Sf 180923 Early Years Funding Formula DfE Consultation – Appendix 1

Consultation Questions:

Section 1: National funding distribution for entitlements for children aged 2-years-old and under

Introduction:
These questions relate to proposals regarding the national funding formula that will be used to distribute funding to local authorities for 2-year-olds and under from April 2024 in light of the new entitlements. There are also questions in this section relating to proposals to extend eligibility for the disability access fund (DAF) and early years pupil premium (EYPP) to all children accessing the entitlements from April 2024.

Q1: Do you agree that we should introduce IDACI as a new proxy, and use it alongside FSM as a basket of measures for deprivation in the additional needs factor in the new national funding formula for 9-month-olds to 2-year-olds?

No, the illustrative modelling shows that in the main urban local authorities benefit from the introduction of IDACI whereas the use of IDACI has a very marginal positive impact for a small number of rural authorities but the majority would benefit if the FSM measure alone is used. Also, by using IDACI this will be inconsistent with the current 3-4 year old funding formula which only uses FSM.

If the DfE proposes to use the IDACI then the approach should be consistent across the 2-year olds, under 2-year olds and 3-4 year olds funding formula and local authorities negatively affected by the change should be protected.

Q2: Do you agree that we should continue to use EAL and DLA as proxies in the additional needs factor in the new funding formula?

Yes, in principle agree that the funding formula should be consistent with the existing 3-4 year old funding formula methodology.

Q3: Do you agree with our proposed approach to the area cost adjustment in the new national funding formula?

No.
In principle agree use of an ACA in the new funding formula, consistent with existing 3-4 year olds funding formula.

GLM data used for calculating each local authority's ACA is proposed to be based on 2013 to 2014 data it does not reflect current geographical variations in costs.

ACA doesn't recognise additional cost pressures faced by providers in rurally sparse authorities who are unable to benefit from economies of scale available to urban providers, and where, as numbers are lower, small fluctuations in take up can result in closure and lack of access to local good quality provision. Consideration should be given to recognising this additional cost in the ACA.

As one of the lowest funded local authorities, minimum funding rates should apply and be nearer to the national average. Our early years providers struggle to recruit and retain skilled practitioners on the level of funding available for free entitlement resulting in staff leaving the sector, and many providers struggle to remain financially viable as they need high numbers to be sustainable.

The funding rates provided to LAs are too low and don't reflect the additional cost of providing discretionary rural or sparsity supplements in their local funding formula.

Q4: Overall, do you agree with our proposed approach of following the same structure and weightings for the new national funding formula as in the existing 3-and-4-year-old formula?

Yes, in principle agree that the funding methodology used should be consistent with the existing 3-4 year old funding formula.

Q5: Do you agree that we should extend DAF eligibility to all children accessing the entitlements from April 2024?

Yes

Q6: Do you agree that we should extend EYPP eligibility to all children accessing a free childcare entitlement from April 2024?

Yes, however EYPP eligibility excludes working parents on low incomes. The number of eligible children in this authority is declining due to the income threshold not being increased for a number years meaning that low income working families who are struggling with the cost of living are not eligible.

Section 2: Impact of proposals

Introduction:
Alongside the consultation document, we have published modelling which provides illustrative 2024-25 funding rates and allocations for the entitlements for 2-year-olds and under.

We propose to give each local authority rates in 2024-25 for the 2-year-old and 9-month-old up to 2-year-old entitlements calculated using the formula set out above. These funding rates are for a new working parent entitlement for under 2s, and for a new mixed cohort of the disadvantaged 2-year-old entitlement and the new working parent entitlement for 2-year-olds, and they will be calculated using a new funding formula. This means that there is no baseline against which they should be compared.

Year-to-year protections for these funding rates may be desirable in future years. We will keep this under review and consider whether any protections are appropriate when we are setting rates for 2025-26.

Q7: Do you agree with this approach?

No, in principle the approach is agreed however the baseline funding rate is too low and does not provide sufficient funds particularly to small providers in this authority who struggle to remain financially viable.

Year on year protections are absolutely essential.

Section 3: Local authority funding formulae for childcare entitlements

Introduction:
With the expansion of the entitlements, we are proposing to extend the current framework of rules for the distribution of entitlements funding by local authorities to the existing offer for disadvantaged 2-year-olds and to the new offers for working parents of children aged 2-years-old and under. The questions in this section focus on the key features of this framework as well as seek views on the current processes around SEND funding and options for change.

Q8: Do you agree a pass through rate of 95% should be applied to each funding stream in 2024-25: the 3-and-4-year-old universal and 30 hours offer; the two-year-old disadvantaged and working parent offers; and the 9 months to two-year-old offer?

Yes

Q9: Do you agree that the same list of allowable supplements should be applied to every entitlement funding stream, capped at a maximum 12 percent of planned funding for that entitlement?

Yes

Q10: Do you agree that the deprivation supplement should be mandatory for every entitlement funding stream?

Yes

Q11: Do you agree with our proposal that local authorities should establish a special educational needs inclusion fund for children aged 9 months to 2-years-old who are taking up the entitlements?

Yes, in principle however due to high incidence of SEN this will impact on the base rate we can pass onto providers. The introduction of a separate additional funding factor for SENIF at LA level is desirable.

Q12: What more can be done to support local authorities and providers to reduce bureaucracy and streamline SENIF processes whilst also ensuring the system remains fair and financially sustainable?

The introduction of a separate factor within the funding formula for SENIF like the DAF and EYPP so that base funding rates for providers are not impacted. The sharing of examples of best practice linked to evidence of improved outcomes would be helpful.

Q13: Would local authorities and providers find it helpful for the Department to be more prescriptive about the operation of local SENIFs?

No, the current guidance is sufficient.

Section 4: Equalities Impact Assessment

Introduction:
The Public Sector Equality Duty requires public authorities to have due regard to the need to:

- eliminate discrimination, harassment and victimisation;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

Public authorities include the Department for Education, local authorities, governing bodies.

The protected characteristics are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual Orientation

Q14: Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?

Early years providers rely on privately funded places as a significant proportion of their income. When parents of younger children access the funded places, this will result in a net decrease in income for providers. We feel this will also potentially risk sufficiency of provision in some of our rural areas in particular. This could make access to childcare for families with protected characteristics more challenging and impact on children's outcomes.

Any Other Comments

Q15: Are there any other comments that you would like to make about our proposals set out in this consultation?

A significant number of rural local authorities are on the minimum funding levels. The formula doesn't take into account additional challenges faced by rural counties: the need to provide EY provision in sparsely populated areas so parents can access childcare locally; disproportionately higher running costs for small rural providers.

The proposed rates are far too low. EY providers report financial pressures as free entitlement funding doesn't cover costs of provision with staffing accounting for up to 90% of costs. The continued rising costs of food and energy and a significant recruitment crisis in which providers can't compete with the pay rates of other sectors means more settings will close resulting in placement sufficiency and educational outcomes issues.

There is a risk that providers will prioritise working families to increase fee income therefore disadvantaging more vulnerable children.

The proposals don't address this underfunding issue. The hourly rate needs to be increased significantly to prevent a childcare sufficiency crisis.

Revenue and capital funding should be made available to local authorities, particularly for the 9 months to 2-years olds provision, to develop new places in areas where sufficiency has been identified as an issue due to the extension of the free entitlements.