

## ***Distribution Sub-Group (2020) Paper 01 – Funding a consistent rate for Foundation Phase Nursery provision and childcare within the Childcare Offer***

**This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Options have been provided to inform discussion by DSG members. They are not statements of Government policy.**

### **Funding a consistent rate for Foundation Phase Nursery and childcare within the Childcare Offer**

#### **Summary**

1. The purpose of this paper is to ensure you are aware of potential implications of a pilot undertaken in Flintshire last year which explored the impact of increasing the funding for Foundation Phase Nursery (FPN) provision in funded non-maintained settings to bring it in line with the current level of Welsh Government funded childcare within the Childcare Offer (the Offer).

#### **Views sought**

2. DSG members are asked to consider:
  - the possible options set out below and consider risks or barriers to an equitable, sustainable solution in the event funding being provided
  - the mechanism for future funding.

#### **Background**

3. A universal early entitlement to education prior to statutory school age for 3 and 4 year olds has been in place since 1999. Local authorities decide whether this provision is in state-run nurseries, normally attached to schools, or in private or third sector nurseries (referred to as 'non-maintained settings' (NMS)) funded by local authorities to deliver Foundation Phase early education. Local authorities can be reliant on the NMS to ensure sufficient capacity to deliver Foundation Phase Nursery (FPN) provision.
4. The Offer provides 30 hours of funded early education and childcare to working parents of 3 and 4 year olds for 48 weeks a year building on FPN provision. The Offer comprises a combination of the current provision of FPN delivered by the local authority (a statutory minimum of 10 hours, but many authorities deliver more) with the balance made up of Welsh Government funded childcare. The Offer is now available in all local authorities. The childcare funding rate is currently £4.50 per hour per child.
5. Ministerial approval was given for a pilot project to take place in Flintshire. A [Written Ministerial Statement](#) was issued on 10 January 2019.

\*Calculations based on funding for all hours provided

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### **Next Steps**

6. Arad Research undertook an evaluation of the pilot. The results will be published following consideration by Ministers. To facilitate this discussion while the recommendations are not yet published they are outlined here on a restricted basis:
  - **R1:** Consider continuing the higher funding rate introduced in Flintshire to deliver FPN1 for non-maintained settings to ensure enough provision of early years education for three-year olds in the future
  - **R2:** Explore feasibility of the rate paid to deliver FPN continues to be matched to the rate paid for delivering childcare within the Childcare Offer for Wales, and
  - **R3:** Explore feasibility of all local authorities paying the same rate for delivering FPN and to align this with the funding rate offered to deliver childcare within the Childcare Offer for Wales.
7. This paper is to help focus discussions on R2. To further inform Ministers, officials are preparing advice on potential funding implications. Local authorities have provided data on funding for non-maintained settings hourly rates; numbers of children receiving FPN in NMS; and the number of hours provided to 3 and 4 year olds. Based on this data officials are undertaking financial modelling to establish the feasibility of implementing the recommendations.

### **Analysis and costs**

8. Local authorities determine the funding and structure of delivery, so there is no uniform or consistent approach across Wales.
  - **Funding:** The majority of local authorities use a formula that can be broken down to an hourly rate and this is method we have also adopted for transparency.
  - **Structure of delivery:** Use of non-maintained settings ranges from all provision being in the non-maintained sector to all provision delivered by schools/maintained sector.
9. To reflect this lack of uniformity, we have considered three funding models to determine (as far as possible) a reasonably fair and equitable national approach. Models are based on data received from umbrella organisations (Cwlwm) which represent non-maintained providers in different sectors. This information has now been verified by the majority of local authorities.

### **Option 1: Median (£3), with differentiated funding**

10. This option would mean there is a shortfall in local authorities where the funding rate is below the median. To ensure a consistent funding rate of £4.50 would also require some investment from local authorities which pay below the median.

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- *Example 1: If local authority A funding rate is £2.91 per hour. The local authority would receive £1.50. The difference of £0.09 would need to be paid by the local authority.*
  - *Example 2: If local authority B funding rate is £3.44 per hour. The local authority would receive £1.06. £0 to be paid by local authority.*
  - *Example 3: If local authority C funding rate is £4.62 per hour. The local authority would receive £0. £0 to be paid by local authority.*
11. The following formula would be used to calculate the funding for each local authority:
- Median (or difference between median and £4.50 if more than the median for each local authority) x current hours offered by local authority x number of weeks offered (13 per term up to 39 weeks) x number of children receiving FPN in NMS*
12. Overall annual cost of implementation based on current figures: £5.1m (WG £4.1m: LAs £980k)\*

### **Option 2: Median (£3), with flat rate funding**

13. The flat rate would be the difference between the median and £4.50 (£1.50).
- *Example 1: local authority A funding rate is £2.91 would receive £1.50. The difference of £0.09 would need to be paid by the local authority.*
  - *Example 2: local authority B funding rate is £3.44 would receive £1.50. £0 to be paid by local authority.*
  - *Example 3: local authority C funding rate is £4.62 would receive £1.50. £0 to be paid by local authority.*
14. This option does not disadvantage those providing higher levels of investment. However, we would still not have a consistent funding rate but there would nevertheless be a consistent minimum funding rate which would address the concerns articulated to the Welsh Government which prompted the Flintshire pilot.
15. Local authorities currently providing a rate of more than £4.50 could adopt displacement principles for alternative funding rather than increase its rate.
16. There would be a shortfall in those local authorities whose funding rate is below the median. To ensure a consistent minimum funding rate would require intervention from local authorities.
17. The following formula would be used to calculate the funding required for each local authority:
- Difference between median and £4.50 = £X x current hours offered by local authority x number of weeks offered (13 per term up to 39 weeks) x number of children receiving FPN in NMS*
- Overall cost of implementation: £5.762m (WG £4.784m: LAs £978k)\*

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### **Option 3: Using a variable top-up**

18. Option 3 would see each local authority paid the difference between their current funding rate and £4.50.
- *Example 1: local authority A funding rate is £2.91. It would receive £1.59 per hour from the Welsh Government to match the Offer rate of £4.50.*
  - *Example 2: local authority B funding rate is £3.44. It would receive £1.06 per hour to match the Offer rate of £4.50.*
  - *Example 3: local authority C funding rate is £4.62. It would receive £0.*
19. This approach does lack a consistent formula and could be perceived as rewarding local authorities which invest less in early education, and penalise those which have maintained higher funding rates.
20. The following formula would be used to calculate the funding required for each local authority:
- Top-up required per local authority up to £4.50 x current hours offered by local authority x number of weeks offered (13 per term up to 39 weeks) x number of children receiving FPN in NMS*
21. Overall cost of implementation: £5.098m (WG £5.098m : LAs £0)\*

### **Hours of FPN delivered**

22. In addition to the options set out above consideration is also being given to the number of hours to be funded. The minimum statutory requirement for FPN provision to 3 and 4 year olds is 10 hours.

### **Option A: Funding for every hour FPN is provided**

23. Some local authorities deliver more than the statutory minimum of 10 hours.
- *Example: local authority D offers 12.5 hours. We would fund the difference for all 12.5 hours.*
  - *Example: local authority E offers 10 hours. We would fund the difference for all 10 hours.*
24. This option supports local authorities promoting early education over and above the statutory minimum.

### **Option B: Funding for the statutory minimum of 10 hours of FPN**

25. Option B would be in line with the statutory minimum requirement for delivery of the FPN to 3 and 4 year olds.
- *Example: local authority D offers 12.5 hours. We would fund the difference for the first 10 hours.*
  - *Example: local authority E offers 10 hours. We would fund the difference for the 10 hours.*

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26. This method does penalise those local authorities delivering beyond the minimum requirement.

Funding mechanisms

27. It is anticipated that if Ministers accept the recommendations and funding is available in 2020-21 it would be provided to local authorities via the current Local Authority Education Grant.
28. In the longer term consideration would be given to the funding mechanism and if RSG is the right vehicle.

**Conclusion**

29. DSG members are asked to:
- consider which of the potential options is most feasible to address the recommendations of the Arad evaluation;
  - consider whether there may be other options to be considered; and
  - provide views on the best funding mechanism to adopt in the long term.

**Foundation Phase Branch  
Welsh Government**