

THE EARLY YEARS SINGLE FUNDING FORMULA – EXTENSION TO TWO YEAR OLDS**Introduction**

1. At its meeting on 4 October 2012 the Schools Forum received a report on the extension of the Early Years Single Funding Formula (EYSFF) to two year olds and resolved:
 - i. To apply the methodology of the existing Early Years Single Funding Formula (EYSFF) to calculate the hour rates for two year olds;
 - ii. To amend the EYSFF to add an element for consumable toiletries in respect of two year olds;
 - iii. To amend the EYSFF staffing model with a staff:children ratio of 1:4 in respect of provision for two year olds;
 - iv. To adopt a single hourly rate for all private/voluntary/independent settings providing free entitlement childcare for two year olds;
 - v. That the hourly rate paid to childminders be consistent with that for three and four year olds
 - vi. To incorporate a deprivation supplement into the basic hourly rate for two year olds (if allowed by regulations);
 - vii. To approve the principle of applying the existing EYSFF, with the amendments above; be subject to consultation with all providers of free entitlement childcare for two year olds; and
 - viii. To note concerns over affordability and bring costings of potential issues to the Schools Forum meeting being held on 6 December 2012.
2. This paper reports the outcome of the consultation with providers and the implications for the DSG budget.

Consultation

3. An online questionnaire to seek the views of childcare providers on the proposals agreed by Schools Forum was published on 29 October 2012 and all settings were invited to respond by 15 November 2012. A total of 97 replies were received.
4. Respondents were overwhelmingly in favour of the proposals. The report on the consultation is presented as Appendix 1.

Financial Implications

5. The consultation related only to the methodology and administration of the payment for the provision of free entitlement childcare for two year olds, it did not suggest an appropriate level of payment.
6. Application of the proposed adjustments to the EYSFF formula for the provision for two year olds to the current hourly rates for three and four year olds indicates that the appropriate hourly rate, based upon 2012-13 prices (which have remained static since 2010-11), will be £5.74 per hour without the universal deprivation supplement and £5.94 including the deprivation supplement.

7. The implications for the DSG of meeting the cost of the provision of free entitlement childcare for two year olds is shown at Appendix 2.
8. The Early Years Reference Group (EYRG) confirmed that £5.94 is an appropriate rate of reimbursement for the provision of free entitlement childcare for two year old children from the least wealthy households. Members noted that providers have been willing to accept a small number of two year olds in the pilot programme at the rate of £4.85 per hour but believed that this rate will not be sustainable for larger numbers of two year olds as the free entitlement provision grows to 40% of all two year olds.
9. Comments received as part of the consultation indicate that costs for providing childcare for two year olds will be significantly higher than for three and four year olds. Some respondents have suggested that the current payment for three and four year olds is insufficient to cover costs.
10. EYRG appreciated the financial implications for the DSG of meeting the cost of the free entitlement childcare for two year olds at the rate proposed but wished to stress that childcare providers are independent businesses and will not be able to provide the service unless they are adequately remunerated. Their costs are, by and large, prescribed by regulations, e.g. adult:children ratios, levels of qualification of staff, building regulations and curriculum requirements.

Recommendations

11. In light of the consultation on the proposals and the statutory guidance on the EYSFF which requires local authorities to work with providers to determine the cost of delivery and calculate fair funding rates accordingly, the Early Years Reference Group recommends that Schools Forum:
 - i. confirm its resolutions i to vi made on 4 October 2012;
 - ii. extend the EYSFF and its associated systems and procedures to cover the payments to providers for the provision of free entitlement childcare to eligible two year olds with effect from 1 April 2013;
 - iii. to adopt an hourly rate of £5.74 per hour, plus £0.20 deprivation supplement, for the provision of childcare for eligible two year olds in private, voluntary and independent settings from 1 April 2013.

STEPHANIE DENOVAN
Service Director, Schools and Learning

Report Author: Simon Burke
Head of Business and Commercial Services
Schools and Learning

Contact: Tel.: 01225 713840
simon.burke@wiltshire.gov.uk

Unpublished documents relied upon in the production of this report: None