

**REPORT FROM THE EARLY YEARS' REFERENCE GROUP**

**Review of The Early Years Single Funding Formula**

**Introduction**

1. The Early Years Reference Group has conducted a review of the operation of the Early Years Single Funding Formula (EYSFF) and has consulted early years providers over potential changes. In light of comments received, and its continual monitoring of the EYSFF, the group wishes to recommend a change to the current basic hourly rates paid.

**Background**

2. The EYSFF was introduced in Wiltshire from 1 April 2010. The formula provided for childcare providers to receive a payment for the provision of free entitlement childcare based upon a sum for each hour delivered plus supplements (if applicable) for the inclusion of children from deprived homes and for settings located in rural areas.
3. The basic hourly rate was derived from the development of a financial model which strove to include relevant costs for each type of setting and to recognise the economies of scale which can arise as settings become larger. Thus the hourly rate currently paid varies between type of provider and the number of free entitlement hours delivered, as shown in the appendix.:
4. The reference group undertook a survey of the EYSFF in autumn 2010. On analysing the responses, the group noted that the formula had been in operation for only six months and considered that unless there was an overwhelming rationale for change the present arrangements should continue to avoid any potential confusion which could result from changes to arrangements which were only just beginning to be understood. The group agreed to recommend that two detailed amendments be made to the scheme and these were approved by the Schools Forum at its meeting on 3 December 2010.
5. Members of the council's Early Years' Team, and members of the Early Years Reference Group have received many comments relating to the complexity of the EYSFF and difficulties providers have in calculating the income they will receive. Considerable work has been done to advise and support settings but many such comments continue to be received.
6. In light of these comments the reference group agreed to survey of all providers in October 2011 on options for simplifying the basic hourly rates.
7. Responses were received from 50% of providers. Results indicated no overwhelming steer from the sector but many comments highlighted the complexity of the current formula and the need for simplicity. This was supported by just a 30% vote for retaining the status quo and a 70% vote for a change of some kind, spread over four different options. It was felt that this was strongly linked to the desire for the formula to be made simpler.

8. Comments have been received on the hourly rate paid to childminders, which many providers believe to be too high. Inquiries indicate the rate is well above the usual charges which childminders make to parents although the need to reward the extra work undertaken by the accredited childminders who provide free entitlement childcare is recognised.

## Proposal

9. The Early Years Reference Group resolved to recommend that the EYSFF be amended to provide for a single hourly rate for each type of provider irrespective of size and to reduce the payment to accredited childminders with the savings being reallocated to support the rate for private, voluntary and independent settings to offset the loss which smaller settings will suffer. Thus the basic hourly rate payment (at 2011-12 prices) will be as shown in the appendix:

## Financial Implications

10. The introduction of the average hourly rate will reduce payments from those settings currently on the highest rates and increase payments to those on the other hourly rates. Overall 237 providers will receive less and 91 more. This must be weighed against the benefit of improved transparency and reduced administration as providers will be able to more accurately forecast their income.

11. The effect of the proposal upon payments to providers is shown below:

Analysis of Early Years Single Funding Formula Hourly Rates								
	PVI				Maintained		Childminders	Totals
Hourly Rate	£3.33	£3.40	£3.59	£3.86	£3.96	£4.10	£8.56	
No' of Settings	3	20	67	184	1	9	44	328
Total cost/rate	£377,911	£1,803,764	£4,273,857	£6,165,073	£143,135	£575,273	£407,595	£13,746,608
Total hours	113,487	530,519	1,190,489	1,597,169	36,145	140,311	47,616	3,655,736
Proposed Rate	£3.71	£3.71	£3.71	£3.71	£4.07	£4.07	£6.50	
Change / hr	£0.38	£0.31	£0.12	−£0.15	£0.11	−£0.03	−£2.06	
Total Change £	£43,125	£164,161	£142,859	−£239,575	−£3,976	−£4,209	−£98,089	
Average hours per setting	37,828.89	26,525.94	17,768.50	8,680.27	36,145.20	15,590.06	1,082.19	
Current Average Payment	£125,970	£90,188	£63,789	£33,506	£143,135	£63,919	£9,264	
Average Change	£14,375	£8,223	£2,132	−£1,302	£3,975	−£468	−£2,229	

12. There are no implications for the Dedicated Schools Grant budget as the proposal redistributes the existing budget provision.

## Recommendations

13. The Forum is invited to note the contents of this report and is recommended to agree the proposal outlined in paragraphs 9 above.

CAROLYN GODFREY  
Director, Department for Children and Education

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Report Author: Simon Burke  
Head of Business and Commercial Services  
Schools and Learning  
Contact: Tel.: 01225 713840  
[simon.burke@wiltshire.gov.uk](mailto:simon.burke@wiltshire.gov.uk)

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

## Appendix

### Early Years Reference Group Early Years Single Funding Formula – Basic Hourly Rates (Supplements will apply as applicable)

no of children	no. of hours per session of 12½ hours	Basic Hourly Rate 2011-12	Proposed Hourly Rate 2012-13
<b>Maintained Nursery Classes</b>			
up to 26	up to 325	£4.10	£4.07
39	325.1 to 487.5	£3.96	£4.07
52	487.6 to 650	£3.89	£4.07
65	more than 650.1	£3.58	£4.07
<b>Private, Voluntary and Independent Providers</b>			
16	up to 200	£3.86	£3.71
24	200.1 to 300	£3.59	£3.71
32	300.1 to 400	£3.40	£3.71
40	400.1 to 500	£3.33	£3.71
48	500.1 to 600	£3.25	£3.71
56	600.1 to 700	£3.22	£3.71
64	700.1 to 800	£3.17	£3.71
72	more than 800.1	£3.16	£3.71
<b>Childminders</b>			
3	up to 37.5	£8.56	£6.50
6	37.6 to 75	£7.14	£6.50
9	more than 75.1	£6.67	£6.50