

² *Additional comment from Southampton:* We wanted to explore in more detail different ways to fund maintained provision that would still be consistent with the principles of a single funding formula, but which would not undermine the quality of sustainability of our maintained provision. In the end we settled on an approach that we felt would recognise and cost the other benefits we get from having a nursery school as a provider in such a way that we could commission these outside of the funding formula.

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Schools Forum was to say, “This is what we are spending per child at the moment on PVI provision; it isn’t anything like what has come in.” So there was a moral case to be made if we wanted to improve the quality of early years provision to claim back from the whole dedicated schools grant just a slightly larger part of that.

Q44 Mr Chaytor: When the Government first issued their circular calling on local authorities to start work on this, was there a general consensus in your authorities that this was a problem that needed to be tackled, or did you think it was irrelevant and that you would have been far better carrying on in the way you had been previously?

Tim Davis: We were a pilot, so yes, we thought it was a problem that needed to be solved. Many of the supplements that have been talked about in terms of incentivising quality, reflecting some of the costs of deprivation in terms of how we close the gap on outcomes, and helping to incentivise the costs around delivering the whole early years offer more flexibly were, effectively, ticking time-bombs. The old way of funding PVI nurseries was a problem, in that it was fairly arbitrarily decided at some point in the past that there was a rate. It was the same for everyone irrespective of their costs, and it was going to struggle to deliver staff throughout nurseries with the sort of qualifications that they needed to help close the gap in terms of addressing some of the deprivation problems in different communities, and to deliver it all flexibly. It was eventually going to put huge pressure on private day nursery providers that might have driven them out of the marketplace entirely, and would then push us on sufficiency. So, from our perspective in Southampton, it was a problem that we were very interested in having a chance to solve.

Jenny Spratt: I would agree with what Tim has said. Also, from our perspective, we felt that it would help us with issues around recruitment and retention of staff in the private, voluntary and independent sector because that is a big issue that we have to deal with. We saw it as a big lever for quality improvement.

Thanos Morphitis: We weren’t a pilot, so we are moving into the stage of more detailed consultation with the different sectors about base rates and so on. We have had a working party at the Schools Forum dealing with this for nearly two years now, and we have PVI representation on the forum and the working party, and it is complex. It is not the only issue that people are dealing with, as was mentioned earlier. We are also tackling the interface between funding and admissions policies. Clearly, the Rose review—perhaps we will say something later on that—may well have an impact. It is quite hard for institutions to get their heads round all the different issues, and we are trying to work through them with each sector.

Q45 Mr Chaytor: In one sense, the idea of 150 local authorities each doing their own thing and having their own two-year consultations and dedicating a team of staff to spending months working at their

own formula seems a very cumbersome way of doing it. I am interested in what model there was available for the six pilot authorities to work on to start with; and now that it is due to be implemented next year, are the other 144 local authorities going to use the models that the pilots have agreed on, or are they still essentially working on their own formula?

Tim Davis: From our perspective as a pilot, we were supported by the DCSF in modelling where we wanted to go from a policy point of view. Consultants were brought in to advise us, but to be honest, we knew where we wanted to go with it in terms of the sorts of supplements that we have talked about. From the DCSF’s perspective, there was quite a lot of lobbying historically from private nurseries in particular that were really making the point that the arbitrary single rate of funding in each local authority was just not sustainable. To a certain extent, they knew that that was the problem they wanted us to help solve, but they were very open about what other issues we might address through doing that, and they were very supportive. The consultants we had access to were very supportive in terms of helping us to model some of the things that we wanted to do.

Q46 Mr Chaytor: And from the point of view of Thanos and Jenny, are your authorities now using the models that were developed by the six pilots, or have you started from scratch?

Jenny Spratt: We had already started the process before we began to get the results through from the pilot authorities. Obviously, having that information has helped us to readjust and refine what we are putting into our formula.

Thanos Morphitis: We are the same. We are looking at some of the methodologies that have been used and applying them in the context that we have.

Q47 Mr Chaytor: And now that you are coming towards the end of the process—because implementation is due to take place on 1 April next year—are you confident that it is an exercise that has been worth doing; and has, does and will your formula reflect the 16 criteria that the DCSF sent to you in the first place?

Jenny Spratt: We think that ours does. We have worked on it for quite a long time, and we have done it with full representation from the sector. So, our working party has been fully represented, and we have members from that working party from the private, voluntary and maintained sector who sit on the Schools Forum. They have absolutely been able to take the work forward and to argue the case of what we are doing.

Q48 Mr Chaytor: Thanos, are you confident that it has been worth while, and will something better come out of it than you had before?

Thanos Morphitis: Whether it is equivalent to the amount of effort put in, I am not sure. In a well-funded authority, top priority is around quality of

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provision, and that is where we want to focus our officer time and resources. It has not been unhelpful because it has given us the opportunity to look at some different elements of funding that exist and iron some of those out.

Tim Davis: We introduced it earlier this year. It does broadly seem to be working fine. We haven't had significant problems with any of our providers over it, and it certainly has helped significantly to close some of the funding gaps between different providers of good quality and the maintained sector. There is one thing we're going to need to keep a very close eye on. Basically, choice within the market drives different financial pressures from year to year. We used to have some 75% of our provision in the PVI sector. We still more or less do, but now there is a whole of range of costs, and it will be interesting to see whether it is the more expensive or the less expensive of those that grow to fill up more of the provision.³ We have also, because we linked it to the flexibility and the extended offer, started to experience some sufficiency issues in terms of the combination of an extra 20% of places that can be taken up in terms of the total number of hours, and a fairly significant rise in birth rates in Southampton—about a quarter over the last five years—which is being sustained and is starting to squeeze capacity all over the place. It will mean that we are unlikely to have maintained settings struggling to fill their places. I think they used to have a buffer of guaranteed place funding, and they were worried about whether they could fill all those places with real children. There are other issues as well around that, but one concern they shouldn't have is that there aren't going to be enough three and four-year-olds to fill all the provision we have currently got within the city.

Q49 Chairman: Have we made a terrible mistake in inviting you three here, because you are all very competent authorities and are doing a really good job? Perhaps there are 147 other stories out there. Is that the case? Have we just picked on the wrong authorities, do you think? You are full of professionals and you have met members of professional organisations. Do you think you are exemplars that people ought to copy, or an average representation of what is going on out there?

Thanos Morphitis: It is difficult to say. I think we probably have some characteristics in common with other inner-London authorities, where there has been a legacy of a higher level of provision overall. But I wouldn't like to judge what the views are of the different sectors in different authorities, because obviously we know what sectors in our borough are saying, and we are trying to take them along and be

open and transparent about the money that's coming in and how we are preferring to use it. I don't know.

Q50 Chairman: It seems that, listening to all three of you, you fully understand the point that was made by the head from West Sussex, who needs that capacity because she is running a whole range of services and provision for exactly the people this sort of provision is aiming for—people from stressed backgrounds. You went right through the card, didn't you, of how many—27—funding streams and different things? You have to have capacity to do that. So it's not just a tidy question about, "Do we have enough places to fill?", as you were saying, Tim. If you don't have the capacity to be flexible, to move and to adjust to crises, you're not providing the service, are you?

Tim Davis: No, but at the same time, you don't want to be funding large numbers of vacant spaces all the time. You can, under the single funding formula—probably, in fairly small numbers—guarantee to buy a few places at schools where you want to have the ability to hold capacity effectively. In relation to what we are doing on the two-year-old funding, we are having to commission places of high quality because they are for very vulnerable two-year-olds. We can't necessarily afford to take the risk that those settings will fill those places, which they would have to do in a market, so that we know we can effectively fill those places on referral when we need to. One of the other perspectives that is difficult for a single maintained nursery school to take on this is that it's unlikely we can afford to have that quality of provision in place in all the places we want it. I cannot speak for Sussex, but if any authority is trying to deliver the single funding formula and the policy drivers behind it, without taking a larger share of the dedicated schools grant, it will be difficult because it will probably have to undermine some of its more expensive provisions.⁴ I cannot think how you would do it within the same envelope otherwise.

Q51 Chairman: But that is the rub, isn't it, Jenny? You are responsible for child care and child protection. If you are responsible for that side, the two things are not separate worlds, are they? The crises that we have found through the Committee's responsibility to look at child protection clearly show that such emergencies and dreadful things happen and you need the facilities and the capacity to respond to them.

Jenny Spratt: You also need a really good range of people on the working group to do the single funding formula. In our case, our sufficiency officer was part of that; so was our families information service, to deal with the issues about places and where they might be. That brings a deep understanding from the people who need to have it, so that we are able to allocate the places that might be needed very quickly.

³ *Additional comment from Southampton:* The cost implications of a demand led market in which different providers are funded at different rates, where the person selecting the provision for their child (the parent) is not the same as the organisation funding the provision (the Council) that grows its market share. This could have significant financial implications on the dedicated schools grant that would not have been possible under the old funding approach.

⁴ *Additional comment from Southampton:* Further to this, depending on the size of the maintained early years sector in an area, the total resource identified for redistribution would be coming from a much smaller pot in areas with relatively few maintained providers.

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Thanos Morphitis: On that point, you made a comment earlier, Chair, to a colleague in the private voluntary sector about balancing the business. The single funding formula is one income stream, but you have to look at the whole. It is the same principle in the maintained sector with nursery schools and children's centres. You must look at the whole operation to see how you can sustain it. It is the local authority's responsibility to look at what it requires of its institutions and to make sure that it can help each institution to balance its overall services within the budget available. About 17 or 18 years ago, we established that nursery schools would not be just for three and four-year-olds; they would be for 0 to five-year-olds and provide a whole range of services. That is the business. It is unequivocal. That is the role of our nursery schools, which are now children's centres. In that context, we have a responsibility to look at the various funding streams to ensure that they can continue and thrive.

Q52 Chairman: Thank you for reminding me of that question. Perhaps the three of you can help me because I did not understand something that the earlier witnesses said and they are not in front of me now, although some of them are sitting at the back. One of the concerns they expressed was that now you can have a bit of a session here and have all your free sessions on one day. That seemed to be disruptive. It is much more intelligent to have a session each day across five days. Do the new rules that are coming in mean that you can choose what you like and move them around? Is that a substantive change in the arrangements?

Thanos Morphitis: Yes, it will be. We are consulting on a proposal that we will fund no more than six hours in one day. For Islington, we think that is a reasonable way of interpreting the requirements. If parents choose to take six hours in two institutions in one day, I am not clear about which institution takes precedence for the single funding formula. Tim, you may know because you may have interpreted that.

Chairman: That is a possibility, is it? You can just mix and match.

Thanos Morphitis: Yes. You can go to a school from 1 until 3.30 or 4 and then go to a voluntary provider from 4 until 7 to suit the requirements of the family. If the free provision was in the school, the parent could either take the provision outside free as part of their 15, or they could pay. If they chose the voluntary provider as free provision, we would be caught and might not be able to claim the funding because schools do not charge for that core day. I do not know if that is an issue that has been picked up.

Tim Davis: I do not know how it will work after April, but historically, it is a local authority issue to resolve where the funding split happens. Because we have funded guaranteed places at schools, if you go to a maintained provider and a non-maintained provider, you do not as a parent have the choice of whether you are funded for the maintained provider. You are funded for the maintained provider; you can take some extra hours at other providers, but

actually that will change under the new mechanism and we will probably give parents choice on that, but only if schools are able to charge.⁵

Q53 Chairman: Let's get this right Jenny: you can use your entitlement to 15 hours and still get free provision from the maintained sector.

Jenny Spratt: Yes; we set a limit of six hours, as well, that would be funded free in a day. The difference for a child could mean that, previously, if the child had a morning session in a nursery every morning but the parent was working, they may have had to go to another child carer in the afternoon and be transported maybe across town; now that child can be in that provision for the whole day, funded for six hours. It might also be that the school, nursery or pre-school has a breakfast club and an after-school club; the parent might have to pay for that facility, but the child can be more in one place. It suits the parental need for matching child care with work. In our flexibility, for the six hours we added in an additional payment if the six hours included lunch time because that meant that the child did not have to go away and come back again.

Q54 Helen Southworth: You described the very measured process to us of taking the providers with you in your working out of how this is going to happen, but also of taking the authorities with you in making changes about how they are going to deal with things. Having gone through that process, do you have any anxieties about how robust it is?

Jenny Spratt: The cost modelling shows that it looks okay on paper. We are currently doing the head count for the current children who get the three and four-year-old funding, so we are looking at every one of our settings to see how much they have claimed and what it would look like in the new formula. Obviously, it then will go back to the working party and, once we have made any final adjustments, it goes to the Schools Forum in December. Obviously, we are saying to the Schools Forum, "This is what it looks like; we have tested and trialled it", and it is either working or we need to make some adjustments. We then have time to do that ready for April.

Tim Davis: The only thing that I would add to the anxieties around the cost-funding model is in terms of how often we will need to revisit it. This reflects a point I made earlier, which is that I have a slight anxiety that as parental choice reflects a different take-up of demand, particularly as flexibility really comes into the marketplace, it is very difficult to predict how much of the dedicated schools grant the early years offer will cost. Because we have a range of rates for PVIs, from £3.58 to £4.41 for different providers per child per hour, the bottom-line effect of that upon the school's budget at the end of the

⁵ *Additional comment from Southampton:* Otherwise we would be over-providing for some children at the best settings at the expense of other children. This is not our intention. We are working with schools with maintained early years provision to flag where they need to change their Ofsted registration so that they can charge for childcare wherever possible so that parents do retain choice.

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year could be quite massive, so we are going to need to keep a very, very close eye on it. Previously, when we had one rate for all PVI provision, it was fairly simple. You could monitor whether there was more take-up that year but not necessarily the cost implications of where that take-up was, so it is another variable. It's a good thing and it's for a good reason, but the implications for local authorities' and schools' budgets could be quite significant, so I have a slight anxiety about it.

Thanos Morphitis: I think that the anxiety that some of our schools have expressed on the Schools Forum is around the participation—that funding is based on participation at a termly count—and whether we need some flexibility around that. Currently we have an annual count for our nursery classes, so the children on the roll in January provide the funding for that class for the year. We fund on places in our children's centres and nursery schools, so that clearly is going to have implications. One of the problems in the future is that there will be a push for schools to fill up the nursery classes in September, particularly when the Rose review recommendations are implemented, because there is currently consultation to introduce one point of admission to reception classes. Head teachers will have nursery classes where a number of children move out in September, and they will be under pressure to fill those places immediately, because funding will be based on the count in the middle of October or beginning of November. That will have an impact on children born either during the spring term or the summer term. The term after the children are three, for the younger children, they may find that places have been taken up in the nursery classes in the September term. We are thinking about how we can deal with that within the confines of the single funding formula, which is based very much around the determining count.

Q55 Helen Southworth: In terms of your experiences of this process, what would you see as being the critical points that will determine success or failure, spread across a wider geographical area rather than your own authorities?

Tim Davis: From our perspective, it was always about the drive that we have had—this should be true of authorities across the country—to improve standards of good attainment at the end of foundation stage and to close the gap at the end of the foundation stage. There are some degrees of separation. Because we have a single point of entry for reception year so that children have a year at school before they finish the foundation stage, we obviously have a degree of separation which makes it a little bit difficult to evaluate the direct impact and contribution of the nursery that the child went to, but we can and have measured that to try to give us some flavour of it. The other things we are doing are all about improving their quality. And if we're not improving quality—we are looking at it more from the point of view of flexibility for child care—it's to improve the circumstances of those families by helping support them to get into work. While 15 hours in five three-hour sessions might be an ideal

over five days, other things being equal, other things quite often aren't equal. If we're helping families get back into work and children not to grow up in poverty as a consequence of that, that can outweigh the slight educational disadvantages of delivering over fewer days. That's a crass way of describing quite sophisticated issues with individual children, but that's why we're doing it. I believe there is certainly some reason and rationale behind that.

Thanos Morphitis: I think the danger is if authorities take too narrow a view of the implementation of the formula and don't look at the points that Tim has raised about the broader objectives of the authority to tackle poverty and ensure that there is sufficient child care and, critically, that the quality provision is of the highest order. If authorities keep that focus in mind, it's a matter of how they can then interpret the requirements in a way that is going to serve the objectives they are trying to achieve. Too narrow a focus on the formula, I think, could lead to unintended consequences.

Jenny Spratt: I think from our perspective as well, where we've tracked back the formula, we know we've got some winners and some losers in this. The losers tend to be where they're not engaging in improving qualifications, they're not improving quality and they're not undertaking training, and we can see that we can use this as a key lever to say, "If you want to improve the finance that you've got coming into your setting, then please, this is the way you can do it," and we can go out there and talk to them about that.

Q56 Chairman: When you look at your Ofsted reports on this provision, how active are you in going out, shaking things up and getting things to happen better? You see the Ofsted report on a provision—

Jenny Spratt: Yes, always.

Chairman: And as was explained to us earlier, there's some real cause for concern about the fact that there are few outstanding private independent providers. Quite a bit of it is good, but there are some serious failings. What do you do when you find severe, almost systemic underperformance in a local authority area?

Jenny Spratt: We monitor very closely the results of the Ofsted inspections, but we would always know what was likely to be happening in one of our settings anyway because we have a team of really high-quality people who go out to support and challenge those settings. We also look at the early years foundation stage results when they come out and we track them back to the children who have left those pre-school settings, so we know exactly the kind of areas that we need to be supporting and making an input into in our entire sector.

Q57 Chairman: Is it still true, though, that people from more deprived backgrounds get less of a choice of quality provision?

Jenny Spratt: I would say that the quality is improving all the time. We currently have at least 60 practitioners undertaking foundation degrees. They started off doing their NVQ Level 3, they worked their way up and they are now on their foundation

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degrees and hopefully going through to early years professional status. So there is a continual want and desire in the sector to improve quality, and I think that people understand far more now about that quality. The nursery schools provide us with a really key beacon in terms of where the theory and practice of good early childhood education sit, and that can be disseminated. People like to see modelling and to see something in practice because it helps them to visualise and understand it, and we use our nursery school in that way.

Q58 Chairman: But Thanos, that resonates with something from the earlier session, too, doesn't it? If you do not have that capacity to have market leaders with good practice, innovation and all the rest, there is no yeast to raise the whole system.

Thanos Morphitis: Absolutely. That's why I made the point earlier about building our service from the quality of our nursery schools. What we aim for is for the children with the most challenges and the most deprivation to be in the best-quality provision. The other thing we've done is to say that nursery schools and children's centres are not just for children who are deprived, and ensure that there's a balance. As well as the 30% of children in need who will be admitted, we have parents paying across the income spectrum, and we also market some places at a private sector rate. So a comprehensive range of children attend these high-quality centres, within which our most deprived are provided with priority placements. Similarly, we will support all sectors in inverse proportion to need in relation to Ofsted outcomes. We will support them and encourage people to go on training, to take advantage of the graduate fund and to be part of a network that is associated with our children's centres. The children's centre is seen as the hub for an area, supporting providers and providing services to the children in the catchment area.

Q59 Paul Holmes: Just one question. The Federation of Small Businesses' evidence suggested that the money that the Government are putting into all this is not all coming out at the other end. There was a suggestion that local authorities are diverting some of it somewhere. Have you got any comments on that?

Jenny Spratt: I think that for some years it was difficult to find out how much money was sent through to local authorities for early years, but that is far more public knowledge now. In the past, the private provider on our Schools Forum has challenged things and said, "I don't think we're getting enough," and he got a funding increase through from the Schools Forum by doing that.

Tim Davis: On that particular point, I touched a little earlier on the fact that the rate we get per child under the age of five in our dedicated schools grant is the same for all children. Historically, because the money goes into the dedicated schools grant, local authorities cannot use it for their own sorts of things; it goes into pupil-related provision, mainly in schools. Before the funding formula was introduced, most PVI provision was funded at a lower rate,

which was more or less standard across the country—it varied a bit but not by a huge amount. What happened was that there was a little more to go into schools' budgets a few years ago. It is not a large amount in the whole schools pot, but it has got swallowed up for the most part. But schools were pretty mature when we were making the case—"This is the money that comes in. We've got this many three and four-year-olds. This is what we are effectively asking for to fund the delivery of this. It is less than that; we think we have got a case." They were pretty good and mature about that debate, but I don't think there has been any great conspiracy within local authorities, or Schools Forum, about how they build schools' budgets. Generally speaking, to ensure we can deliver the minimum funding guarantee and other things, we have tried to make sure, through whatever money is in the DSG, that that is delivered.

Q60 Paul Holmes: Would it be fair to say—or too simplistic—that the areas of the 150 authorities where the biggest problems are becoming apparent in the new formula are the ones who did not provide very much maintained provision in the first place and are now slicing the cake very thinly anyway, whereas other authorities who put a lot of extra in in the first place have got less of a problem? Is that accurate?

Thanos Morphitis: I think that could be a fair reflection. Ironically, with our Schools Forum, the question has often been the other way around—why are we spending so much on early years, historically? When we go through the arguments about our duties and our objectives, the forum then says "Okay, we understand and we support that, because of early intervention and prevention." So the argument has sometimes been the opposite in Islington. But I think in terms of your hypothesis, it is probably true, because the funding then has to be spread more thinly if it is going from a low base.

Q61 Paul Holmes: Typically—I am generalising—an inner-city authority with more deprivation has usually put more money into this, and shire authorities traditionally have not done so, and they are the ones who are going to see the biggest problem again. Is that a fair judgment?

Tim Davis: I would say that that is probably a fairer judgment than necessarily what share of PVIs there were in the first place. We have quite a small maintained sector. It's 80% PVI and I don't think it has been hugely problematic for us. From my experience of the shire authorities who were pilots—I can't speak for them in detail, but certainly this was said on a number of occasions—some of the complicating factors around moving to participation-led funding when you have quite small provisions a long way from other provision make the early years marketplace quite a funny marketplace. It is going to be potentially quite difficult for the single funding formula to work in some of those areas, because it requires some fairly large sufficiency payments just to make it at all viable.

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Q62 Chairman: Can we make this single funding system work? Are we making a big fuss about something that can be solved—sorted out—by April?

Thanos Morphitis: I think the problem is the “we”, because the “we” is so dispersed. There are 150 questions and there are probably 150 different answers. I think that that is probably the most difficult thing at the moment for the Government to look at, in terms of how they can ensure that it actually adds value to what we are doing, and is not a detriment.

Chairman: Jenny, what’s your view?

Jenny Spratt: I think that’s been evidenced this morning, hasn’t it? Listening to Jean and the situation with her nursery school, if her nursery school was in Peterborough, she would be getting a very different rate.

Chairman: Tim?

Tim Davis: Yes, I’m fairly confident it will work in Southampton, but certainly from the evidence I’ve heard, there will probably be some consequences around the country which are not especially desirable. The damage that they do before they are sorted out in particular areas could be significant, particularly when you are talking about the loss of some of your really high-quality provision. It should work; it is certainly not an insurmountable problem to use the single funding formula to deliver these sorts of outcomes.

Q63 Chairman: We mustn’t lose that high quality of provision, in your view? You’re all nodding.

Tim Davis: I think you need the leadership of high-quality provision. We used it when we piloted our extended provision. Before we were admitted on to the pilot, we used early years funding to pilot it in some of our maintained settings, just to make sure that we could then share that message across to other settings once we were trying to prepare them. It is an essential leadership role to actually bring the quality up everywhere.

Chairman: So a Government who have put an awful lot of money into early years provision should just make sure that we don’t lose this particular jewel in the crown. Look, it’s been a very good session. Can I thank Jenny, Tim and Thanos. We may ask you to let some of us dip into your local authorities, if that’s possible, to have a look at provision on the ground. Jenny will know that that is always convenient for me, because it is halfway between here and my constituency on a very good rail line. But could you remain in touch with the Committee, because this is a short report, we want to make it a good one and we may want to ask you some more questions. Is that okay?

Thanos Morphitis: Yes. It would be a pleasure.

Jenny Spratt: Yes.

Tim Davis: Yes.

Chairman: Thank you very much.

Wednesday 9 December 2009

Members present:

Mr Barry Sheerman (Chairman)

Annette Brooke
Ms Karen Buck
Mr David Chaytor
Mr Andrew Pelling

Helen Southworth
Mr Graham Stuart
Mr Edward Timpson

Memorandum submitted by Sheffield City Council

1. THE EXPECTED IMPACT OF NEW LOCAL FUNDING FORMULA ON PROVIDERS OF EARLY YEAR'S EDUCATION AND CHILDCARE SERVICE

We have completed an impact assessment using participation data for financial year 2008–09 and the expected impact on providers based on this information is as follows:

1.1 The Private Voluntary and Independent (PVI) Sector and the Maintained Children Centres will receive slightly more funding via the new formula.

1.2 Our three stand-alone nursery schools will receive significantly less funding via the new formula. The highest loss for any single nursery school (before transitional funding—see section 1.5 below) is £104k or 30% of its delegated budget.

1.3 42% of primary schools with nursery units receive less funding via the new formula (the highest loss of any single primary school—before transitional funding—is £19k or 14% of its nursery delegated budget, equivalent to 2% of the school budget as a whole).

1.4 A safety net has been included in the formula to ensure that no setting receives less than the basic £ per pupil hour overall (even after any scaling back to match available resources).

1.5 Transitional funding will ensure that no provider loses over £5k in the first year only.

1.6 A review is to be undertaken by our Learning and Achievement Service of our three stand-alone nursery schools, with a view to identifying means to maintain the longer term viability of these high quality providers.

2. DIFFICULTIES WHICH HAVE BEEN ENCOUNTERED IN DRAWING UP THE NEW FUNDING FORMULA—AND HOW THEY ARE BEING OVERCOME

2.1 *Cost analysis of the Free Entitlement in the PVI Sector*

2.1.1 We experienced difficulties in engaging the PVI sector in the cost analysis exercise with only 31.5% of providers taking part. Once the analysis was completed only 18% of the returns could be used for reliable data, and these returns showed a very wide range of costs, with no reliable standard pattern that could be used to determine the new formula allocation.

2.1.2 The average £ per pupil hour determined from this cost analysis work was therefore used only as a general reference point when determining our new formula allocations.

2.1.3 As part of the communication exercise that has taken place providers have been informed that a further cost analysis needs to be completed once the formula has been introduced to enable the formula to be ratified. It has been emphasised to providers that their input into this exercise is crucial to enable us to determine whether the funding we are allocating covers the cost of delivering the free entitlement, and whether we need to adjust our formula funding level for 2011 (subject to availability of resources). For 2010 the overall level of funding has therefore been calculated as set out at section 2.2 below, rather than being based on the cost analysis exercise.

2.2 *Determination of the Early Years Budget*

Given the problems with the cost analysis exercise referred to at section 2.1.3 above, the determination of an Early Years Single Funding Budget has been difficult. The funding the Local Authority receives for the early years provision which comes into the LA via the Dedicated Schools Grant is not identified separately. Therefore, the budget has been established by merging together:

- the funding that is currently identified for early years;
- the additional 2.5 hour funding;
- a percentage increase allocated via the DSG for 2010–11; and
- adjustments for projected growth in capacity and take-up rates.

2.3 Stand-alone Nursery Schools

The DCSF clarification in July 2009 that even a very small number of stand-alone nursery schools could no longer be funded by places from April 2010, led to all reasonable funding models showing that this provision would become financially unviable. We have sought to ameliorate the funding position for these providers through the inclusion in the new formula of an additional factor—applicable only to them as a distinct type of provider—allocating them a fixed lump sum towards headteacher salary costs. We believe that this will, if combined with staffing efficiencies and other savings, make two of our three stand-alone nursery schools viable in the longer term (all three are protected for one year by transitional arrangements limiting funding reductions to £5k). The single remaining stand-alone nursery school would still not be viable, but we believe that there are specific reasons for this, which should be addressed by 2011–12 through our commissioned review of this provision, referred to at section 1.6 above.

November 2009

Witnesses: **Lesley Adams**, Head of Integrated Services for Children and Families, Birmingham City Council, **Lucy Connolly**, Early Years Team Leader, Standards & School Effectiveness, Hertfordshire County Council, and **Jamie Lang**, Finance Manager, Schools Budget, Sheffield City Council, gave evidence.

Q64 Chairman: I welcome Lesley Adams, Jamie Lang and Lucy Connolly to our proceedings. It is nice to have such a good geographic spread on this particular subject because we want to learn how the single funding formula affects a whole range of activities up and down the country. You have not been chosen just because of geographic spread, but because you know a lot about this stuff, and we need to be educated. Lesley Adams, here we are looking at the single funding formula. The Government have been spending more money on early years than ever before in our country's history; they want a more transparent system that funds by take-up not place. Everything seems to be going in the direction of a sensible policy, but we have taken evidence that people are not happy out there in the real world of early years. What is the problem, Lesley? Can you tell us?

Lesley Adams: I can have a go. As you say, a lot of funding has been put into the early years not just in Birmingham, but nationally in the last dozen years, and I do not want to play that down. Birmingham has a history of nursery education that goes back 60 or 70 years to the second world war. There is a basis there that possibly some of this stuff ignores. I have no difficulty with transparency. It is a really good idea but, as your Committee probably knows, our particular issue in Birmingham is not transparency, but the fact that we have 25 maintained nursery schools that we are very proud of, many of which provide full-time places. On the basis of funding participation rather than places, we need to do a whole lot more work to find a way to preserve those schools and, as things stand at the moment, that will be very difficult for us to do.

Q65 Chairman: How long is a full-time place? How long does a child get?

Lesley Adams: Five hours a day.

Q66 Chairman: Why is that under threat?

Lesley Adams: Because we are going to have to fund on participation rather than on place, which in itself is not a bad thing. I am not suggesting it is. It is a good principle. We will have to have a set of criteria for funding participation beyond part-time, based on deprivation factors. Again, that is also fine, but

some of our nursery schools are not necessarily in the areas of the greatest deprivation in the city. Part of the effect of the funding formula will be that some of the funding will go to the private, voluntary and independent sector—the settings that are in the most deprived parts of the city. Again, I am not saying that is not right, but the impact of moving the money around means that the maintained nursery sector is threatened. As an officer working within our existing funding envelope, I have not been given extra money to fund the PVI sector—those in the deprived areas—and safety net the maintained nursery schools. I am in a bit of a cleft stick, so we in Birmingham are having what we consider to be a very generous safety net for two years. That will mean that the maintained nursery schools take a bit of a hit for a couple of years, but a lot smaller hit than they would have done if we had introduced this from day one. We have not had the time to do it, but we intend to work on a set of criteria whereby the most disadvantaged in the city get extra hours but, again, that will not necessarily mean that all of our nursery schools will not then take a hit if they are not admitting those most deprived children. Does that make sense?

Q67 Chairman: It does make sense. Jamie, does that make sense to you or do you have a very different situation in your neck of the woods?

Jamie Lang: We have a rather different situation in Sheffield. We only have three stand-alone maintained nursery schools. One of our problems is that we had understood, until July this year, that because we only had such a small number of maintained nursery schools, we would be allowed to continue to fund them on a places rather than actual numbers basis, at least for a transitional period. We were led to believe that by the document “Implementation of a single funding formula for early years: Interim guidance for local authorities”, published by the DCSF in July 2008. If I can just read out one sentence, section 3.1 says, “Any exceptional use of place-led funding should be based on clearly defined local imperatives such as sufficiency and sustainability.” Having received this document we attended a DCSF information session in Leeds—a half-day session—and we asked

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whether our interpretation was correct. DCSF officers present told us that while they could not guarantee that that would be the case, they thought it very likely that we would be able to continue to fund our three stand-alone maintained nursery schools on places rather than actual numbers, although they could not absolutely confirm it 100% at that point in time. When further guidance came out this year, it became clear that we would not be allowed to do that and we would be required to fund all forms of nursery provision on a pound per pupil hour basis—so actual attendance rates. When we modelled the financial implications of that for our three stand-alone nursery schools, we found that unless we did something about it and took countervailing action of some kind, they would lose significant amounts of money, up to a six-figure sum—just over £100,000 in one case.

Q68 Chairman: Thank you. Lucy, what do you think?

Lucy Connolly: My position is slightly different because Hertfordshire is a pilot local authority, so we are already working with the formula that has been devised. Hertfordshire is a very big authority with a lot of towns but a lot of rural issues. The consultation process that we would have been going through this time last year involved all the major stakeholders to make sure that we were as fair as we possibly could be, and get the funding level at an appropriate level so that we were not disadvantaging particular groups. Obviously my particular role is around quality. We have 800 providers of three and four-year-old funding and they are roughly split between half in the private and voluntary sector and half in nursery classes.

Q69 Chairman: In the maintained sector?

Lucy Connolly: Yes. And we also have 15 maintained nursery schools, so we have a lot of people providing it. Hertfordshire's model, after a huge amount of work, was to try to improve the funding for the PVI's and not disadvantage our nursery classes. Our nursery schools have been protected as best the authority can, very generously, to try and ensure that the quality continues by making good use of the supplements to support some of the costs that they have inherently got, because they have a head teacher, qualified teachers, etc. So the PVI's have been underfunded compared with the nursery schools and the nursery classes. We have raised the funding level for them, which will have an impact on the quality to come. On the whole, we feel that it has gone well for the majority of providers and that we have achieved the aim of a single funding system. But obviously Hertfordshire has committed to early years by supporting the early years settings through other funding streams to make sure that we did not disadvantage our schools and our nursery schools.

Q70 Chairman: So your pilot is on course, you haven't got the problems that Lesley and Jamie have, and you are not closing down any of the maintained sector?

Lucy Connolly: We're not closing down any of the maintained sector, but the maintained nursery schools feel under threat. At the moment, out of 15, we had 11 under the formula that didn't lose any money and we had four that did—not vast amounts of money, but they did lose money, and they are protected for a period of time.

Q71 Chairman: What period of time?

Lucy Connolly: The statutory qualifications they must have in a nursery class and a nursery school have been protected. Where we have nursery nurses in nursery schools, but in our PVI's they have people perhaps being slightly less well paid, we have protected those posts because they have been there for an awfully long time, and that is over a period of years.

Q72 Mr Pelling: Can I start with Lucy, as we have just talked about the experience of a pilot programme. I appreciate that there is often a great benefit in being a pilot—you are under way—but in terms of change and quality of provision, has it been worth the effort?

Lucy Connolly: We were working on it before the single formula came in, because we had a driver in Hertfordshire to improve the quality for children wherever they are. Obviously, that is my major job—not necessarily the dynamics of the formula. If a child goes to a PVI, we want them to have the best quality—equally, if they are in a nursery school or in a nursery class. We have been trying to narrow the gap between achievement in our PVI sector and our nursery classes in the maintained. We hope that the increase in funding for the PVI will mean that that will enable them to plan, for their own professional development, and us to reflect on what they need to do in a way that they have not been able to do in the past. Schools have naturally had a pot of money, and have been able to have in-service training and close the school for a day, and everybody gets trained. It has been much more difficult for the PVI sector, because there hasn't necessarily been the money to pay them. We are beginning to see that beginning to happen in the last two terms. We are being asked to come and do an INSET day for private and voluntary settings because they can afford to say to people, "We will pay you to come to it". That is going to have much more impact if you have all heard the same message around a particular thing. It is too soon to measure, but we hope that we will begin to get improved outcomes from our PVI sector. We are measured, at the end of foundation stage, on our narrowing the gap and on our threshold. That happens well before reception. You need to have the quality running through 0 to 5 and that is what we have tried to do in Hertfordshire: to look very early on—early intervention—and then make sure when they go into the PVI, it is a good quality nursery class or school, and into reception.

Q73 Mr Pelling: My local authority has been a pilot. They report good news, but that a little like the initial introduction of local management of schools there is inflexibility in the formula. Would the

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Department's guidelines themselves show sufficient flexibility to deal with issues of diversity of need? I am sure Hertfordshire has its own share of social disadvantage. Is it flexible enough in that particular respect? A final, important additional question to this part of my questioning—what were the key problems? Could you say quickly what the problems were?

Lucy Connolly: Working together has developed a professional respect for everybody who is working in 0 to 5, particularly with our PVI and our maintained. The key problem for Hertfordshire was supporting our nursery schools in a way that they did not feel that they were going to be marginalised. With lots of the supplements we have tried to make sure that, overall, there is much more funding being directed to early years in Hertfordshire, and we have tried to make a differentiation between sectors where appropriate. If you need a qualified teacher, which you do in a nursery class and in a nursery school, the funding is put in there to enable you to do that. Does that help?

Q74 Mr Pelling: It does help, thank you very much. As was said in the introductory remarks, this has been a debate that has been going on for a very long time. I can remember that when I was chairman of education 20 years ago, there was a debate on top share between early years and other parts of the education service. Do the two other witnesses welcome the Government initiative on reforming early years funding? Was single formula funding the right way of addressing it?

Jamie Lang: Yes, we welcome it in that sense. There is always a choice to be made between simplicity and transparency on the one hand, and fairness through more complex formulae on the other. In this case, the private providers, who we currently fund on a very simple pound per pupil hour basis, will find that they have a bit more flexibility in their funding and there will, for the first time from next year, be specifically identified formula elements—in our case for quality and deprivation. For the schools it is the other way round. They are used to a very complicated funding formula, which takes into account the fuel type that is used in the school, the length of the grass, almost—that sort of thing. Because they are moving to what for them is a more simple formula, it creates winners and losers. The benefit will be that they will be able to understand more easily why they have the amount of money they've got, but we have a responsibility as an authority, which I believe we can implement successfully, to protect the losers, to ensure that the losses are not of a scale that cannot be managed reasonably.

Mr Pelling: Lesley?

Lesley Adams: I welcome it, too. I remember the beginning of local management of schools and some of the anxiety of that time, and it is very similar. My only regret is probably that this sees the three and four-year-olds in isolation from the younger children and the older reception age children. I do not think you can just look at this age group. You've got to look at the linkages through the children's centres, through a pilot for two-year-olds—which we are

lucky enough to have—and into the later foundation stage. Being a bit parochial, where you have small primary schools, you have to consider the impact on them of later year groups of this funding formula, and governors' willingness to manage things such as children's centres through their extended schools powers.

Mr Pelling: I have always felt that the formula can be terribly restrictive. Indeed, I was disciplined by Angela Rumbold for refusing to introduce it in Croydon.

Chairman: The imagination boggles at your being disciplined by Angela Rumbold.

Q75 Mr Pelling: I know you're in a hurry so I won't do any more reminiscing. The Government's aims with the formula were greater flexibility for parents, improved choice and quality—that is an issue which we have already commented on. Do you think the formula can deliver on that?

Jamie Lang: It can deliver. It just requires us to be flexible and creative in using the space that we are given within the formula regulations. For example, in the case of the problems around the stand-alone maintained nursery schools, in Sheffield, as soon as we had it confirmed that we would not, as we had originally thought, be allowed to continue to use funding on a place rather than an actual attendance basis, we consulted the DCSF. We have now instituted an additional formula factor for those schools, based around senior management costs being specific to that type of provider, which we believe largely sorts out their financial problems. I am an accountant, but I would like to make it clear that, despite whatever promise may have been made, I have been advised by our quality people on the learning and achievement service that these schools are seen as beacons of excellence and that they are to be maintained. I am confident that we will find ways to make the formula viable and they will be maintained.

Chairman: We'll move on. Karen.

Q76 Ms Buck: Can you help me understand a bit better the itemisation of the cost burden on nurseries, as between participation and places? What is that composed of?

Jamie Lang: Yes. This financial year, 2009–10, our three nursery schools are allocated an approved number of places. It could be 36 or 52 places and they are allocated a rate per place. If it's £3,000 per place, the funding consists of one times the other. If those places are not filled, that funding is still guaranteed them.

Q77 Ms Buck: I think you mentioned that in Sheffield there is up to a 30% reduction in the designated budget as a consequence of this shift. Is it fair to say that the majority or all of that shortfall is made up of unfilled places?

Jamie Lang: No. In our case, out of the three schools, we believe with one of them that a significant part of the problem—about half the problem in financial terms—is accounted for by the fact that it is not full. It is only just over half full. But

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the other issue concerns small institutions with diseconomies of scale, such as high overheads for premises and senior management costs. Compared with the size of larger primary and secondary schools, they are in unit-cost terms more expensive to run. We propose to get round that by inserting a specific formula funding element for those schools to recognise that.

Q78 Ms Buck: I understand that issue about overheads very well. Both my boroughs have a number of maintained nursery schools. I am still not sure how that relates back to the participation/places discrepancy. You have given us an example of a nursery in difficulties because of unfilled places but is that something that is replicated across other local authorities? You're shaking your head, Lesley.

Lesley Adams: Our difficulty is not with unfilled places. As I said earlier, it is with the shift from full-time to participation-based funding, in which the national entitlement is to a part-time place. We haven't been a pilot, so I'm aware that in Birmingham we still have to do some work on how we might allocate full-time places to the most deprived children, and we will do that during the period of the safety net. I think the question was, "Is it going to work?" Yes, I think in some cases it will work, because some of those schools attract those children, and their money will be affected. Also, we have to do some work about incentivising quality because as yet we have not reached a consensus. So those two things give me heart that we will get to a point, but I would still repeat that the problem is going to be with those schools that don't take in children who attract extra money because they are not deprived enough, if you will. They will have to stop taking full-time children and take part-time children, which in itself might not be a difficulty, but it might be, and I think that for us there will be an impact on the PVI sector, which the sector hasn't yet understood.

Q79 Ms Buck: To play devil's advocate, what you appear to be saying is that in order to increase the quality and possibly the hours of provision to children in deprived communities, some of which is being met through the voluntary sector, you would be reducing the provision in maintained nurseries serving less-deprived areas.

Lesley Adams: We will be requiring schools to take in part-timers rather than full-timers, which effectively equates to a financial cut, unless they can fill up with more part-time children. They might be able to do that because our sufficiency assessment suggests that parents prefer the maintained sector, which could mean that they leave the PVI sector.

Chairman: They'd leave the PVI sector?

Lesley Adams: We are in the early stages of this. I am crystal ball gazing a little bit here, Chair, but our parents tell us that they prefer maintained provision. If, effectively, some of our maintained provision is going to take in part-time children, they will be taking in double the number they take in at the moment. Those children will come from somewhere,

and they will come from the PVI sector. But I am speculating—we are so early into this and don't really know.

Q80 Ms Buck: One of the two boroughs that my constituency covers is the royal borough of Kensington and Chelsea, and five of the maintained nurseries there are considered to be under threat as a result of the formula. This is, however, at least the second and possibly the third time that the local authority has attempted to close those nurseries. You may not be able to comment, but I wonder whether there is a little bit of a sense that some local authorities are using this as convenient cover for levelling down on expensive maintained nurseries, the money from which they would rather have put into the pot to ease their own financial burdens. That may not be true in your local authorities, but I just wonder if you could speculate on whether this may be the case elsewhere.

Lesley Adams: I'm not sure I want to speculate, but I'd like to be very clear that that is not the case in Birmingham. We would like to hang on to our 25 nursery schools because they are like engines developing quality provision that others can learn from. We'd really like to hang on to them. The presumption against closure is sort of helpful, but I think it is in conflict with the rest of the advice in some ways.

Chairman: Lucy, do you want to speculate?

Lucy Connolly: Yes. I don't think that would be the case in Hertfordshire. Equally, 12 of our 15 nursery schools are lead agencies for the children's centre agenda and the other three are not, but they all do extended provision and so they are offering a lot more than just a two-and-half-hour—going to be three-hour—session. They have exemplary practice and are highly thought of, but what we have tried to do is ensure that we protect them and at the same time recognise that they are going to be more expensive to run. So how are we going to equate that across the board? That is where the debate goes, if you have 800 other providers. We want to make sure that we keep our nursery schools as exemplary practice, but we also need to fund our PVI sector to be exemplary practice as well, and enable it to have the opportunity to develop in the same way. They are never going to cost as much to run as a nursery school, because a lot of nursery schools have got big floor areas and need to have a head teacher—a statutory requirement—so it is about the differentiation of funding, I think, according to the sector.

Jamie Lang: I have already said that there is no intention to close any of our three nursery schools. We welcome the opportunity that arises through the introduction of this new way of funding to perhaps use a little pressure for efficiencies that was not there previously.

Q81 Chairman: In a city such as Sheffield, you have all your eggs in a PVI basket. Around 43% of PVIs say that they don't really want to take the paid-for children and that they can't make any money out of

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them. What if 43% of your PVIs said, “Tough, we don’t want to provide for these kids any more”? What would you do?

Jamie Lang: I don’t think that situation is going to arise. The modelling that we have done shows that, on most of the options that we have looked at, all the PVIs would be small winners. I certainly have not heard in any of our briefings with PVI representatives that they would want to turn the funding down. Obviously, people would always like more money—they always ask for more money—but I think that the PVIs generally in Sheffield see this as a step in the right direction. We have been able to assure them that, while it is not a gold mine—we won’t have huge additional amounts of money—it will be moving up rather than down.

Chairman: We move on to Graham and unintended consequences.

Q82 Mr Stuart: “Unintended consequences” is a great title. Is it possible to adhere to all the guidance issued by DCSF without increasing the share of funding that comes from the dedicated schools grant given to early years?

Jamie Lang: Possibly not. As I understand it, it is not a statutory requirement at the moment to have a quality element in the formula, but we are strongly encouraged to do so. That money has to come from somewhere. We intend to put money into quality. That comes from within the dedicated schools grant.

Q83 Mr Stuart: Is “quality” about the quality of the staff, their qualifications and so on?

Jamie Lang: Yes, and there are options for what factors you would link the funding for quality to. In Sheffield, we propose to link it mainly to staffing qualifications. That money obviously has to come from somewhere. I have been involved in meetings this week with other council officers looking at the pressures on next year’s budget and seeing how we match those to the amount of money available. Our intention to slightly increase the funding of early years is a tension that will not be fully worked out until we finally set the school and PVI budgets at the end of February to the beginning of March 2010. Perhaps this will be the last year of significant real-terms growth in the money for schools that comes to the council, and we believe that we should be able to manage it in 2010–11. We all know that from 2012 onwards, there may be increased pressures that will make further progress more difficult to achieve, but the one year, 2010–11, where we have actual figures shows that we will be further above inflation in real-terms growth in schools funding, so we hope to use some of that for marginal increases in early years funding right across the board.

Q84 Mr Stuart: I wonder whether Lucy or Lesley want to comment on that. Do your authorities agree with the Government that increased funding and, if necessary, a greater sum of the reallocation of funding elsewhere in the education budget should go to early years, and that that offers the best return on investment in child welfare and education?

Lesley Adams: I think you started off by wondering whether the current allocation of the DSG covered what the Government are asking us to do.

Mr Stuart: It was more whether you would effectively be raiding. Will you need to reallocate and increase funds from the dedicated schools grant in order to deliver the DCSF guidelines? In other words, the additional funding that is going to LEAs is not in itself sufficient if you don’t dip into the dedicated schools grant.

Lesley Adams: I believe so. I am not a technical person like Jamie, so I can’t put figures on it, but I believe we will. We have already been to the Schools Forum to say that that is our belief, so it is aware of the pressures that are on us.

Q85 Mr Stuart: Sorry, but just to be absolutely clear, you believe it will be necessary to reallocate the funds, not that there are sufficient funds without that?

Lesley Adams: They are not sufficient. There will be a need for more in order to do everything we are being asked to do and keep nursery schools open.

Q86 Mr Stuart: Is that your view as well, Lucy?

Lucy Connolly: Well as part of the pilot, the Schools Forum agreed to some additional funds so that we could pilot it and see what the needs were going to be in future years. We have not got a quality supplement in our formula at the moment. We are obviously going to need to re-examine that in 2011–12. It is quite a tricky one to decide whether you give more money to your good and outstanding settings or to those that are inadequate or satisfactory. We are still debating exactly how we would make judgements on quality. The Schools Forum agreed some money from the dedicated schools grant. Obviously there are representatives of all sectors in Hertfordshire on that. I lead early years. My passion is that if we get it right for the youngest children, it will be good for them when they get older. That is a personal take on it.

Q87 Mr Stuart: That is why I was interested to know whether, without the single funding formula, local authorities would have any way of looking at allocating more funds to early years. Everyone accepts early intervention and certainly hopes that it is a good investment. Is that the attitude of the authorities overall?

Lucy Connolly: I guess, being part of the pilot, we must have been up for looking at what the implications were. I was not privy to the decision to be part of the pilot. There is a commitment to early years in Hertfordshire.

Q88 Mr Stuart: Along with quality, rurality is something that you are encouraged to invest in but not necessarily given any money to invest in. Are there any implications from the changes that will affect rural provision? As part of that I should be interested to hear whether you feel that you are able to offer similar access and quality of provision in rural areas as you are in urban areas.

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Lucy Connolly: Shall I start, as we have quite a few rural providers. We've left the decision on how we are going to fund our rural schools during the pilot because we wanted to work on what it was going to look like. They have been protected over the years through other schemes so that where villages have not got a nursery or have not got the private and voluntary we have funded them in school as a part-time place. We have continued with that this year. Over the next year we are going to look at a menu of solutions because it differs in every village. You could have a village that has a pre-school and then it has a maintained school. If the pre-school is being funded appropriately, that is no problem. If it's got no pre-school, it is just making sure that the families get the access to the places in the same way as you would do in the town. We have a lot of village schools, so we are unpicking that but with a view to protecting them to make sure that they will get just as good an opportunity if they live in one of our villages as if they lived in Hertford.

Q89 Mr Stuart: So will they get the same, yes or no? Will you be able to unpick it and provide it? You are talking about the challenges. I cannot get from your answer whether you are going to deliver something that you would consider comparable.

Lucy Connolly: Yes, we are. It's just going to be getting a menu of options for different villages. It might not be the same for each place. We have to look at how we do it and what the formula would be.

Q90 Mr Stuart: With the DSG being raided for early years, what will the impact be, if you are capable of looking forward—I did not mean that to sound as rude as it did. It is difficult looking forward knowing that it is going to be a tougher financial regime. What are the impacts likely to be on primary and secondary schools as a result of taking the funding away?

Jamie Lang: As I said earlier for one year—next year—we do not anticipate serious problems. We are trying to prioritise early years a bit more than the other sectors, but we believe that we will still be able to achieve growth for the primary and secondary sector, which will at least keep pace with inflation and also put in the additional funding for personalisation that has been allocated by the Government. After that, we are speculating and things look like they will be much more difficult. At the end of the day the size of the cake is limited. My guess at the moment would be that while the PVI and the early years sectors in general will benefit in 2010–11, further plans to push that for a longer bit further from year two onwards might be frozen by the general economic situation and funding level.

Q91 Mr Stuart: Moving back to the early years sector itself, if one assumes, going ahead, that there will be a much tougher financial situation, and if you look at the single funding formula, isn't there a likelihood over time that full-time places will diminish more and more, and that we will have a universal part-time provision, and find it very difficult to fund full-time places? Is that a risk?

Jamie Lang: In Sheffield, we don't fund full-time places anyway. When local management of schools was introduced, we stopped funding full-time places and moved purely to funding nursery units in our schools on the basis of part-time provision. It has not been an issue.

Q92 Mr Stuart: Does that show a tension between universality and higher quality targeted at children's greatest need? Is there a risk that full-time quality provision where that is provided will be undermined, Lesley?

Lesley Adams: Yes, I think that there is a very strong risk of that, maybe not in the short term as you say, but in the long term. There will be a loss of those engines of nursery schools.

Chairman: That's very concerning, then.

Lesley Adams: I think it's concerning for the country, not just for Birmingham.

Chairman: I was thinking about the whole country.

Lesley Adams: I am agreeing with you.

Lucy Connolly: Historically, we fund a very small number of full-time places—only about 30—which remain protected under the pilot. So it would not have the same impact as it would on Birmingham, where there is a lot of funding.

Q93 Chairman: Lucy, when you are talking about all your villages, where you want to make sure of those provisions for children, do you mean all children, or do you mean children who are from a deprived background?

Lucy Connolly: I mean all children. We have 90 schools considered to be small schools, out of 400 in our villages, or 25%—although I might not be absolutely correct on the figures. They are in all sorts of different parts, and are run in different ways. We've got first schools and very small primary schools, which already have the challenges of mixed-age classes. At the moment, children in a village, who are in receipt of particular grants, will get funded just the same as those in an urban area.

Q94 Chairman: I was at a seminar with Kathy Sylva, a professor from Oxford University, who has in the past advised the Committee. She was very concerned that one of the unintended consequences will be that more and more children will pitch up for a day—maybe 10 hours—or one bit on one day and one bit on another, with no systemic approach to early years education. She said that it is very bad for children. Is that one of the unintended consequences? Parents might have the flexibility, but what is convenient for a parent going to work for the day may not be right for a child. Kathy Sylva said that if you put a child in for a morning here and an afternoon there, that child would think that it was a new place each time, and would not get a systemic approach to early years stimulation. Is that one of the dangers of what is happening?

Lesley Adams: I believe so. I am not sure it's an unintended consequence. From the guidance we have, it is quite clear that it is a possible consequence, intended so that parents can move their children about—two days with one provider

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and three days with another, in a variety of ways—to suit parental employment. That is laudable in some ways, but there are consequences for the child, which are what you have described. It is not good.

Chairman: Lucy, what do you think?

Lucy Connolly: We haven't come across it particularly widely at the moment, but if we are encouraging flexibility—if a parent wants to be flexible with where they put their child—the responsibility is going to be with the parent. I hope that our early years providers will support continuity and help them to understand that key attachments are critical to young children's development. That's what we are working on. Ultimately, I guess a parent could choose to send their child to a different place if they wanted to, but I would hope that we would have good relationships and would encourage them to think about what is best for their child.

Chairman: Let's move to implementing the single formula.

Q95 Mr Chaytor: Lesley, earlier you expressed concerns about the time scale for the implementation. Could I ask Jamie and Lucy about the situation in Sheffield and Hertfordshire. Do you think that the time scale was adequate? Could you have done with another year to do all the work?

Jamie Lang: I think that the time scale is adequate. We fully expect to implement on 1 April 2010. I think that you can have too much time; another year might be a good idea to keep us bureaucrats in jobs and going to lots of meetings and things, I suppose, but there must come a point when you look at your models, take a decision and say, "We'll do it that way." I think that we have had time—getting on for two years—to do that, so it is adequate.

Lucy Connolly: I would agree. We did not feel that it was rushed. We certainly did not get the impression from our stakeholders—the providers—that they were feeling rushed into it. We consulted widely, we had enough time to look at what our responses were and to ensure that we did the best that we could from them. We felt that we had enough time to implement it.

Q96 Mr Chaytor: Was the whole process complicated by the simultaneous extension of the 12 and a half hour entitlement to 15 hours and would it have been easier and simpler for you had that been done a year earlier or later?

Jamie Lang: We did the two and a half additional hours a year in advance because we were a pilot for that, so we got that under our belts first. As a general principle, when you get different factors coming together in a time line like that, it can be a problem. I can imagine that other authorities have problems. For example, we have a problem this year because we have to implement the new single funding formula at the same time as we have significant population growth in those age groups and that is causing us problems.

Lesley Adams: I think that it's a great shame that the 15 hours' extension and the single formula have come at the same time, because they have for us. It's

taken our eye off the 15 hours—it hasn't completely because we are running a pilot and are getting some good stuff out of it, but where we should have the time to talk to people about the different models of delivering 15 hours, which is quite exciting and challenging, we are spending all our energy being cross with each other about the single funding formula. Okay, maybe there are lots of things that we have done wrong in Birmingham, but I think that it is a great shame; they should have been separate.

Q97 Mr Chaytor: I am interested in the different perceptions of the whole process, between Birmingham and Sheffield for example. Obviously, it is not simply an urban/rural dichotomy, because we have two major cities with completely different experiences. Could I ask about Birmingham. Did you have difficulties in getting the cost data from providers? Is the variability of cost or the reluctance of providers to submit costs part of your problem?

Chairman: An interesting smile, Lesley.

Lesley Adams: It's part of our history, yes. We have had some difficulties and I'm not sure to what extent they have been any different to anyone else's difficulties. We did a cost analysis twice—the first time using the DCSF template and the second time using one that we developed ourselves. The first time we got a 33% response, but the quality of the information was not terribly good, and the second time we got a 17% response, but the quality was better. We spent a lot of time doing that, which is, perhaps, why I am saying that we have not had enough time because we really would have liked the quality of that to be better.

Q98 Mr Chaytor: But there is no consensus among providers now about the costing model?

Lesley Adams: We haven't had any major feedback from the PVI sector about the ultimate outcome of that, but that is another issue that, perhaps, is peculiar to Birmingham. I do not know. We do not have very strong umbrella groups that we can work with. For example, the National Day Nurseries Association is not very strong in Birmingham, so we are always working with single providers or very willing volunteers who are trying to represent the whole PVI sector when really they can't. That has been a difficulty for us. If I might just go on a bit, I think that the outcomes from the pilots have been rather slow in coming. We think that we have been waiting for information from the pilots that has not come and it would have helped us. Some of the things that Lucy said today have been helpful but I did not know them till today.

Q99 Mr Chaytor: Do I take it from the Birmingham and Hertfordshire perspective, given that you are ready to implement as of 1 April 2010, that there is a now a consensus among all providers about the costing model that you established? I am directing that to Jamie.

Jamie Lang: Our experience in Sheffield on this part of the exercise has been very similar to yours in Birmingham. We too sent out the DCSF template initially and got a very poor response rate, despite

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having someone on the phones phoning up and trying to help them through it. We then sent out a second cost analysis form, greatly simplified, in the hope that that would work. Putting the two together, we only had about a 31% response rate and a lot of the forms were returned only partially completed or they did not add up, etc. Our conclusion was that the cost analysis had turned out to be a bit of a waste of time, unfortunately. The sample size was so small that it was not very meaningful and, within that small sample size, the range of costs being demonstrated were absolutely huge, so it did not enable us to say, "Looks like we should be funding at approximately x amount per pupil hour." But, on the other hand, our general communication to the PVI sector and the schools where we are aiming to improve the level of early years funding overall generally has ameliorated their concerns about the cost analysis exercise. I think that the concerns that the PVI sector had about the cost analysis exercise are more to do with the fact that they did not want to share what they saw as confidential information in many cases—commercial information—with us. We have eight independent schools with nurseries. None of those made a return. Then there are the child minders who work at home; none of those made a return—19 of them—which I think is probably to do with that.

Q100 Chairman: Why don't they return?

Jamie Lang: In the case of the schools, because they saw the data as being confidential and nothing to do with the council. In the case of the child minders, because they are just not used to dealing with financial data and forms in that way.

Q101 Mr Chaytor: In Hertfordshire, is there a consensus on costing?

Lucy Connolly: There is now, because we are part of the pilot, but actually it was very difficult to get information to make sense of when we were trying to establish the funding. It was easier to lock into existing practice, with perhaps unreasonably low costs that some were charging, while some seemed awfully high. So, we decided that we were not going to get a clear picture, and what we had to decide was the theoretical model of what we wanted to do and how we wanted to fund it.

Q102 Annette Brooke: Just a very quick question, because I think it is an interesting example of local decision making that is throwing up variations across the country. I wondered whether, very quickly and very precisely, from each authority, you could tell me exactly how much money you are allocating for the deprivation factor—presumably that is per child per hour, but if you could just clarify that. I want to see the variation from the three authorities.

Chairman: You're the finance manager, Jamie, we'll start with you.

Jamie Lang: In our case it is 15p on top of the basic rate. This year, for example, PVIs are funded £3.51 per hour. We intend to inflate that to £3.62 next year, with the new system, which will then apply to

schools as well. On top of that they will be able to get up to 15p additional money for deprivation factors and up to 20p for quality factors.

Lucy Connolly: I have absolutely no idea, I'm afraid. I have no idea how much is in our formula for deprivation, but I shall find out and let you know.¹

Lesley Adams: We are currently still in our formal consultation—it finishes on Friday. It will be something between 44p and 61p an hour, but I shall not know for a while.²

Annette Brooke: Thank you. I am just interested in the hue of the variations. Could I just place on the record—I have to do this at some point—a declaration of interest. I am president of the Campaign for Real Nursery Education, to which a number of head teachers of these stand-alone nursery schools belong.

Q103 Chairman: I never thought of that. I think I am something to do with the National Day Nurseries Association, which is based in my constituency. Thank you for that, Annette. Come on, here's a big change—a really big change. You are from very different areas of the country. From your answers to our questions, I am getting the feeling that this is inconvenient and tough, but that you can manage it. I certainly get that from you, Lucy.

Lucy Connolly: We think it's gone well. A huge amount of work was done by lots of people working in partnership, but we feel that it has enabled us to raise the funding levels for our PVI, which will mean that they will be able to strive to develop the quality further. We have done our best for the nursery schools and would love to be able to continue funding them at the level at which they were being funded. Some of them did lose, on pupil count more than anything else. We feel that we have an early years single funding formula. It has to be tweaked in 2010–11 because of the way we have funded our PVI sector. We want to change not the level, but how they have got the money, in line with the information that has come out from the DCSF. We have some tweaking to do, but on the whole the changes are minor.

Chairman: Lesley, you don't seem to be so happy.

Lesley Adams: Don't forget, we are not a pilot authority. Maybe the extra year that Hertfordshire has had was helpful. We can manage anything. As local authority officers, things get chucked at us every day, and we manage them. We will manage it, but I am not as confident as Lucy that the outcome will be universally okay. Maybe in a year's time I will be.

Chairman: So if you had been given another year as a pilot—

Lesley Adams: I would have liked to have had longer to have better, longer conversations with all of the sectors. I feel very rushed, but I know that I stand alone on that one.

Jamie Lang: We feel as confident as we can be that it will be implemented successfully next year. There are still some tough negotiations to be had to ensure that

¹ See Ev 39.

² See Ev 39.

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no sector loses out unduly. Generally speaking, we believe it will go ahead and that it will be broadly welcomed.

Chairman: You have given excellent information to the Committee. If you think of things that you should tell the Committee or you think we missed,

please be in communication. You are invited to stay. You might find it very interesting to hear what the Minister will say any moment now, especially considering Lesley's most recent comments. If you wait for a while, you might find out something to your advantage. We will see what that might be.

Supplementary memorandum submitted by Lesley Adams, Head of Integrated Services for Children and Families, Birmingham City Council

I can only confirm what our proposed arrangements for the deprivation supplement are. Our local consultation on this and the rest of the single formula finished last Friday. We will collate the results of that and report them to our Schools Forum in February but I am not sure that we will make any decisions at that point now that we have a delay to the overall implementation.

Our proposal is to target all pupils identified by IMD from either the top 5% most disadvantaged areas (nationally) or the top 10% or a weighted mixture of the two, and allocate extra funding.

If we target just the top 5% that will be about 6,557 children and they would attract another 61p per hour on top of the unit rate. If we target the top 10% (9,233) that would be 44p per hour on top. I cannot say what the result would be if we use a weighted mixture but it would obviously lie somewhere between these two sums.

We currently use a mixture of these two in our main school funding formula.

Over 70% of our under fives live in the 30% top most disadvantaged areas nationally and we have about 14,000 children in each year group. So our proposal will only target the absolutely most disadvantaged. Context might be important. Other authorities may well be targeting a much wider group than we are suggesting and offering a smaller sum.

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Supplementary memorandum submitted by Hertfordshire County Council

Prior to the introduction of its single formula for early years funding, Hertfordshire had introduced a new social deprivation funding system for pupils in nursery classes and schools in 2008–09, based on the home IDACI scores of pupils. For the single formula, the same methodology was then applied to all settings across the PVI and maintained sectors:

- pupils are matched to their home neighbourhood using their postcodes and an associated IDACI score identified;
- the sum of the scores attributed to each child at a setting is then calculated by simply adding up the individual IDACI scores of each child;
- the setting receives an additional amount of approximately 30p per hour or £140 per annum per IDACI score of 1.0; and
- if the total IDACI score for a setting as a proportion of the total number of pupils exceeds 17%, then the setting receives an additional amount of approximately £1.05 per hour or £500 per annum per IDACI score of 1.0 above 17%.

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Letter to the Chairman from the Rt Hon Dawn Primarolo MP, Minister of State for Children, Young People and Families, Department for Children, Schools and Families

I am writing to members of the Children, Schools and Families Committee in response to the request for written evidence ahead of the 9 December oral hearing on the Early Years Single Funding Formula (EYSFF).

In June 2007, the Government announced that local authorities (LAs) will be required to design and implement a single local funding formula for funding the Free Entitlement to early years provision for three and four year olds across all sectors. The aim is to improve fairness and transparency in the way that funding is allocated to providers who deliver the Free Entitlement, and thereby support its extension to 15 hours, to

be delivered more flexibly by next year. The EYSFF should be fully implemented across England from April 2010. Nine formula development pilot authorities implemented their formula in April 2009, with the remaining LAs currently out to consultation with providers.

My officials at the Department for Children, Schools and Families have supported local authorities to help them successfully implement their EYSFF by April 2010. Interim guidance was produced in July 2008 with final practice guidance published in July 2009. I am submitting both documents as evidence for the Committees' consideration.³ Since the publication of the final implementation guidance my officials have offered further support to all LAs, via Government Offices by attending a series of autumn regional events with an EYSFF focus. Officials have also commissioned EYSFF data returns from all LAs to allow the Department to collect data on each authority's proposed formula. I attach a copy of that template.⁴

Finally attached as evidence is the recent letter I sent in October with supplementary guidance to all Directors of Children's Services with maintained nursery schools.⁵

November 2009

Witnesses: **Rt Hon Dawn Primarolo MP**, Minister of State, and **Ann Gross**, Director for Early Years, Extended Schools and Special Needs Group, Department for Children, Schools and Families, gave evidence.

Chairman: I welcome the Minister of State for Children, Young People and Families, Dawn Primarolo, and Ann Gross, who is the Director of Early Years, Extended Schools and Special Needs Group at the Department for Children, Schools and Families. Dawn, this is your first meeting with the Committee, isn't it?

Dawn Primarolo: It is indeed, and much I am looking forward to it.

Q104 Chairman: And we have been looking forward to meeting you. You know what this session is about. We have been looking at the single funding formula for early years. We have taken some very interesting evidence so far, but we always give Ministers when they come in front of the Committee the chance to make an opening statement, so over to you.

Dawn Primarolo: Thank you very much, Barry. I want to say how much I welcome your inquiry into the single funding formula. It is important that we get it right. I wish to make a couple of points in opening this session. First, I know that you would expect the Government to be strongly of the view that our role is to ensure that all children, irrespective of the type of settings they attend, get high-quality, free early years entitlement from the age of three. I want to make it absolutely clear that there is no reduction in Government funding for the free offer. In fact, more funding is being made available for the free entitlement as it increases from 12 and a half hours to 15. Since 1997, the Government have invested a huge amount in the early years—£25 billion in total—and, on an annual spend this year, there is something like £4 billion a year by local authorities topped up by another billion, which is within Sure Start, and ring-fenced on quality and capital spend. I have looked carefully at the evidence that you have already taken and, of course, representations and views were being expressed to the Department from the early autumn period. I want to say at the beginning that I am

mindful to postpone under certain circumstances, with certain conditions, the implementation of the single formula. I am delaying it from implementation in April 2010 to 2011. There are conditions that I would need satisfied. We would have to make sure that we were learning from what is still coming back from our pilots and what local authorities are saying to us. I would want to be sure that we were proceeding on a very firm footing. I do not want to abuse my opening remarks to the Committee, Barry, but I would be more than happy to outline quickly—if you thought it was helpful at this stage—why I am considering that view. Obviously, I need to go through certain steps in notifying Parliament, but I would be grateful if you could give me through the course of the evidence this morning your initial reaction to some of the proposals that I should like to put forward.

Chairman: Thank you for that, Minister. Let us get into questions. I think that a lot of things may emerge from that process.

Q105 Mr Stuart: I would be very happy, Minister, for you to take us through that. Obviously, with any change like this, you are listening to those local authorities which have responded strongly. You will either be seen as chaotic and failing in delivering through on your intent, or as listening and sensitive to the complexities of the results. Perhaps you could tell us a little more about your thinking.

Dawn Primarolo: Thank you for giving me the opportunity to do that, Graham. An intention to introduce the single local early years funding formula was announced in 2007. The purpose was to bring transparency and accountability to the system, and to ensure in particular that the focus of the funding was clear on the principles of targeting deprivation, and improving quality and flexibility for providers. That received support on both sides of the House—there was no dissent. We all recognise, however, that 2007 was a different time

³ Not printed. See www.dcsf.gov.uk

⁴ Not printed. See Early Years Single Funding Formula memoranda published on the Committee's website at www.publications.parliament.uk/pa/cm/cmchilsch.htm

⁵ Not printed. See www.dcsf.gov.uk

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economically. A lot has happened since then and local authorities have been very busy on a range of issues. I must acknowledge that the recession has brought a number of other challenges to local authorities on issues that they would also have been busy with. It was always intended that the implementation would take place in 2010. Over the late summer and early autumn, we began to receive feedback that some local authorities were struggling with the development of their formula, and that providers and parents were becoming increasingly concerned about the impact that would have on them. That noise—that challenge—has continued. I will explain what we are trying to do. We have a historical system of funding from pre-'97 in relation to the maintained nurseries, which are very patchwork and are not across all local authorities. As a Government, we have placed the increase of free entitlement to 15 hours into that. It is a complex terrain for early years with all of the providers. Flexibility is fantastic for parents, but it brings with it complexities. We recognise that. Bringing those two alongside each other and trying to make sense of the principles is obviously complicated. We were receiving views from local authorities, providers and parents who did not all agree and who all gave us a different reality, so I asked my officials to get permission for us to undertake an additional data collection from local authorities. We collected that information—on the development of the formulas and how ready local authorities thought they were—during November. We added risk assessments to that about what the challenges were. Unfortunately, despite the very hard work of local authorities and the PVI sector, we found huge variability of approach and practice. When we added to that the regional and national feedback that we received, it was clear that there was quite a high risk in the area of not being ready by April 2010. In other words, perhaps only around a third of all local authorities may be in a secure enough position to proceed. Barry, I would be happy to prepare a paper summarising that information for the Committee.⁶ Unfortunately, I wasn't able to get it ready for today, but you will understand that I am going through this as rapidly as I can alongside the work that you are doing. I think that we all agree on trying to move towards a single formula and on the basic principles, and we all recognise that it is complex and that we need to get it right. I am minded—I need to formally notify Parliament about this and will do so in a written statement—to say to local authorities that first, we are going to delay implementation to 2011. But there are some local authorities that are telling us they are clearly ready to go, and we would invite local authorities to apply to join pathfinders for us. We would add that to the pilots we already have and that we are monitoring. We will obviously look very carefully at the deliberations of this Committee and its recommendations, and at what we already know about some of the key issues. We will seek in the intervening period—the delay of a year—to get ourselves to a sensible position, working with local

authorities and the PVI sector to have an implementation for everyone that will work. We will then bring the final local authorities into the single formula. What I need to consider is how we will give that support, in particular how we can use the pathfinders as good practice and spread the how-to-do message among the other local authorities. I am not blaming local authorities or the PVI sector here, but am saying that this is a big challenge and that we have to get it right. That is my thinking, Graham, on how we would proceed.

Q106 Mr Stuart: On the subject of pathfinders, the thinking is developing and you are consulting and so on. You said that a third of local authorities are on for the original timetable. Do you imagine that anything like a third will be involved in pathfinding?

Dawn Primarolo: We would need to invite them to put themselves forward. Even among that third, it is very difficult for us to tell exactly what is going on. The way that funding decisions are taken in the early years is quite rightly a decision for local authorities with local accountability, outside the free entitlement. I think that all of us would acknowledge that in undertaking this exercise a great deal has been revealed that perhaps was not obvious or transparent.

Q107 Mr Stuart: May I press you. Do you think it will be a large number? There was a tiny number of pilots.

Dawn Primarolo: Yes, nine.

Mr Stuart: Are we talking about a similarly tiny number of pathfinders, or are we talking on a much bigger scale? Just give us some sense of that.

Dawn Primarolo: No, if local authorities want to be pathfinders and apply, I want to make sure that those that are in the pilot give us a spread of all the different circumstances, to see the difference between rural provision and central city conurbations, for example. I do not have a view about the maximum number that will be in the pathfinders. If you have a view and think a certain number is manageable, I will of course listen to what you say. Of course, I need to have discussions with others, such as the LGA and local authorities themselves, about what is sensible. We need a large enough number as a minimum—if that is not a contradiction—so that we can learn and progress this from the good practice that is going on.

Q108 Mr Stuart: In one submission to us, Jean Ensing of Bognor Regis nursery school—a splendid institution I am sure—described the combination of policy initiatives such as the single funding formula, the extension of entitlement to 15 hours and the extension of the scheme to two-year-olds as “like being in a box and all the sides are coming in”. I suppose people who feel like that will welcome today's idea of delay. Can you talk us through how you see these different pieces coming together so that the various players can get some idea of how they will be able to get through this?

⁶ See Ev 49

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Dawn Primarolo: The Bognor Regis example is interesting. You clearly took representation from the nursery itself, yet the local authority disputes the number of places there and how high its vacancy rates are. I do not want to adjudicate between the setting and the local authority, as I am sure you do not. What I would say to begin with is that the introduction of the formula alongside the increase to 15 hours and the introduction of flexibility and consultation on it, was, I have to admit, always going to be challenging.

Q109 Mr Stuart: Will it be easier now?

Dawn Primarolo: I think that what we have learned about is the complexities around having that, and that will certainly be one of the issues we will have to address. I am not trying to be unhelpful, Graham, in fact I am trying to be helpful to the Committee in responding to the situation that has emerged, without having a complete answer on every point. All of the feedback that we are getting, as I have already said, is that the idea of having a single formula is the right thing, and the basic principles are the right thing. Some local authorities have absolutely managed it, and are ready to go and can be seen as areas of good practice. Others are struggling. We need to get it right. Let's home in—whether it's our guidance, whether it's coping with the information, whether the consultation has been thorough enough, or whatever the circumstances—and make sure that in those 12 months we are in a better position.

Q110 Mr Stuart: In your opening remarks you mentioned economic circumstances more than once. You are suggesting that you are minded towards a delay in the single funding formula. Are the Government still set on their commitment to the 15 hours and the extension to two-year-olds—universal two-year-old provision?

Dawn Primarolo: Absolutely.

Q111 Mr Stuart: Why did you mention economic circumstances so repeatedly? It wasn't obvious why. You're telling us that you're delaying the formula because of organisational issues and different people coming back to you, and yet you repeatedly mentioned economic circumstances. Can you just tell us what is lurking beneath that concern?

Dawn Primarolo: Yes, of course. I am sorry, Graham, I didn't mean to mislead the Committee at all. I was trying to be friendly to local authorities, in recognising that over the past 12 to 18 months they have had significant challenges in their localities as a result of the economic circumstances, whether it be recession planning or whatever. It is nothing at all to do with the guaranteed funding that is available through the dedicated schools grant. That has gone up something like 75% in real terms since 1997, and in the 2008–11 period it will rise by an average of 13.1% per pupil. There is no question of money from central Government being a challenge. My comments were really that I want to be fair and reflect that all the local authorities have worked very hard on this, and for a whole set of reasons some are

ready and some are not. They have had lots of other demands on them outside of this and, because I consider it so important that we get this right, I am trying to hold everybody together—the PVI sector, local authorities and the Government's objectives. We all claim we are heading the same way. That is why I was giving a nod of respect in the direction of local authorities and their hard work. I wasn't implying anything else.

Q112 Annette Brooke: Far be it from me to suggest that we should have more central direction, but having looked at some of the consultations, it became apparent to me that some of them went out with different options, which is not always the case. I am always very wary of consultations that don't have just a single option, because you think it's all stitched up. You said that you wanted to make sure that the consultation processes have been sound. Is this anything that you have actually received representations about, and is it something you would give some consideration to?

Dawn Primarolo: In terms of how the consultation was conducted? I think, Annette, that the challenge for me as a Minister for central Government is to be there to offer help and help spread best practice, but it is not my role in these circumstances to instruct local authorities how to respond to the very different needs that each of them faces. At the present time, I am trying to work through the really critical points—the important points—in supporting them through preparation of the single formula. What really is noise in the system—where people are just generally unhappy—is that any change produces people who are unhappy. We try in the guidance to give a balance between what we thought were the statutory obligations—the must-dos—and trying to build in the principles around the flexibility of local need. We would want to see how the good authorities have managed to deal with it, how we can spread that to other authorities, and whether we as a Department need to do any more. It is a very difficult line for me to walk, given my passion to protect high quality early years and bring all the other early years to that very high quality.

Q113 Annette Brooke: I think you have led into my next question. I am very anxious that, if you do move along the route you have suggested, the good practice should be disseminated widely. That was going to be my follow-up question, which I think you probably answered. It is important that everyone can learn from where it has worked well.

Dawn Primarolo: I agree and that is why I thought of using “if I am minded to do this”. I have to keep saying that, because my obligation is to notify Parliament formally as well. I hope you will excuse my using that particular phrase.

Chairman: We understand that you are only “minded”.

Dawn Primarolo: Thank you. So I don't need to say it any more. What I felt that the pathfinders would be able to give us is exactly that vehicle. We need to look at how we would support the spreading of the good practice, and learning more as the pathfinders

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proceed, as well as the pilots we already have, about the crunch and difficult issues, and then whether we might need to give more help and support on that basis. But I think we are trying to facilitate local authorities, again on the basis that they are all in different positions, and the early years provision is very complicated. As we step into that, we need to make sure that we don't put any of it at risk. That is not our intention, hence the very clear guidance I gave on maintained state nursery schools.

Q114 Mr Pelling: I think, Chair, that the points that the Minister has made show the very high quality, emollient approach that she takes towards her task. Can I put it to her, nevertheless, that the reference to the economic circumstances will perhaps reflect some of the problems in terms of introducing the formula? We heard from witnesses to the Committee that they felt it was typical for local authorities to introduce the single funding formula without increasing part of the dedicated schools grant allocated to early years—taking it away from primary and secondary. Is the Minister saying that the pace has rightly slowed because in difficult economic circumstances it is difficult for local authorities to be able to meet the implication of the formula? Obviously, you are under some pressure, I guess, in terms of what the experience has been, and how there may be difficulties—perhaps closing individual, dedicated nursery schools.

Dawn Primarolo: I do not accept the issues with regard to the finance that the Government provide for the free entitlement. My point about the historic position pre-'97 was that only about £1 billion was being spent in this sector by local authorities, and their provision was decided locally. So the main finance that went in came either from parents themselves paying for private facilities, or from those local authorities that took the decision locally to put more money in because that is what their local communities expected, and they funded nursery schools, for example. So the issue of the single formula is not whether there is enough money available for the guarantee. It seems to me that local authorities might be asking a different question that is nothing to do with the single formula, but about how much they think they should pay over and above what is the guaranteed funding from central Government. That is a perfectly reasonable view for a local authority to take and to be accountable for. I would have very strong views about saying, "Well, local authorities should step up to the plate, just as central Government is, and make their contribution". But that isn't a matter for the single formula; that is a matter for the decisions that are taken locally about how they spend the money. I now regret having tried to acknowledge the local authorities' position in some respects, because what I was saying was that this process is a complicated process and there were other complicated processes going on, as local authorities tried to respond with their services to a changing environment for their council tax payers and residents. I was trying to say, very gently, that perhaps the local authorities had not been able to give as much attention to this area

as they might have wished to, because of other demands on their analytical time. That is all I was saying.

Q115 Mr Pelling: We had a witness from Southampton city council, which I think is one of the pilot programme authorities, and I think the witness was trying to say that they were very happy with the proposals and saw the positive nature of what was being done, but they wanted to protect maintained nursery schools. There is an automatic effect—isn't there?—of the formula, in terms of compromising that more expensive provision. Therefore, it is inevitable that local authorities who may take a very great pride in those nursery schools wanted to protect them. So they ended up being faced with the prospect of transferring from other parts of the Dedicated Schools Grant, and it is difficult to do that in these difficult economic times when there are other pressures and demands on local authorities. Is that a motivation for delay?

Dawn Primarolo: I still think that is an entirely different point, because the funding for the free entitlement from 12 and a half rising to 15 is absolutely guaranteed in the money that moves from central to local government. Decisions are rightly a matter for accountability on whatever a local authority spends its money on. What the single formula around the principles was designed to achieve is to make that transparent, but there can be no question that they do not have enough money to pay for the free entitlement. The single funding formula was about transparency and accountability around certain principles, so that it could be seen why a local authority was taking the decisions that it was taking. If it chose to maintain a particular provision over and above the free entitlement, that is absolutely up to the local authority, as long as it's accountable.

Q116 Chairman: One of the most reasonable people who has appeared in front of this Committee for a very long time is Lesley Adams from Birmingham, who is the head of integrated children's services there. She is just worried that, however complicated or simple the formula is, what will end up happening in Birmingham is an undermining of the high-quality provision that Birmingham has invested in over 50 or 60 years, which is a type of gold standard of good pre-school nursery provision. Yes, it is in the maintained sector, which often has more expensive buildings, floor space and all that. I think she represents quite a lot of people who we in the Committee have contacted. The end result might be an undermining of not just the gold standard, because it is old or historical, but the maintenance of high standards and the permeating of those standards to the rest of the sector. This is what she is genuinely worried about.

Dawn Primarolo: Absolutely. I can understand that concern. I think it is a very important point to make about the high quality of our maintained nursery schools and how they can work with the rest of the sector in terms of excellence and quality. As this began to emerge as one of the concerns, I made it

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clear when I wrote to all the directors of children's services. I reminded them that the formula does not prescribe one type of provision over another—it is a mechanism for showing how the money is spent—and made absolutely clear the importance of the maintained nursery sector. The presumption against closure is within the guidance. I have circulated copies of this to the Committee.⁷ I pointed out that where an unjustified reduction is being made, meaning that that was not because there was a huge number of vacant places and no attempt had been made to close them, I would take it seriously and consider what I could do in those circumstances, so I have made the position absolutely clear. In acknowledging the concerns of representatives from Birmingham, for instance—although not only there—that would be awful, and it is not the objective of the formula to undermine the excellence in centres. It is actually to make sure that we understand how that happens, and we are moving everything else to be as good.

Q117 Chairman: There are unintended consequences that you certainly don't want, but we all know that that is one of the frailties of public policy making. You can start off with a very well intended policy, but you could end up producing something you really didn't want. To give another example, evidence given to the Committee suggests that the new funding formula treats pre-schools more like schools, so the bums have to be on the seats on a regular basis at the beginning of term. However, nurseries are not like that, and we must consider the situation if they do not have spare capacity for children who are ready for nursery at a different stage. Children aren't all ready to go to nursery in September—they are ready month by month, as you know from your own experience, and I know from mine. Isn't this sort of making little school systems out of a system that shouldn't be school-based?

Dawn Primarolo: The first point that you make is very important, which is why I am trying to consider the options, and looking at whether there might be unintended consequences in the implementation of what appears to be a good idea that has everyone's support. Given all the information that is coming in, my approach is to say that while everyone is still saying that we should have a single formula and that the principles outlined in the formula are correct, the difficulty is in the implementation, given the complexity of the area, and further work is needed. Let us take the vacant places. I think it is a straight proposition, and we would all agree that we would not want to see a facility funded that was only half full. I am using this as an extreme example; I am not saying that I can think one like it. Let's say that no effort was being made to do outreach and fill the places. Under those circumstances, would we want the money spent in that way? No. But, would we say that there would never be a vacancy rate for the reasons that you've described? Of course we wouldn't. If we looked at rural areas, it would be even more complicated in terms of what vacancy

rate would be counted as being in excess of being reasonable. The basic principle that people accept is that obviously participation is important, but it was not meant to be an absolute. That is part of the discussion. Some authorities have settled that and worked their way through it—apparently to a conclusion that is acceptable—and others are still struggling. Those are precisely the issues that we need to flush out. The other example would be that there are different settings, even within a local authority, and the formula would give a different reaction to those different settings. That is right.

Q118 Chairman: You have got a sophisticated and articulate group spouting opinions out there, as you know. We have found during all these inquiries that there are so many diverse, very good people out there that you are not going to be short of opinions and good information on this.

Dawn Primarolo: As you know, we are never short of opinions and, most of the time, we are never short of very good evidence and expert advice. As a precautionary principle, what I am basically saying is that this is really complicated, everybody has signed up to it, and it is proving more difficult to implement than anybody appreciated. Some have managed it; some have not. Let us look at a slower speed, if that is possible, to get us to the same point.

Q119 Chairman: Minister, we are all in favour of that, but let me give you an example that is rather different. Everyone is in favour of flexibility. A parent could use their entitlement in a way that suited them, which sounds to me like a marvellous way of providing pre-school opportunities. The Government's record is excellent on this—I am not going to deny that. I heard Professor Kathy Sylva say to a seminar only yesterday, however, that one of the unintended consequences is that some parents use almost all the entitlement in one day—10 hours in a day—or they use it in a way that is very upsetting for a child and does very little for that child's pre-school education. It is very wrong, according to Professor Sylva and others, to put a child in a nursery setting one day a week, or one morning and one afternoon. If you want to give the real benefits of pre-school education, there should be a rhythm and a system to it—the best would be for the child to go every morning for five mornings. So, flexibility might have the unintended consequence of actually being quite damaging to a child, rather than helpful.

Dawn Primarolo: Yes, that is a potential, if it is not mediated by other principles. I am just responding to a question that was put to me that I was not expecting.

Chairman: That is what these sessions are about.

Dawn Primarolo: Yes, but it is rather dangerous for Ministers to think aloud—you know that, Barry. The question is quality and our objectives. Of course, we are looking at the quality of the provision for the child. That is our main objective so, of course, we are considering flexibility and what fits with the family and the parents' relationship. But it

⁷ Not printed.

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seems to me that what you are flagging up here—as you are saying Kathy is—is that we need to look very carefully at the quality mechanism within the formula and how that cuts across with flexibility. That simply reinforces my view that it is very complex. Somebody said that I should have a T-shirt that says “It’s very complex”, and that I should just sit here saying that it is very complex. In a way, I feel like I am saying that all the time, but it is complex, and there are lots of demands and aspirations. We have to balance all those in making sure that the provision is high quality. It is about the outcome for the child as well, and ensuring that it fits with families. That is why we are now consulting on the extent and what we mean by flexibility, and what would be suitable in bringing those balances together.

Q120 Chairman: But I could have a T-shirt that says “It’s very simple really”, because if you talk to Professor Sylva, she would say that actually the rules in pre-school are the same as in any other bit of education. What is important is the quality of the trained professionals who are engaged. She would say that if that mother or father takes a child and asks for inappropriate timings for that child, it is very different if the person who responds and says, “Actually, this isn’t very good for your child,” is well trained and has a fair degree of education and knowledge of pre-school and how children develop. Things are very different, as Kathy Sylva said yesterday, if the person the parents are talking to in a PVI—I shall say a PVI, just to be controversial—was turned down for a hairdressing apprenticeship and this was the next job she could get. Now, that is to quote Professor Sylva from Oxford University. You said it is about quality, but that is not complex. All the time that I have been Chair of this Committee, we have found time and again that with pre-school—and there is a reason we have supported the early years foundation stage—it should be about not child minding, but high-class early years stimulation by professionals. That is what this Committee has always been after.

Dawn Primarolo: Absolutely. I agree with that. It is not that we ignore the other issues that are associated with the family, such as work, which is important because of the implications for a family of being in poverty. I absolutely agree on the question of quality and proper advice. When there are demands around flexibility, which there are, it is right for us to explore through consultation how that might be checked, in terms of the central goal, which is what is best for the child in these circumstances. We do that in other areas of policy. If we look at what our children centres do, particularly those that have lots of other services connected to them, whether advice on parenting, the health visitor running the mother and baby course—

Chairman: We will be seeing your child centres shortly, Minister.

Dawn Primarolo: And you will have a lovely time—because I always do.

Chairman: I am hogging the questions. Helen.

Q121 Helen Southworth: In the guidance attached to your letter of 28 October, you suggest that where it makes sense to look at structural solutions, that should be given consideration. Is it your intention actively to encourage the federation of maintained nursery schools and what effect do you think that would have?

Dawn Primarolo: I am certainly exploring how we can develop the role of maintained nursery schools with regard to our children centres and child care facilities, whether that be supporting child care networks or training staff. I think you had evidence from one of our children centres, which I have visited recently, in Corby—Pen Green. I always want to call it Pen Park, because there is a children centre near that road, near my constituency. At Pen Green you can see the integration and the benefits of using as the hub the maintained nursery school. What I want to explore—we have some work in the Department at the moment—is whether it has further reach out into other centres, because in that particular example and many others, the maintained nursery is physically in the children centre. We need to consider that actively—as a new Minister I say that, because I have been in my brief relatively recently—for exactly the reasons that Barry was touching on about practice, quality, support and finding ways to use the very important, high-class expertise that we have in our children centres as we develop them in our maintained nurseries throughout the sector. We have a capacity issue with regard to the very highest qualified and skilled—we know that and are developing new skills now. But I see the role of the maintained nurseries as crucial in that. Clusters work well in other circumstances. Some are already clustered—we may be able to build on that.

Q122 Helen Southworth: We all understand that it is essential for children’s welfare that we get continuity of support from early years through into primary education. We have received significant evidence that demonstrates concerns about the impact of the new formula on the provision of services for children in primary schools. Quite a number of people have expressed concern about the impact of the funding formula on the Dedicated Schools Grant and the possible impact on primary schools. How are you going to make sure during your considerations that that is not going to have a negative impact?

Dawn Primarolo: I have to be honest, Helen, and say that I do not fully understand why they believe it would, given how we allocate our dedicated schools budget and grant and the decisions that are taken locally. Given that we are moving into a period where we can take up all these criticisms following a postponement of a year, I would want to be reassured that there was not detriment. There is nothing that should disturb the free entitlement to early years which the Government are paying for. I would be happy to reflect a bit more on your point. If it would help, I could perhaps do a very quick note

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and have it to you by Monday.⁸ I have seen the criticism, but we need to dig down to find out what is really driving it and whether it is other things.

Q123 Helen Southworth: We have had some really good evidence—and I think we are probably all aware of it from our constituencies, too—about the significant effect that early intervention can have on vulnerable children. Some concerns have been expressed that places need to be available throughout the year for sudden impact issues—bereavement, a parent with mental health problems, a parent going to prison or social isolation—which mean that some intervention needs to happen quickly. How are you going to ensure that every authority area has access to those sort of places? Will you have a focus on those during this consideration?

Dawn Primarolo: This was one of the issues that came out of our consultation as well. You are rightly reflecting back to me the breadth, differences and complexity of access to early years. Forgive me, but given that local authorities are managing that and providing that, I do not necessarily think it is unreasonable for us to have thought that they would take those points on board. They are clearly important in the way that you have identified. It has not necessarily always happened. It comes back to this vacancy: place versus participation as if they are absolutes in terms of the smooth running of facilities. I suppose it is a different form of flexibility. It is still flexibility around the needs of the parent as well. But that is one of the issues that we need to look at very closely. We do not want to squeeze the capacity out of the system which enables it to respond to those very important differences. We see that working really well in lots of settings, particularly children's centres for obvious reasons.

Chairman: We have a rule in here that we never let someone sit in front of the Committee and never say a word. I see that Ann Gross has just had a note passed to her. Perhaps you would like to come in on this, Ann, just to get your name on the record. We know how much expertise you have in this.

Ann Gross: Thank you. As the Minister said, the issue of how we make sure that we have places for children with a range of additional needs was one of the things that came up when we were consulting on the draft regulations for the single funding formula. Local authorities' practice on this varies considerably. Some have a very strong record; others have found it more difficult for a variety of reasons. It is, absolutely, one of the issues that we will want local authorities to focus on, and we will work with the pathfinders over the next year so that we can disseminate effective ways of making sure that you can protect some places for children in need.

Q124 Helen Southworth: So you will be looking closely at making sure that there are not perverse incentives, so that authorities that are not providing that sort of flexibility do not benefit, but authorities that are providing that sort of flexibility get recognition of that?

Ann Gross: It is always about striking a balance, isn't it. We have got to take into account a number of factors, but one of the issues we will want to look at is how effective local authorities are in making sure that there is proper provision for children in need.

Q125 Helen Southworth: In fact, using the opportunity as a driver to ensure every authority does have that as a performance standard.

Ann Gross: Yes.

Dawn Primarolo: And using the good practice. There is some very good practice out there, so if one local authority can do it the clear question is why can't all do it?

Q126 Chairman: We continually ask that question. There are only 150 local authorities. Why can't they all be wonderful?

Dawn Primarolo: They all tell me that they aspire to be wonderful when I see them on safeguarding.

Chairman: They become less confident when you ask them about child protection, but that is another matter. David.

Q127 Mr Chaytor: Minister, at the end of the day, when the dust settles on all of this, who are going to be the winners and losers?

Dawn Primarolo: I do not understand why there should be any losers. The formula is not a prescription for what must be done, it is a tool to aid and reveal—for reasons of accountability—the decisions that have been taken locally about the provision. The formula is about driving quality and availability of places, and the transparency underpins that. I am at a bit of a loss to think why—on that drive for quality, transparency and the sensitivities we talked about in the formula, if they are used in a sensitive fashion—they would produce anything but us all continuing to drive quality and access locally and nationally.

Q128 Mr Chaytor: So if there are no losers, is it simply a question of the scale of increased funding that all providers will achieve out of that?

Dawn Primarolo: Can you repeat that question, please?

Mr Chaytor: You are saying that there are no losers. Is that the case? That is what you are saying, isn't it?

Dawn Primarolo: I am saying that I do not see why there should be any losers from the introduction of the formula because, even with the formula, local authorities will decide and be accountable for the decisions they take about how they fund each of the settings that provides their early years provision. There is always, in that sense, a priority.

Q129 Mr Chaytor: So the answer to the question is that there are no losers, on condition that local authorities compensate for any possible losses that an individual provider may have. You are assuming that the local authority would have to step in if, when its formula was finally agreed, there happened to be—

⁸ See Ev 49

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Dawn Primarolo: No, I'm assuming that the local authority will justify what it is doing publicly to its electorate and those to whom it is accountable. I do not make any assumptions beyond that about how local authorities, for the reasons that Annette gave, choose to direct their funding. I can absolutely try to—will—protect the free entitlement because there is no reason why that should be interfered with. The money is there. Over and above that, that is a discussion every year for a local authority—how it decides to use its resources—and the formula is about making some of those decisions a little clearer, while driving quality. I think that people are trying to attribute to the formula more than it is seeking to do. It is not seeking to direct local authorities; they simply have to explain why they do what they do, which they do all the time.

Q130 Mr Chaytor: Of the original motivations for introducing the new formula, which is the most important?

Dawn Primarolo: Quality, that the transparency and the principles around, for instance, deprivation and provision drive that quality, and access. On the point that I started with, it is about the entitlement to early years and particularly to the provisions that we are expanding with regard to the free entitlement. So, quality, but transparency supports that quality.

Q131 Mr Chaytor: In terms of the typical improvement in funding that will come about to drive quality, what would be your ballpark figure? What is your assumption about the amount of money that a typical provider could expect to receive to improve quality?

Dawn Primarolo: If you are asking me about what assumptions we make about how much it would actually cost, we do not undertake those exercises. We allocate the money using the dedicated schools grant and we give it as a block to three to 16. That money is made available and the rest has always been done at the local authority level. Clearly, by using that dedicated budget, we are using quite a high bar in terms of how much we are giving.

Q132 Mr Chaytor: One of the difficulties is that feedback from the work done so far shows that the PVI sector, where maybe there have been some concerns about quality in some areas, is saying that the formula is actually not going to generate a significant uplift to their funding that would really impact on quality. If my difference in funding at the end of the day is going to be so marginal, how can it make a noticeable impact on quality?

Dawn Primarolo: The increase per pupil that the Government are providing over the spending period 2008–11 is very significant. As I said at the beginning, it is 13% per pupil in that period on top of what has already been a huge increase since 1997. Again, we have to be very clear about the purpose of the formula, which was, by agreement, to reveal the decisions that were taken as an aid to drive quality

through transparency. How that tool is then used as the single formula is a matter of local accountability, not a matter of the Government saying that x is going to be transferred to the PVI sector from, for want of a better argument, the maintained nursery sector. I think that there continues to be agreement around the principles but a lack of clarity about why we are doing it in the first place, as people bring, quite rightly, important and other issues to the table, but they are not a matter, in my view, for the principles around the single formula. They may be revealing other things that have been hidden before but that is about what you do next local authority-wise.

Q133 Mr Chaytor: Do you have any regrets about starting this exercise?

Dawn Primarolo: This is very challenging and, as a new Minister, I recognise how challenging it is. The Department always recognised how challenging it would be for local authorities but we have to get it right. I think that trying to achieve the principles is important but we should not rush it if it is not ready, and that is the position that I am tucking myself into now. I would rather have it right than done in February 2010 when it is not right—that is my aspiration.

Q134 Chairman: Minister, we like to get things right as well. Can I just pick you up on something you said about the increase in the percentage—13.5%, I think you said? Is that an increase or is that to take account of the move from 12 and a half hours' to 15 hours' entitlement?

Dawn Primarolo: I believe that's an actual increase.

Ann Gross: I believe—I think this is correct—that that uplift applies to the whole funding through the Dedicated Schools Grant, so it's not a percentage that simply relates to three and four-year-olds: it's the overall increase for the Dedicated Schools Grant as a whole.

Q135 Chairman: You've got to remember that, when we interviewed the Secretary of State and the Permanent Secretary, they had to put their hands up and say, "We can tell you a lot about school funding. Most of our other responsibilities in respect of children and families we are not even able to account for." I think that's a fair summary of what they said.

Dawn Primarolo: I was stepping round that by saying that it's a matter for local authorities when you give it in the grant.

Q136 Chairman: Rounding up, there's just one thing I want to say. Some people out there—cynics—might say, "Look, in this single funding formula you're just responding to the clamour that came from the independent and voluntary sector—perhaps the independent sector—for a better deal. Historically, they felt that they were underfunded compared with the maintained sector and they don't like that: 40% or 43% have said they can't make any money out of the amount that you provide for the 12

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and a half—now 15—hours. Indeed, isn't there a threat that, at some time, the PVI sector might stop taking such children? Putting all your eggs in that basket could be rather damaging. The third bit is this: why should people out there make money out of children? This may sound terribly old Labour, coming from me, but shouldn't the state sector provide this? There shouldn't be people making a profit out of children.

Dawn Primarolo: I'd never dream of accusing you of being old Labour, although I don't think that's a term of abuse anyway. But on the first point about whether the formula was designed simply to transfer to PVI, absolutely not. I tried to explain at the beginning, having looked back at the record and at everything that has been said in Parliament when this has been debated, since 2005–06, that part of continuing to invest and develop in the early years—we had the pre-1997 and post-'97 investment—is how you continue to bring that together, driven by quality and a transparency that was necessary. I don't think it was just a question of the Government saying, "We want to do this because we think it's a good idea." There was wide agreement that that was the right way to go forward. On provision and making a profit, my view is that all the costs associated—return on investment and salaries—are legitimate in terms of considering the overall level at which we would support the PVI sector, whether they are providing for the 15 hours' entitlement, when it comes within free entitlement. Over and above that, that's not a matter of whether the providers can make a profit for their business. Clearly, the guaranteed funding stream to provide that free entitlement will help underpin their business, but we are not providing the money for people to make profits: we are providing the money to give access to high quality early years free entitlement. The PVI providers can do other things to generate their money as well. That is as delicately as I can put it.

Q137 Annette Brooke: I think the Minister's probably answered my question. I was a little concerned about the predictions from the PVI sector that it would be going out of business. With the suggestion that there might be a delay in moving to the formula in some authorities, are you concerned that you may be losing some of the current supply?

Dawn Primarolo: I am not concerned because it is still the role of local authorities to make sure of the provision that they are funding, in whatever setting. Whether the formula is there or not, they are supposed to be securing the free entitlement and making sure that it is of a high quality. They can choose whether they use the PVI sector or the maintained nursery sector. Nothing changes, whether or not they have the single formula. The issue is highlighted by the discussions about the formula, but it is not the formula that is driving

those considerations. I have seen the evidence and some of the views on whether it is economic for them to continue to provide it—they could be loss making. We will have to wait and see whether that transpires. I do not have that concern because I have faith that local authorities protect the free entitlement.

Q138 Mr Timpson: I know obviously that we don't have to wait for confirmation of your mindset on this and that implementation is delayed until 2011. But bearing in mind the issues and concerns that have been raised with you and that you have taken on board in coming to a preliminary view on how this should play out for all nurseries, why are you confident that a year will be sufficient to iron out all the problems? It is a figure that is often used when delays are required. Are you confident that in April 2011, we will have resolved the myriad issues that have been raised with this Committee and yourself?

Dawn Primarolo: I have to be confident that that can be achieved, given that a reasonable number of local authorities appear to be in the position where they could implement without all the issues that have been highlighted in your hearings and to the Department being settled. I think it would be foolish to put it off indefinitely or for a longer period, given the complete unanimity, even in the evidence to your Committee from those who are very concerned, that having a single formula is right and that the principles contained in it are right. I have not heard, as yet, any disagreement on that. It is all about process. Given the commitment that it is the right way to develop the future of the sector, a year is reasonable. If you asked me to put my hand on my heart and say whether further complications might be revealed in that year, I could not honestly tell you. There are constraints. Parliament has agreed that it is the right way to proceed in principle over several discussions on different Bills, including very recently the Apprenticeships, Skills, Children and Learning Bill. However, it will require good will and co-operation from everybody who claims that they support it in principle.

Chairman: Minister, that is a good note on which to finish the session. Thank you for your patience. We have kept you for quite a long time. It has been a very good first session and we look forward to seeing you again shortly.

Dawn Primarolo: I will table a written ministerial statement tomorrow. I did not want to do it today because it is a very busy day and I thought that it might be lost in all the other news. If the Committee has any further views that it wants me to take on board, I would be more than happy to receive interim views on how I might proceed when you have seen the statement, if you think it appropriate.

Chairman: Minister, that is a very good offer. We will cogitate. Thank you.

Dawn Primarolo: Thank you very much for your time.

Letter to the Chairman from the Rt Hon Dawn Primarolo MP, Minister of State for Children, Young People and Families, Department for Children, Schools and Families

Following my recent appearance at the Children, Schools and Families Committee on the Early Years Single Funding Formula (EYSFF) I am writing to confirm that it is the Government's intention to postpone the formal implementation date for the EYSFF by one year until April 2011. I trust you have seen the Written Ministerial Statement that my office sent to you last week which was laid in Parliament on 10 December.

It has become increasingly evident that a number of local authorities have been having significant difficulties and challenges with the development of their EYSFF. Further to this, I am also aware of the concerns from providers and parents about the potential disruption an under-developed formula could cause. The Department's recent risk assessment, which gave a snapshot of local authorities' progress on their proposed formulae, highlighted the variability of approach and gives further weight to allowing LAs more time to ensure that they get this process right. I promised to share with the Committee a short note that gives the high level messages from our analysis which I have attached to this letter (Annex A).⁹

My decision to allow Local Authorities to delay should not detract from the hard work that I know has gone into getting local formulae to this stage. That is why I want to give those Local Authorities, that feel ready, the opportunity to continue to work towards an April 2010 implementation date and become part of a new tranche of pathfinders. My announcement is not intended to halt the momentum of local authorities who are ready to implement successfully—and my officials will be encouraging them to join the pathfinder programme—but it will allow more time for other local authorities to resolve some of the difficult issues I know they are facing locally.

The Committee expressed concern about the impact of the funding formula on the Dedicated Schools Grant (DSG) and the possible impact on primary schools. As I said to the Committee, the DSG is given to local authorities as a single block to fund provision for 3–16 year olds. We do not separate out the money for the free entitlement for three and four year olds, but leave it to local decision-makers to distribute DSG to meet the needs of children in their area. We know that some local authorities have agreed with their schools forum that additional funding should be made available from the Schools Budget to support delivery of the EYSFF, and this is rightly a matter for them. As I said to the Committee, we are increasing the level of DSG significantly over this period—by on average 13.1% between 2008 and 2011—and local authorities and schools forums are best placed to decide how to distribute their increases locally.

The EYSFF remains an essential reform if we are to ensure transparency, accuracy and improve the way local authorities distribute early years funding to the benefit of more children and families. I want to thank the Committee for giving me the opportunity to represent the Government on this issue.

December 2009

EYSFF DATA COLLECTION NOVEMBER 2009

AIM

The Early Years Single Funding formula (EYSFF) data collection exercise took place in November 2009 and was designed to establish an indicative national picture of progress and the different approaches local authorities (LAs) were taking to formula design—with a view to exploring further the impact of different models over time. The majority of LAs provided this information as a work in progress, subject to consultation, and the analysis below is therefore based on that and likely to change. A report on the results of the EYSFF data collection was sent to Select Committee members following the EYSFF Select Committee hearing¹⁰ and this is an updated version, following further analysis.

1. BASE RATES

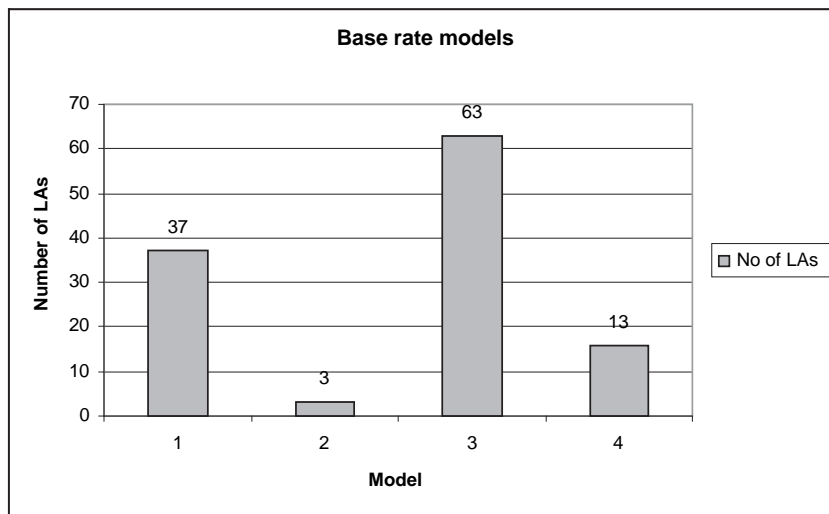
In order to enable a high-level analysis of the approach taken to the EYSFF, formulae were categorised according to the following models:

<i>Model</i>	<i>Description</i>
1	Single base rate for all providers
2	Two base rates: settings with a graduate leader and settings without a graduate leader
3	Multiple rates: sector-specific (eg maintained nursery schools, maintained nursery classes, PVI, childminders)
4	Other: included base rates determined by size of provider, flexibility and quality

⁹ Not printed.

¹⁰ Not printed.

The table below shows that the multiple-rate model is the most common, with a significant number of LAs also opting for a single base rate.

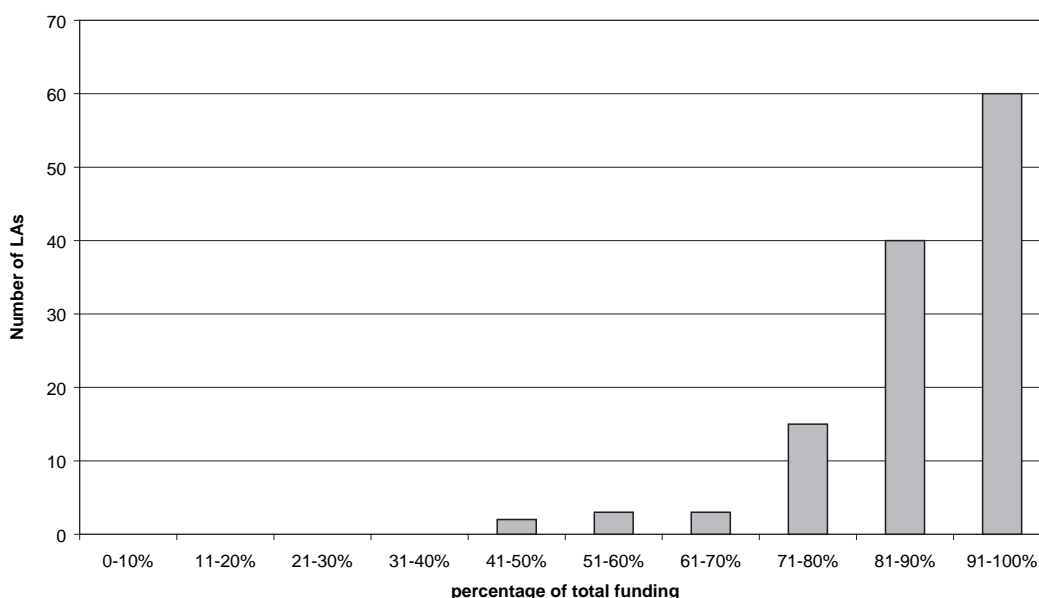


Analysis has shown significant differences in base rates between LAs as the range varies from 0.18p to £8.35 per hour. For all LAs who supplied base rate cost information, the median per hour rate is £3.50. It is important to recognise that seemingly low base rates may form part of a wider formula which includes any number of supplements. Data given in this section should not therefore be used to calculate an actual setting's total budget.

	No of LAs	Amount (£) spent per hour					First quartile	Third quartile	Inter-quartile range
		Mean	Median	Max	Min	Range			
All LAs with a Base Rate	106	3.64	3.50	8.35	0.18	8.17	3.15	3.88	0.73
<i>Model description</i>									
1 rate: all providers	37	3.14	3.30	5.64	0.18	5.46	3.15	3.59	0.44
2 rates: Graduate leader/non-graduate leader	3	3.02	3.14	4.14	1.86	2.28	2.39	3.28	0.89
Multiple rates: provider-specific	63	3.73	3.54	8.35	0.86	7.49	3.15	4.00	0.85
Other	13	3.83	3.50	7.60	0.25	7.35	3.29	4.15	0.86

For most LAs the base rate makes up at least 80% of the total budget, whilst in a number of LAs the base rate proportion is nearer to half of the total budget. It is important to note again that LAs may have built formulae that pay more to providers through supplements (eg deprivation, quality, flexibility and others).

Base rate as percentage of total funding



1.2 Base rates for maintained nursery schools

For those LAs which included a specific rate for maintained nursery schools, the range of rates is £0.86 (an anomaly) to £8.35. The average rate for a maintained nursery school is £4.94.

LAs base rates for Maintained Nursery Schools		
	Mean	4.94
	Maximum	8.35
	Minimum	0.86
Base rate (£) per hour	Range	7.49
	First quartile	3.75
	Third quartile	5.83
	Interquartile range	2.08

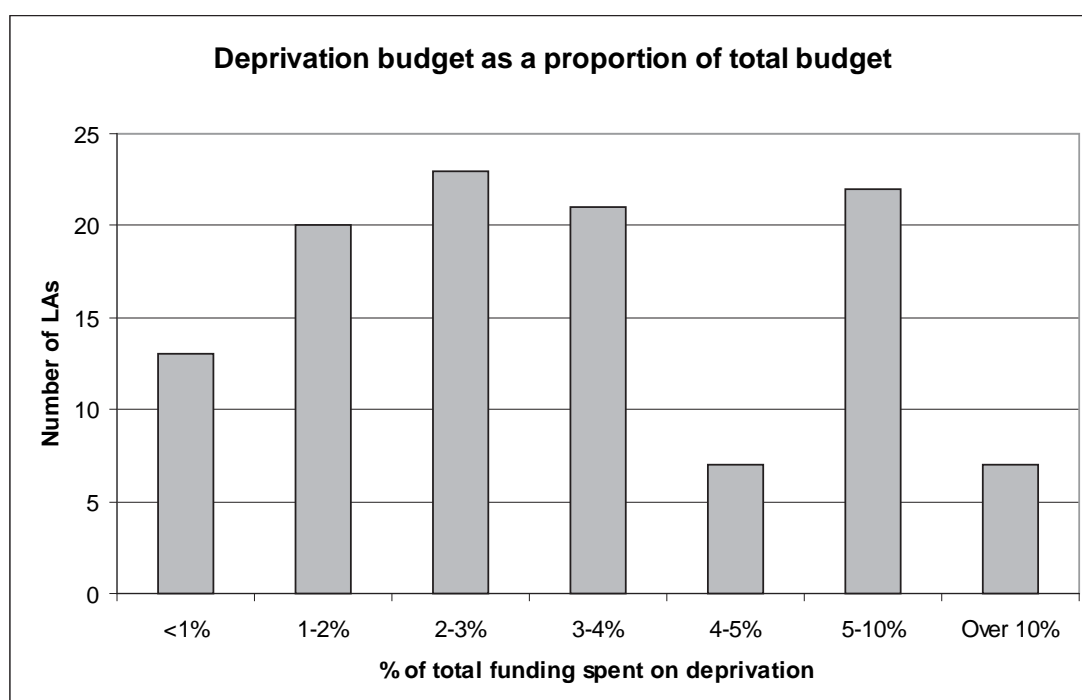
2. DEPRIVATION SUPPLEMENT

Local Authorities' deprivation supplements vary from £0.02–£3.07 per hour per child. The average (median) payment per child per hour is £0.20. On average, the proportion of a LA's total budget given to deprivation is 3%, however the range showed a huge variability from 0.1% to 22.1%. For those authorities who provided cost data, the table below shows the range of rates.

Number of Local Authorities		
		65
	Mean	0.30
	Median	0.20
Amount (£) per child per hour	Minimum	0.02
	Maximum	3.07
	First quartile	0.10
	Third quartile	0.35
	Interquartile range	0.25

2.1 Deprivation supplement as a proportion of the total budget

The table below shows how the anticipated total budget for the deprivation supplement as a proportion of the total early years funding varies across local authorities.



2.2 Examples of deprivation factors

Deprivation was measured in a variety of ways, with the most common being IDACI and IMD scores. Other deprivation factors included Acorn categories, Free Schools Meals entitlement, targeted ethnic groups, postcode of provider and weighted supplement based on child's postcode.

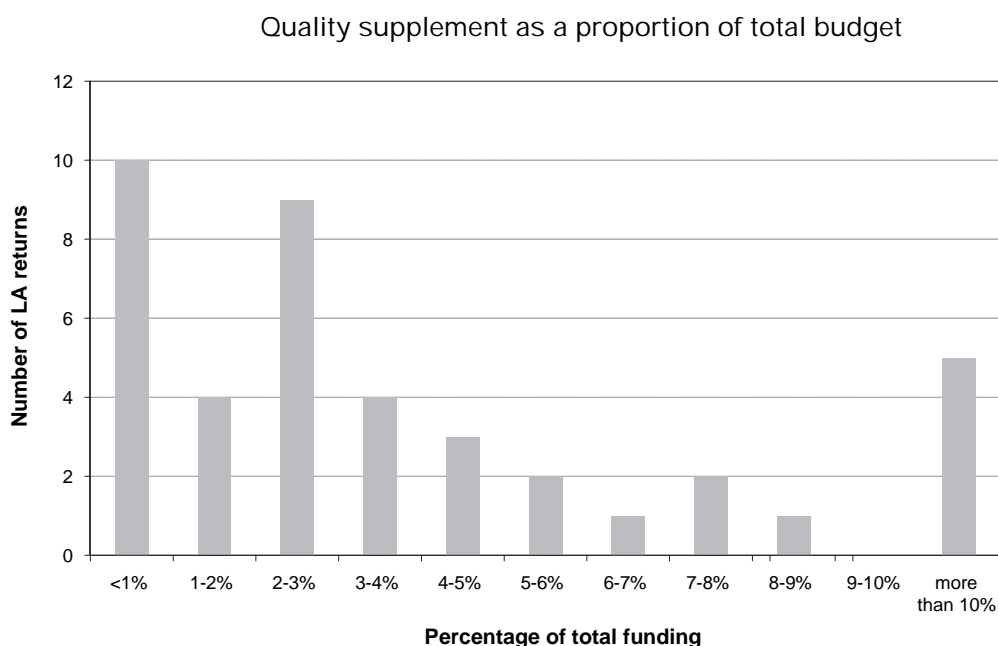
3. QUALITY SUPPLEMENT

Whilst there were 123 LAs who returned data capture forms, three LAs each made two returns, one with a quality supplement and one without, so there were 126 quality supplement returns altogether. Sixty one (48%) of the returns reported no quality supplement. Of the 65 that did report a quality supplement, 40 (62%) did so on a per hour/per child basis. The remaining LAs reported their supplement either per child, per setting, per week or per annum. The range of quality supplement amounts is shown below.

	Number of Local Authorities	40
Amount (£) per child per hour	Mean	0.43
	Median	0.20
	Minimum	0.02
	Maximum	2.49
	First quartile	0.10
	Third quartile	0.51
	Interquartile range	0.41

3.1 Quality supplement as a proportion of the total budget

The chart below shows the percentage of the total funding spent on the quality supplement across local authorities, for those LAs who provided cost data.



3.2 Examples of quality factors

A significant number of local authorities were unable to reach agreement over criteria for the quality supplement but have indicated that they intend to introduce a quality supplement in the future as part of the iterative process of developing their EYSFF. A number of authorities also decided not to include a quality supplement as they considered quality to be built into their system to such a degree that an additional supplement was not necessary.

For those LAs who did include information on quality, a variety of factors were used, including qualification levels of staff, whether the setting was led by a qualified teacher/Early Years Professional, Ofsted ratings, local quality RAG rating, amount of training and professional development offered to staff and Quality in Action accreditation.

4. FLEXIBILITY SUPPLEMENT

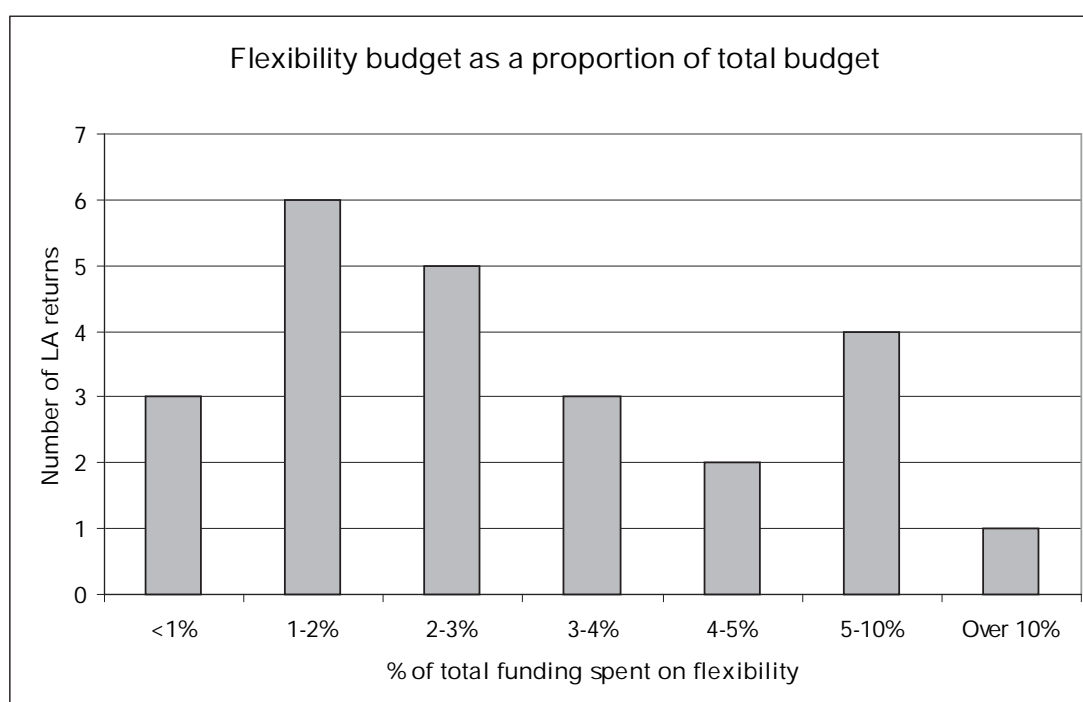
The table below shows that 30 LAs have considered including a flexibility supplement within their EYSFF. Some LAs may have built a flexibility payment into their base rate and others will be using Standards Fund money to incentivise flexibility as part of the extension of the free entitlement from 12.5 to 15 hours per child.

The table below shows how the amount spent per child per hour on flexibility varies across local authorities, for those authorities that reported a budget figure for flexibility.

	Number of Local Authorities	30
Amount (£) per child per hour	Mean	0.25
	Median	0.15
	Minimum	0.00
	Maximum	2.50
	First quartile	0.07
	Third quartile	0.30
	Interquartile range	0.23

4.1 Flexibility supplement as a proportion of the total budget

The chart below illustrates how the proportion of the total budget spent on flexibility varies across local authorities. Some local authorities provided more than one return, and all of these have been included:



4.2 Examples of flexibility factors

A significant number of local authorities were unable to reach agreement on a flexibility factor, but indicated a commitment to introduce this at a later date. Others have built flexibility into their base rates so did not consider it necessary to include an additional supplement. Some authorities also decided to wait until after the implementation of the flexible extension to introduce a flexibility supplement.

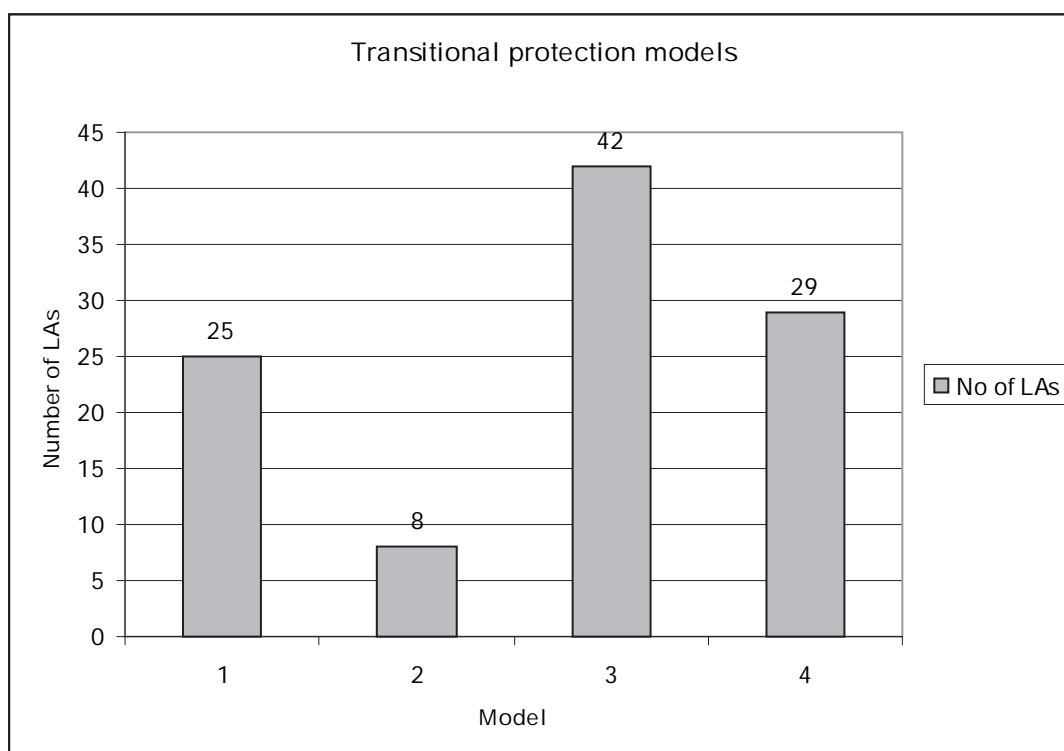
For those LAs who did include information on flexibility, a variety of factors were used including session length, opening hours, localised flexibility grading, offering stretched provision or a variety of sessions and offering flexibility around both standard and extended school days.

5. TRANSITIONAL ARRANGEMENTS

Of the 123 LAs that made a return 27 (22%) reported that they had no transitional arrangements, that they are to be confirmed or that they are not applicable. The 104 LAs that provided information on transitional arrangements were grouped according to the following transitional models:

<i>Model</i>	<i>Description</i>
1	No transitional arrangements
2	Transitional arrangements in place for less than 3 years
3	Transitional arrangements in place for 3 years or more
4	Transitional arrangements will definitely be used, but details had not yet been decided

The chart below shows the spread of transitional models across those local authorities who included this information.



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