

Number crunch



The way that councils are setting rates for 30 hours funding varies widely across the country. *Jo Parkes* assesses some big differences in approach

From £8.98 in Camden to £4.30 in Shropshire, councils are getting some very different hourly amounts of Government 30 hours funding under the new Early Years National Funding Formula.

Since the announcement in December, town halls across the country have been busy number-crunching and consulting, ready to publish the final figures before the deadline of 5 April. So now much of the data is out, how do the councils' approaches compare?

As expected, the central Government rates are translating into very different provider rates, designed to reflect local factors (see box).

Some rises are in areas where hourly rates were historically rock bottom, but remain under £4 (see Shropshire, at £3.90 before supplements).

Meanwhile, providers in Durham, whose council is getting just 1p more than Shropshire, will get around £3.70 an hour before deprivation and equality supplements. Camden has not yet confirmed how much it is passing on, but neighbouring Islington, which is getting £8.24, is mooting a rate of £5.40 before top-ups.

One in five local authorities is facing cuts to its former rate (although the Government says no council will lose more than 10 per cent), though this does not always mean a cut to the provider rate (see Birmingham). Some councils will be passing on rate hikes that will help providers, particularly childminders.

Now, some providers are querying whether councils have worked hard enough to avert the impact of cuts and channel the maximum in the sector's direction, and how transparent the process has been.

'There are going to be winners and losers in a whole variety of ways. We don't know what that impact will be and neither do they'

SUFFOLK Rates

- **Receiving from central Government** £27m (cut from £28.5m), or £4.41 an hour.
- **Universal base rate from April** £3.87 (Previously: £4.24 for a QTS, EYP or EYTS; £4.13 for Level 5/6; £3.92 for Level 4 and £3.50 for a registered childminder below Level 3).
- **Supplement** £210 annually per child for deprivation.
- **Retaining** 6.3 per cent, so 93.7 per cent going to providers (previously retained 10 per cent).
- **From April 2018** As per universal base rate above.

To cope with a hefty funding cut of £1.4m in year one, and £1.3m in year two, Suffolk County Council has slashed the base rate for its most highly qualified providers, while its least-qualified childminders will see a rise. This has created a single base rate of £3.87 for all provider types, when previously rates were allocated by qualification level across five bands.

Alison Manning, the county's strategic lead for early years and childcare, says this has been done with a heavy heart.

'We expect the reduction to impact on virtually every provider,' she says.

'Providers seeing an increase are in a minority. One of the reasons for that is we've always tried to ensure that the workforce is as qualified as it can be. Our understanding is it has worked, because the claims we get reflect an increasingly well-qualified workforce.'

The large, rural county has small pockets of disadvantage, which is being reflected through the Acorn

HOW IT WORKS

Rates passed by Government to local authorities were sometimes determined by 'accidents of history', former childcare minister Sam Gyimah said last year. So the DfE's aim with this process has been to use the new early years funding formula to level the playing field.

The universal base rate is to be £3.53, plus an 'area cost adjustment', and an 'additional needs factor', producing a national average of £4.30.

Councils receive a maximum rate, then work out what they are going to pass on to early years providers – this must be a minimum of 93 per cent in the first year, rising to 95 per cent from 2018-19 onwards. The council can apply to maintain more than this percentage via a process of disapplication (see London).

They must apply a deprivation supplement, but are free to choose how they reflect their local

demographic. Some councils are using deprivation indices, and one council is said to be using Early Years Pupil Premium data as its source (see Shropshire).

There is a non-compulsory 'pick n mix' of four optional supplements: rurality/sparsity, flexibility, quality (qualifications and system leadership), and EAL.

However, the total proportion of supplements must not exceed 10 per cent of the overall rate.

deprivation index, applied depending on the child's postcode for the best available accuracy. There will be no other supplements so as not to reduce the base rate further.

When negotiating with the county's early years and childcare forum, Ms Manning explained, 'I said that although I'd like to see a quality supplement, I don't think it's doable. The forum said, "No, please go away and work on the options with quality in it." Which I did. They looked at the information and they themselves came to the [same] conclusion.'

Having no rural supplement also carries risks and 'it's important that we have an eye on that', adds Ms Manning.

The lower footfall of some settings means some are already operating on the margins, and the new rate could compound that situation.

'But we have another side to that coin,' she continues. 'When the 30 hours offer comes in, it may be that empty places go down for some settings - £3.87 is better than nothing as far as they're concerned.'

'There are going to be winners and losers in a whole variety of ways. We don't know what that impact will be and neither do they, until we start working with it.'

Under these circumstances, it is unclear how the required extra savings will be made in year two as the retained amount helps the council meet its statutory duties, namely provision of family information and childcare brokerage services, as well as having a strategy for securing

sufficient places for families who want to take them up, and SEN.

'We are going to have to get it down further. I'm not ruling anything out,' says Ms Manning.

For provider Anita Huckle, who has five graduates among her team, and one setting in Hadleigh, Suffolk, the news is a worry.

Staff at her Orchard Barns nursery group are paid depending on qualification and experience. The funding cut, along with living wage requirements, will make it hard for her to maintain pay differentials.

Just over the Essex border, where her three settings cater for a similar demographic, working rural families, the base rate will be a much higher £4.21 (based on Government funding of £4.47), which is up 20p from £4.01.

Ms Huckle's costs are around £4.50 per hour and on the whole her parents are willing to pay for extras that help plug the shortfall, she says.

BIRMINGHAM Rates

- **Receiving from central Government** £4.74 an hour (total figure N/A).
- **Base rates from April**
PVI's: £4.23
Maintained nursery schools: £7.37 (including a £3.13 nursery school supplement)
Schools with nursery classes: £4.26 (Currently £4.03 for PVI's, £6.20 for nursery schools, plus additional lump sum, and £4.86 for schools with nursery classes).

'What's happened now is that none of us trusts the local authorities, because they've spent years beating us with a stick'

- **Supplement** The current deprivation supplement, ranging from 8p to 59p depending on area, will continue.
- **Retaining** 6 per cent in year one, dropping to 5 per cent in year two.
- **From April 2018** All providers will move to a universal base rate of £4.26, with £3.11 of additional protection for nursery schools.

Birmingham City Council has bucked the trend and managed to award PVI's a 20p pay rise, despite having its own funding slashed under the formula.

The council was at the centre of a storm in 2014 when it tried to force all PVI's to pay the living wage (then £7.56 per hour).

After a campaign by PVI settings, it commissioned a report into the costs of offering childcare in the area, which led to an award of an extra £1.5m in December 2015 as an interim measure.

Tricia Wellings, chief executive of the Bright Kids group, says, 'Birmingham is a council that's had its money cut, and it's a huge local authority with a lot of deprivation, but our rates are going up.'

'We've made observations and they have gone away and reworked the options and come back to us.'

The council has decided to fund certain family support services from the health and well-being budget, instead of early years, Ms Wellings claims. And after a debate with the sector, funds are to be diverted from elsewhere to cover an extra-hours scheme for deprived families.

But Ms Wellings, who runs settings in Worcestershire, Warwickshire and Birmingham, claims some town halls are 'dictatorial', in part because the Government is 'putting public bodies in the position of telling private companies what to do'.

She explains, 'What's happened is that none of us trusts the local authorities, because they've spent years beating us with a stick -

"You can't do this, you can't do that" - and they've made it difficult for us to question them. Some are changing, because they realise they can't meet their statutory obligations and the sufficiency criteria without us. So they need to be talking to us, because we can help them make the right decisions, to get more money to the front line.'



Bright Kids Northfield in Birmingham is seeing its rates go up



30 HOURS FUNDING RATES



Compared with Birmingham's £4.74, Shropshire will get £4.30 an hour

SHROPSHIRE Rates

- **Receiving from central Government** £11m (up from £7.33m), or £4.30 an hour.
- **Universal base rate from April** £3.90 (Previously: £2.90-£3.56 depending on type of premises).
- **Supplements** Sustainability: 16p; deprivation: 11p.
- **Retaining** 3 per cent, so 97 per cent to providers (the same as previously).
- **From April 2018** As per the universal base rate above, with further consultation planned on supplements.

In this low-deprivation, agriculture-heavy county, rates remain among

the lowest nationwide. Neville Ward, service manager for early years and childcare at Shropshire Council, says all providers will get a rise to the new base rate.

'Shropshire is a rural county with lots of farming families and a relatively small amount of economic deprivation,' he says. 'But there are a lot of families with other disadvantages, such as rural isolation or health problems, which mean that they may not be accessing the funded hours.'

There will be relatively small deprivation and sustainability supplements, the latter going to settings either in short-term financial crises or regularly in need of additional funding in order to continue to offer places. Mr Ward adds, 'The system

'There is quite a rise, but it's still below £4'

we currently use [IDACI deprivation index] to calculate this is in need of a proper review and we will be doing so over the next few months.'

Liz Smith-Keitley, managing director of three Shropshire settings, still fears the unknown. 'There is quite a rise, but it's still below £4,' she says. Two of her settings, Children's World nursery in Creffage, and Club 0-14 in Shrewsbury, are under the county's rates, but a third, Club 0-5, comes under Telford, a unitary district.

She is much happier with the way Shropshire has dealt with the rate than she is with Telford & Wrekin Council's approach. Telford is receiving a higher £4.36 from government, but she says it is putting just £3.81 through the base rate. There is a 34p flexibility supplement on offer, and 19p for deprivation, but she feels she cannot count on them.

'I try to offer flexible hours, but there are no criteria for qualifying for the supplement,' claims Ms Smith-Keitley. 'If we factor it in, but we don't get it, what then?'

'The difference in our outgoings doesn't equate to the difference in the rates,' she adds.

She says deprivation used to be funded based on a child's postcode, but claims Telford now uses the number of families claiming EYPP as a measure, which she calls 'totally inaccurate'. Telford & Wrekin has been approached for a comment. ■

SNAPSHOT: LEEDS AND LONDON

LEEDS

A proposed £4.10 base rate is a welcome rise from the current £3.80. However, Rachal Ross, business director of Prospect House Day Nurseries, says she had found it difficult to understand Leeds City Council's thinking and claims the council said it had 'miscommunicated' this, leaving providers confused.

Ms Ross believes the council's plan to top slice 5 per cent of the funding to meet its costs (Leeds is getting £4.81 from Government) has not been justified, despite the council being able to retain up to 7 per cent.

In 2015, Leeds was ranked 31st most deprived out of 326 local

authority areas. But Ms Ross also believes the proposed uplift for deprivation, 41p, creates an unfair gap between the lowest and highest-paid providers. Deprivation and SEN funding, she calculates, could take the rate up substantially, but she says the council hasn't set out how it will calculate what is a deprived area or what proportion of local children have SEN.

In addition, she claims that the application of the deprivation supplement 'looks random': On her reckoning, her more needy Pudsey setting will not get it, while her Horseford setting, which needs it less, will.

Ms Ross says, 'Transparency is all we're really after, and

if they could look at a fairer way of doing it. But I think the council is going to stand firm.'

Leeds City Council did not respond to a request for a comment.

LONDON

Tower Hamlets, which has the highest deprivation levels in the country, is including a deprivation supplement of 50p in all its rates. The new system will mean that all settings, from PVI to nursery school, will eventually receive a rate of £7.50 an hour.

Its central Government rate of £8.51 is among the highest in the country, but won't be translated into the new system immediately: it

has successfully applied to the DfE to opt out of the new formula for a year via a process of disapplication, which means exemption from the obligation to pass on the full 93 per cent of central Government funding in exceptional circumstances. Until 2018/19, it will continue to fund its services at current levels, buying crucial time to reconfigure services around the new allocation.

Current rates are £6 an hour for PVI providers and school nursery classes, and £8.75 for nursery schools. This will change to £7 for PVIs and primary schools, and £8 for nursery schools in 2018-19, and then £7.50 for all providers in 2019-20.