

4. Reform of Early Years Funding

Summary

77. There will be a staged approach to the reform of early years funding - the aim is to support better outcomes for children at age five and the extension of the free entitlement by September 2010:

- . During the autumn term, Ministers expect local authorities to carry out an analysis of the costs of Private, Voluntary and Independent (PVI) providers in their area and to present it to their Schools Forum and relevant sub-group to inform setting the budget setting process for 2008-11.
- . Authorities that do not currently have representatives of the PVI sector on their Schools Forum are strongly encouraged to do so. We will be changing the regulations this autumn to allow extra non-schools representatives and looking to legislate to make such representatives compulsory.
 - . From 2009-10 all local authorities will be required by regulations to change how children are counted in the maintained sector so that there is a consistent approach to pupil counting across maintained and PVI providers.
- . From 2010-11 local authorities will be required to use a single local formula for funding early years provision in the maintained and PVI sectors. Local authorities will be encouraged to introduce the formula from April 2009 wherever possible.

This chapter sets out the background to and rationale for the reforms, and offers guidance on implementation, including case studies of two authorities who are already implementing innovative approaches to early years funding. In addition, the Department will be working with a group of local authorities to identify approaches to developing a single formula for early years funding across both maintained and PVI providers.

Context and objectives

78. All three and four year olds are entitled to 12 and a half hours free early learning and care per week for 38 weeks a year. This will be extended to 15 hours per week by 2010. There will be a gradual roll-out of the extended offer – 20 Pathfinder local authorities are currently delivering 15 hours and also exploring how the entitlement can be made more flexible⁷. The funding reforms set out below are designed to support the extension of the free entitlement and address historic inconsistencies in how different settings are funded, so that the system becomes fairer and more transparent and all children can receive free provision.

⁷ See www.everychildmatters.gov.uk/earlyyears/flexibleentitlement for more details.

79. Securing the free entitlement is one of the key levers that Local Authorities have, alongside the delivery of integrated services through Sure Start Children's Centres, to meet their new statutory duties to ensure there is sufficient childcare for local families, to improve child outcomes at age 5 and to narrow the achievement gap. The entitlement delivers better outcomes for children now and in the longer term. There is clear evidence of the benefits of pre-school provision for children's learning and development, especially for the most disadvantaged. Free provision also makes a significant contribution to childcare costs, supporting working parents and those making the transition into work. This reinforces the benefits of the entitlement for children – helping to increase family income and the positive impact that parental employment has on children's life chances in the longer term.

80. Our main objective is to maximise take-up of high quality, free early years provision. Take-up is lower in disadvantaged communities and we know that the predominant pattern of delivery (through five 2 and a half hour daily sessions) can be a constraint on children benefiting from all of their entitlement. The government is clear that the free entitlement should be delivered through a diverse market that provides choice for parents. Stable funding and sustainability are critical to continuously improving quality in all settings. The reform of the free entitlement funding system is designed to support those objectives by:

- . Removing barriers in the funding system to the flexible use of the free entitlement, so that children can take up their entitlement at more than one setting, and in different sectors.
- . Supporting the sustainability of all settings, giving them stability to plan for the future and improve quality.
- . Ensuring that the entitlement is free at the point of delivery for all parents.
- . Putting the right incentives in place to increase take-up of the free entitlement.

Case Study 1: Pathfinders for the extended, flexible free entitlement - Rochdale MBC

Rochdale has been offering 15 hours of flexible free provision since April 2007. Following consultation with all sectors and with the agreement of their project steering group Rochdale adopted the following model of flexibility:

- children can access a minimum of one hour and a maximum of six hours free provision between 8am and 4pm each day
- the entitlement can be accessed over a minimum of three days and can be taken up in more than one setting across both sectors

Rochdale engages with all providers through a mixture of all sector briefings and meetings on a borough-wide basis, and smaller cross-sector ward meetings and individual sector meetings. A regularly updated FAQ email ensures all providers are kept up to speed on progress.

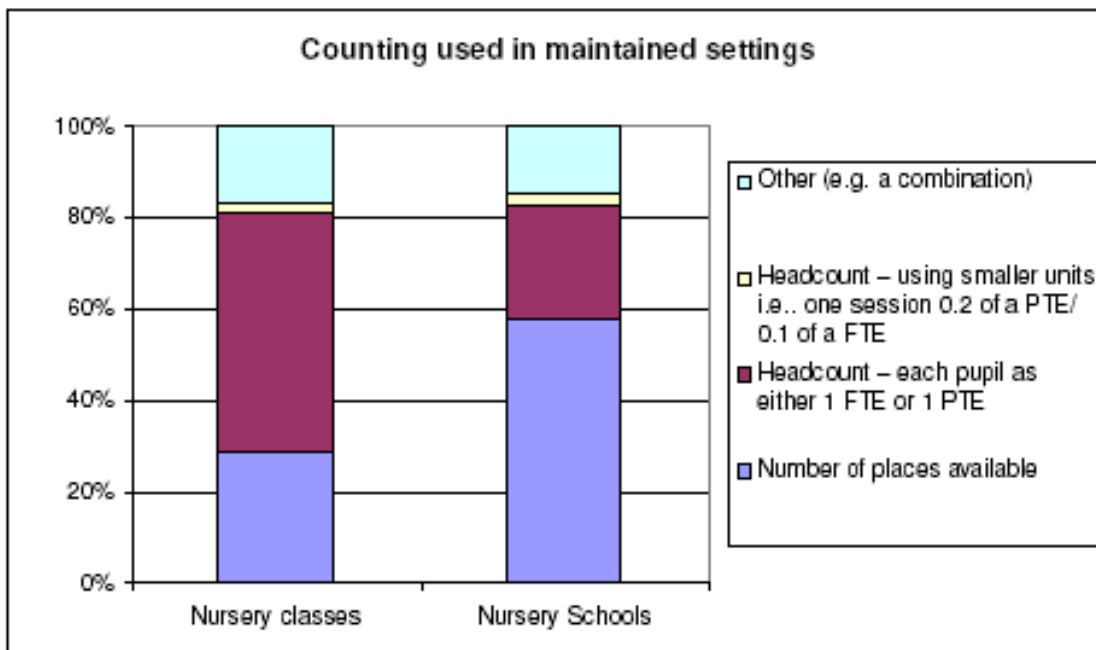
The funding system has been also been changed: PVI rates of funding are now differentiated by provider type (following an analysis of costs of provision in different settings) and are paid on an hourly basis. (Maintained settings are funded for the additional 2.5 hours at an agreed rate separate from existing formula funding by hours of attendance).

Nearly all providers are now on board - 71 offer the full 8 till 4 flexibility, 11 offer extended sessions up to 4.5 hours and 8 have extended to five hours. 30 providers deliver 3 hour sessions over 5 days. Five childminders are also offering full flexibility. 85% of local children are accessing the new offer and this is expected to increase in the Autumn term.

The case for reform

81. The current entitlement is delivered through a mixed market and the pattern of provision varies from one local authority to another. 36% of children benefit from free provision in the private, voluntary or independent sector, including at full day care settings, playgroups and with childminders. The consultation on school, early years and 14-16 funding set out a number of issues with the current funding system, mainly caused by inconsistencies in how maintained and PVI settings are funded. Some of these inconsistencies make the system less effective at meeting parents' needs and will be a barrier to increasing the quality, flexibility and take-up of the entitlement in the future. They include:

- Children are counted differently for funding purposes in the maintained and PVI sectors. In PVI settings funding is based on how much provision each child takes up while in nursery schools and classes funding tends to be on places and/or a headcount of children. Our survey showed that 80% of local authorities funded maintained settings on this basis (see the chart below). This means that there is little incentive for maintained providers to encourage parents to access the full entitlement and it often prevents children from accessing their entitlement at both a PVI and a maintained setting (because all the funding goes to the maintained provider, or else there is double funding).



- 94% of authorities fund the PVI sector on a flat rate. So funding levels are not differentiated according to a clear assessment of the circumstances in which PVI providers operate, whereas formula funding for maintained providers is likely to take a whole range of factors into account (such as deprivation, staffing needs and

premises costs). This unsophisticated funding system for PVI's means that authorities may not be getting value for money or funding the entitlement appropriately.

. The emphasis in the school funding system is on stability and predictability of budgets each year (and setting out budgets for 3 years ahead) but there is little stability in PVI budgets, which respond to children's movements throughout the year. There are benefits in both approaches, but extensive instability in PVI budgets can undermine quality and sustainability.

. Local funding decisions on the level and means of funding the free entitlement are subject to discussion and consultation at each local authority's Schools Forum, but the data we have collected on schools forums shows that the early years sector is often not represented on that forum (only 11 of the 119 forums surveyed had a non schools member from the PVI sector). Changes in this area are set out in full in chapter 5.

82. The reform of the local funding system for the free entitlement will address all of these issues. The following sections set out the rationale for each change in more detail and discuss the local implementation issues which may arise. Our approach to reform is predicated on the assumption that local authorities will need to develop local solutions to these issues in consultation with providers and in line with the general guidance provided here. We also expect the new Childcare Regional Networks, which have been established to provide to support to local authorities in implementing the key duties in the Childcare Act 2006, to be a key forum for sharing ideas and approaches to these reforms. The networks will meet at least four times a year and will be supported by Government Offices. The second round of meetings is currently underway.

Stage one: analysing costs in the PVI sector

83. Before setting local budgets for 2008-11 all local authorities are expected to undertake an analysis of the cost of delivering free entitlement provision in their local PVI sector and to present that analysis to their Schools Forum, to inform the budget setting process. Where authorities do not already have a representative of the PVI sector on their Forum, they should endeavour to make special arrangements to ensure that such a representative is able to attend the meeting where the analysis of costs of delivery is considered. This cost analysis is an important first step towards the development of a local formula and will help address any immediate sustainability concerns, providing a clear process for providers to feed in their views and evidence on costs. A guide for local authorities on analysing costs in the PVI sector, including local case studies, has been published at:

www.everychildmatters.gov.uk/earlyyears/fundingreform

Case Study 2: Shropshire - A new way of funding PVI providers to deliver the free entitlement

Shropshire County Council moved away from the typical 'flat rate' system for funding the free entitlement in 2004, because of concerns about variations in cost and the need to ensure that rural settings were sustainable.

The new system is based on an analysis of the cost of provision for 3 and 4 year olds and other key characteristics of the provision. There are two categories: place-led funding for PVI settings operating in rural areas on school sites and pupil led funding for all other settings. There are six different bands of funding for these providers – three for private providers and three for voluntary and independent settings. Private providers receive an allocation that accounts for additional costs such as business rates, which are not payable in the voluntary sector. There is also a mechanism for guaranteeing minimum levels of funding for some rural PVI settings.

Consultation and collaboration has been the key to success. Shropshire held a range of meetings across the county with all providers to ensure that everyone was informed and given the opportunity to contribute to the planning. Since moving to the new system Shropshire has seen a marked reduction in requests for sustainability funding - the clarity and openness of the system enables settings across the county, and particularly in more rural areas to operate on a much more secure footing. This means that parents get sustained provision, in particular in rural areas that would have otherwise struggled to offer the entitlement.

For more detailed information on the approach see:

<http://www.everychildmatters.gov.uk/resources-and-practice/IG00178/>

Stage two: changing the early years count arrangements

84. From April 2009 all Local Authorities will be required to use a count of children for funding purposes that is consistent across the maintained and PVI sectors. The presumption will be that providers are funded according to the amount of provision children take up, and this is consistent with the long term direction of travel for national funding arrangements (as set out in chapter 2). To do this we will change the current presumption in school funding regulations that under-5s in the maintained sector are funded on places or headcount (i.e. where each child counts as either 1 or 0.5 regardless of the number of hours they actually access at the school). Instead, the presumption in regulations will be that under-5s in maintained settings are funded on 'provision' (i.e. hours taken-up). There will still be an option to fund some, but not all, settings on places. This approach will apply across the board i.e. there will be an option to fund some PVI settings on places set out in the Code of Practice for non maintained early years provision.

85. As highlighted above, one of the key drivers for this change is our ambition to increase the flexibility of the free entitlement in response to the needs of parents and families. This includes enabling children to access their full entitlement at more than one setting – the current position on maintained funding restricts this in many LAs or results in double funding. This change is also intended to ensure there is an incentive on all settings to stimulate full take-up of all the hours that children are entitled to – current data on the PVI sector indicates that 42% of three year olds do not access their full 12 and a half hour entitlement.⁸

Assessing the impact and smoothing transition

86. The new count will feed through into the calculation of the Minimum Funding Guarantee for primary and nursery schools. However, we recognise that for some schools - especially small or rural ones – using the new count could mean they do not get adequate protection from the Minimum Funding Guarantee – their per pupil funding will be protected, but not their pupil numbers, which could be reduced by the new count method. In the absence of national data on the actual take-up of provision in the maintained sector it is difficult to model this impact at national level. For this reason we will expect all local authorities to conduct their own impact assessment of the change on local schools and present this to their Schools Forum for discussion before the changes come into effect (see box 1 below for more details on impact assessments). Authorities will also want to consider, with the Schools Forum, options for smoothing the transition to the new count for some schools in the light of that assessment, which could include:

- . Continuing to fund a limited number of settings on places or headcount – temporarily, for transition, or (in the case of places) in the longer term;

⁸ Statistical First Release, 2007 available at www.dfes.gov.uk/rsgateway/DB/SFR/s000729/index.shtml

- . Applying a locally agreed level of protection to the old pupil count until it converges with the budget guaranteed by the MFG (on the basis of the new count);
- . Using the resources released by the change of count to provide transitional support (e.g. a lump sum or other locally agreed protection) to those settings that need it.

Box 1: Impact assessments

We would expect an impact assessment to be presented to the Schools Forum and to include:

- Representative data over a suitable time period to allow for reasonable assumptions to be made about the difference between a place/headcount-led count and a provision-based count. To achieve this, LAs should consider sampling maintained providers soon to build up a local picture of the pattern of actual take-up.
- Modelling of the effect on school budgets
- Consultation with relevant partners on the impact of the change and different budget scenarios for schools – including consultation with the non-maintained sector for comparison.
- Scenario analysis, including the effects of applying different protection options for some schools and the long term implications of those for funding the free entitlement
- An account of parental demand for the free entitlement and how the impact of changes would affect the authority's ability to meet its statutory duties

87. The impact assessment will also be important in managing the interaction with 3 year budgets for schools. All schools with free entitlement provision should be made aware now of the planned formula review, the change in the count from 2009 and the process that local authorities will go through to implement that change. Where possible, authorities may want to provide some indication of the expected impact on the second year of the three year budget period and give assurances to schools regarding the opportunity to identify and deal with risks to their budgets through the impact assessment.

88. Some maintained Nursery Schools may face particular challenges when the counting methodology is changed. Nursery schools are more likely to be funded on places (57% of LAs funded nursery schools in this way). They may only be providing the free entitlement and in some cases may have proportionately higher overheads

than other local providers. Where relevant, authorities will need to assess the impact on nursery schools and discuss appropriate protections with the Schools Forum. In many cases authorities will want to consider this alongside the other support available to the many nursery schools that are becoming part of children's centres and the scale of parental demand for the provision.

Stage three: a single local formula to fund the free entitlement

89. The introduction of a single local formula for funding the free entitlement at local level is intended to ensure consistency and fairness in the way that all providers of free nursery education and care are funded. It does not necessarily mean that providers will all be funded at the same level, but that the same factors should be taken into account when deciding on the level of funding. The consultation document included a proposal that local authorities should have a standardised methodology for setting the per pupil unit of funding in the maintained and PVI sectors. The commitment to a single formula incorporates that proposal – as LAs will need to have a consistent way of calculating the per pupil unit of funding in order to develop the pupil-led element of a formula – but it also goes beyond that, by bringing into scope other factors which LAs currently use to determine levels of funding in the maintained sector.

90. The requirement to fund the free entitlement through a single formula will be reflected in the new Code of Practice on the provision of free nursery education places for 3 and 4 year olds (in relation to PVI providers), which will sit alongside the existing requirement in the regulations on school funding to use a formula to fund maintained settings. The requirement will come into effect from April 2010 but we are encouraging local authorities to introduce this change from 2009 wherever possible.

91. Authorities will want to consider now the planning and data collection implications of the new requirement and, in particular, to regard their analysis of the cost of delivery in the PVI settings as the first step in that process (see para 83 above).

92. The DCSF will be setting up a formula development project with a small number of local authorities to identify and work through approaches to developing a single local formula for the free entitlement. We currently expect the project to be up and running by November and for findings and case studies to be available in Spring 2008. This work will enable us to identify ways of building a formula that are appropriate to early years provision and tested in different local contexts.

93. In advance of the detailed findings of that work local authorities may wish to consider the following questions in planning for the formula:

. **Which factors are relevant to funding all children regardless of their characteristics or the setting they are in.** For example: staff to child ratio requirements (which will be aligned between maintained and PVI settings from September 2008) and assumed costs of space and facilities in line with national standards. These will underpin the new Age-Weighted Pupil Unit which is likely to be common for all settings.

- . **How to meet the specific needs of some children** e.g. disability, special educational needs and looked after or vulnerable children.
- . **How to respond to specific characteristics of the setting or settings.** Ownership is likely to be relevant as all private providers have to pay full business rates while voluntary and some maintained settings do not.
- . **What method of apportioning premises costs to use in the formula**
- . **What indicator(s) of deprivation to use in the formula.**
- . **How to reflect other circumstances, such as rurality or small settings** in the formula e.g. through lump sums.
- . **Ways in which the funding generated by the new formula can contribute to improving the quality and sustainability of provision.**
- . **How to treat children in reception classes.** Although it is not intended that the single formula will cover children in Reception (as in statutory terms, the school starting age is the term following a child's 5th birthday) we know that many local authorities offer earlier entry into full time provision in reception classes during the year leading up to a child's fifth birthday. Drawing a distinction between children taking up the free entitlement to part time nursery education and children in reception classes will not always be straightforward, especially during transition terms, but authorities should start from the principle that, for funding purposes, once a child is in reception they are in full-time statutory education and no longer accessing the free entitlement. Authorities will also need to consider the interaction of the free entitlement funding formula with reception class funding to ensure that the introduction of a single formula does not make the exercise of parental choice more difficult.
- . How to ensure that the **process** for building the single formula and any differentiation in the AWPU is carried out in a transparent way, in partnership with local providers, and results in a formula that is transparent, fair and simple.

94. **Stability** of funding will be a key consideration in developing a formula for funding the free entitlement. Having greater certainty about the level of income from the free entitlement at the start of the year will help providers plan for the longer term and help to improve the quality of provision. In the consultation document we recognized that in the present system there appeared to be too much place-led funding in the maintained sector and too little stability in the PVI sector. The most popular by far of the alternative approaches suggested for the PVI sector was the use of a minimum guarantee of funding which could be adjusted in the light of actual take-up. Equally, in the maintained sector we will move away from a place-driven approach to funding (see paragraphs 84-88 above). Once a single formula is in place this can be used to ensure stability for all settings that need it, for example through lump sums or other mechanisms that reflect the fixed and semi-fixed costs of delivery.

95. In the meantime, local authorities may want to consider interim measures which increase stability for PVI settings. We are not prescribing a particular approach – because it should be tailored to local market conditions and setting circumstances and may not be necessary in the longer term once a formula is in place.

Box 2: Options for providing a minimum guarantee of funding in the PVI sector

In addition to giving providers clarity at the start of the year over what level of funding they can reasonably expect, a minimum guarantee means that authorities share the risk of unfilled places with the provider rather than devolving it to them (as now) or absorbing it all themselves (as is the case with place-led funding). In particular it could enable authorities to incentivise higher take-up of the entitlement – access to free provision by lower income families is low and may be erratic, with higher drop-out rates. With more guarantees about minimum funding (and a reduced penalty for occasional non-attendance) settings will have more of an incentive to market their provision to harder to reach families.

There is a range of ways that authorities might offer a minimum guarantee of funding to PVI settings, including:

- . Funding a minimum number of children (agreed separately for each setting) based on a proportion of the previous year, then fully funding anything above that but damping any downward adjustments (i.e. if 2 places are not filled the provider only loses funding for 1 place).
- . As above, but applying different levels of protection to different settings e.g. in a small rural setting funding 0.75 of an unfilled place.
- . Funding a guaranteed minimum number of pupils, with adjustments only in the event of higher numbers. This approach could restrict local flexibility to move money around the system in-year, but it could be particularly valuable in settings or areas where authorities want to incentivise providers to increase take-up of the offer.

Local authorities will need to come to a view on the balance between increasing the complexity of the system and the potential benefits for some local providers of these or similar approaches. The additional cost of funding unfilled provision could be off-set by reducing the rate at which some places are currently funded – or by applying the approach selectively in relation to setting need. If LAs were to reduce the level of place-led funding to such an extent that the impact on cost was completely neutralised there would still be potential benefits in this approach for provider stability, planning and risk management, although the other incentive benefits described would probably be reduced.

Improving the transparency of the funding system

96. There was a proposal in the consultation document on School 14-16 and Early Years Funding for separate identification of early years funding within the Dedicated Schools Grant. This will not be implemented for the time being. As set out in the introduction, the Department has announced a wider review of the distribution formula for DSG with a view to having a single formula available for use from 2011-12.

97. One implication of this is that early years funding could be clearly identified in each authority's funding allocation. In the meantime we will be taking a number of steps to improve transparency in the current system. We have published the results of our survey of local approaches to distributing funding and our estimates of local spending on the entitlement (in 2006-07) based on local authority Section 52 returns. These resources will help all partners have a full and informed debate about local funding decisions. The option of separate identification of early years funding in future national arrangements will be kept under review in light of the reforms described above.

⁹ These can be found at: www.everychildmatters.gov.uk/earlyyears/fundingreform/survey/ and www.dfes.gov.uk/localauthorities/section52/subPage.cfm?action=section52.default&ID=87 respectively.

5. Schools Forums

A. Introduction

98. The evidence from our programme of visits to Schools Forums is that in general relationships with authorities are good, business is managed well, and members are clear about the issues. However, there are a number of changes to the funding system to be implemented over the next three years, and the Government is making changes to the membership of schools forums to bring in wider expertise to support those funding reforms. There will be a lot of local decisions to take on how the reforms are implemented, particularly on early years and 14-16 funding.

99. Local authorities and their schools forums will also have to take decisions on the distribution of funding increases that are not as high as those for the previous ten years, against a background of a much sharper focus on efficiency and value for money, and a Minimum Funding Guarantee that is below cost pressures. It is important to get the decision making structure right for this programme of work, and also to ensure that Schools Forums have the right membership and skills to fulfil what we expect to be a demanding role.

100. In summary the changes will mean that:

- a. headteachers will be able to elect other members of the senior management/leadership team among their Forum representatives;
- b. named substitutes can be nominated, by a method determined by the local authority after consulting its forum;
- c. if their Forum has “non-schools” members, local authorities must appoint representatives of early years private, voluntary and independent (PVI) providers and of the 14-19 partnership. We encourage all authorities to have non-schools members on their Forum and will be looking to legislate to make this compulsory; and
- d. forums may have up to one third of non-schools members – to date the limit has been one fifth – so schools members will maintain the majority of at least two schools members for each non-schools member.

We also recommend that Forums establish a sub-group on early years and that local authorities should consider ways to support their new Forum members.

101. The Government is undertaking two reviews of Schools Forums: in the short term, to determine whether further changes are needed during the CSR period; and for the longer term, to consider how Schools Forums will relate to the developing arrangements for Children’s Trusts and the wider Every Child matters agenda.

B. The Programme for Forums

102. As well as the regular programme of consideration of formula funding issues, Schools Forums will be involved in local changes to funding arrangements over the CSR period. We expect that local authorities will present to their Schools Forums the specific additional items set out below.

- a. Prior to financial year 2008-09
 - i) an analysis of costs to PVI providers of delivering the free entitlement as set out at paragraph 83 in chapter 4;
 - ii) arrangements for funding specialised diplomas, where there has been a successful consortium to deliver them to an authority's secondary schools; and
 - iii) proposals to use centrally retained funding from the Schools Budget for joint working in support of the ECM agenda, that will increase the overall amount retained for that purpose within the Schools Budget.
- b. Prior to financial year 2009-10:
 - i) an impact analysis of changes to pupil numbers for primary and nursery schools flowing from the revised counting method to be introduced that year, with proposals for local protection arrangements for those schools where it is necessary; and
 - ii) proposals for a single funding formula for early years provision, where the authority has decided to implement such a formula for this financial year.
- c. Prior to financial year 2010-11 - proposals for a single funding formula for early years provision, for the remaining authorities.

C. Changes to MFG Methodology

103. Since 2006-07, local authorities and their Schools Forums have had the power to approve variations in the MFG methodology, where the formula set out in regulations would produce an anomalous result, provided that all the variations proposed do not affect in total more than 20% of the maintained schools in an authority. This devolution of power has generally been a positive experience, and the Government is extending and amending this power, to allow Forums to agree with the authority variations that would affect up to 50% of the pupils in an authority (measured by the number of pupils in the schools affected by the complete package of proposed changes). As now, local authorities and Schools Forums will not have the power to agree a change in the level of the MFG. If agreement cannot be reached, the local authority can ask the Secretary of State to approve changes to the MFG methodology.

D. Membership

Other Members of the School Senior Management Team

104. We are making changes to regulations to allow local headteachers to choose to be represented by other members of the school senior management team. At present only headteachers and governors can represent schools on the Schools Forum. The changes will mean that:

- a. Headteachers can elect a representative to the Schools Forum who is not a headteacher but another member of a school senior management/leadership team; and
- b. Local authorities will make arrangements, after consulting the Forum, for schools members of the Forum to be represented by named substitutes when not all of them can attend. These named substitutes could also include senior managers other than headteachers. We anticipate that the most relevant members of the senior management team for these roles (other than heads) are bursars and others with significant financial responsibility.

105. These changes will help to produce a wider base of membership and bring in relevant experience from other people in an authority's schools. They will also help to spread the workload of the Forum and may be a useful way of encouraging the development of other members of the senior team.

Representatives of early years PVI providers and the 14-19 partnership

106. We will change regulations so that authorities are required to appoint representatives of early years providers and the 14-19 partnership on the Schools Forum, where the authority has non-schools members on the Forum. We are seeking an opportunity to amend the primary legislation to make the appointment of non schools members compulsory. The authority will decide who to appoint, consulting local representative groups, the coordinator of the 14-19 partnership and perhaps local colleges.

Early Years

107. At present, Forums must have representatives of early years maintained providers¹⁰, a few Forums have a member or observer representative of early years PVI providers, and in some cases a council officer is expected to represent early years.

108. The Government makes available over £3 billion a year through the Dedicated Schools Grant for early years provision in the maintained and PVI sectors. In 2006,

¹⁰ Forums must have Primary representatives and therefore have representation of nursery classes, and they must have a representative of nursery schools if the authority has nursery schools, though this could be a Primary representative in certain circumstances.

over a third of parents used their free entitlement in PVI providers. We want to ensure that there is a balanced debate on local allocations of this funding – and the Schools Forum is the key local consultative body on this issue.

109. We also want to make sure that good representation is in place to inform local decisions on local changes to early years funding. Representation on the Forum will give a voice in discussions about relative distributions of funding, and a formal opportunity to set out the implications of funding decisions on the PVI sector. We recognise that it may be difficult for one or two representatives of the sector to wield significant influence in a large schools-dominated forum, and this is partly why we are expecting LAs in addition to set up consultative arrangements with the sector – perhaps an early years sub-group of their Forum.

14-19 Partnerships

110. As they are rolled out from 08/09, Diplomas at KS4 will be funded from the Schools Budget. It is proposed that the additional costs of Diplomas, including those arising from the delivery of Diplomas in partnership with colleges and other local providers, will be met from an annual specific formula grant to the LA supplemented by contributions from Dedicated Schools Grant. The focus for planning the delivery and funding of Diplomas pre and post 16 across an LA area, including partnership provision, will be the 14-19 partnership.

111. We are not aware of any Schools Forums that have representation of 14-19 partnerships per se, although with LSC enjoying observer status there will be overlap between Forum and partnership membership. Representation of the partnership on the Schools Forum will ensure that:

- a. The partnership can contribute to discussions in the Forum on the contributions from school budgets that are needed to deliver the Diploma plan.
- b. Forums are aware of and able to incorporate a Diploma funding perspective into wider decisions on the distribution of LA/school funding including the decisions on Central Expenditure, varying the MFG, and other issues which may impact on DSG contributions to Diploma funding.

E. Support for early years representatives

112. Many authorities provide excellent support to their Schools Forum members. The good practice guide¹¹ suggests a range of support that authorities may want to provide to new members. Some members, such as an early years provider member, may need extra support. They are unlikely to have the same level of support as a headteacher with a senior management team or a representative supported by the 14-19 partnership.

¹¹ This can be found at: <http://www.teachernet.gov.uk/docbank/index.cfm?id=9370>.

113. An early years sub-group of the Forum can help to support early years representatives: this is outlined below. Other sources of support for early years representatives may include:

- a. Contact with a representative organisation of early years PVI providers.
- b. Your regional childcare network.
- c. The local authority Early Years team.

F. Non-schools members:

114. We will change regulations to require Forums to have at least two-thirds schools members – those members elected by headteachers and governing bodies to represent schools. As present Forums must have at least four-fifths schools members.

115. We are making these changes to allow authorities to add new representatives of early years PVI providers and the 14-19 partnership without having to make substantial changes to the rest of the membership of their Forum. We also believe it is important to preserve a substantial majority of schools members, as schools are the major recipients of funding from the Dedicated Schools Grant. Clearly the reviews of Schools Forums mentioned at para 101 will include in their scope the membership and composition of Forums.

G. Early Years sub-group

116. Some local authorities have established sub-groups of their forums on early years and other reference groups to engage early years providers. These may have grown out of EYDCP arrangements, been set up for the national consultation on funding or be in response to the need to consult them on the sufficiency duty. They are working well. We expect all authorities to have in place a mechanism for consulting PVI providers on the early years funding reforms – this will also be necessary for work on the sufficiency duty¹². We recommend that all authorities consider establishing a subgroup of their Forum for this purpose. These arrangements need not be as formal as the full Forum as such a group would have no specific powers, but we see it as a good opportunity for the authority to:

- a. Seek the views of a greater range of early years maintained and PVI providers directly. Only a small number of early years providers will be represented on the Forum and the PVI sector in particular may be very large and very diverse. It may be a challenge for only one or two people to represent this group and they may not have the capacity to attend all meetings and understand all the issues.

¹² See guidance at www.everychildmatters.gov.uk/earlyyears/sufficiency/).

- b. Engage providers in a more detailed discussion of early years funding. It may not be possible to get into the necessary detail at the Forum given the size of their agenda.

H. Further support and advice from the Department

117. The Department will offer a range of support to authorities to implement the funding reforms – some of it will be particularly relevant to Schools Forums including:

- a. an updated good practice guide for Schools Forums, which will take account of the latest funding reforms;
- b. ongoing support and guidance provided via the Schools Forum web pages of the Departmental website; and
- c. the Department will be holding a series of regional conferences in the autumn: as with previous conferences, these will offer colleagues from local authorities and Schools Forums the opportunity to discuss the funding changes with officials from the Department, and with each other.