

Early Years National Funding Formula Consultation – Questions

Q1	<i>Should there be an early years national funding formula (to distribute money from central government to each local authority)?</i>
	<p>Warwickshire welcomes the announcement of an additional £1bn. more per year by 2019/20 for the Early Years sector, including £300m. uplift to Government funding rates. And it understands the rationale behind then distributing these resources via an Early Years National Funding formula. However, it is very disappointed that this proposal will result in a reduction in funding for Early Years within Warwickshire. Therefore, we would want to see a strong link between a National Funding Formula and national accountability for the reduction in funding for the under 5s in Warwickshire.</p>
Q2	<i>To what extent do you agree with the proposed funding floor limit, so that no local authority would face a reduction in its hourly funding rate of greater than 10%?</i>
	<p>Warwickshire disagrees strongly with the proposed funding floor limit that would result in a reduction in its hourly funding rate of 10%. This is a huge reduction in annual funding from the investment that Warwickshire has currently put into Early Years. There appears to be no statistical rationale for 10%. The minimum funding guarantee for schools is 1.5% and we would suggest that the same floor limit should be applied to Early Years.</p>
Q3	<p><i>Considering a universal base rate of funding which does not vary by local area...</i></p> <ul style="list-style-type: none"> • <i>Should a universal base rate be included in the early years national funding formula?</i> • <i>Is 89.5% of overall funding the right amount to channel through this factor?</i>
	<p>Warwickshire does not believe that there should be a universal base rate included in an Early Years National Funding formula. As the consultation document reluctantly admits (para.56) local authorities have achieved very high levels of take up and have successfully led programmes to ensure 3 and 4 years olds can access free entitlement. They also continue to oversee the provision for places in a highly localised and complex childcare market. But they can only do this with the freedom and flexibility to use overall funding to meet local need. A centralised and nationalised system of Early Years provision prevents local authorities from working as effectively with all of its local providers. There is no justification in the consultation document for the 89.5% figure to underpin the base rates, so there is no sensible way of taking a view on this. But it will preclude local</p>

	<p>authorities from taking into account the local needs of local children if they cannot use the whole of Early Years funding flexibly.</p>
Q4	<p><i>Considering an additional needs factor....</i></p> <ul style="list-style-type: none"> • <i>Should an additional needs factor be included in the early years national funding formula?</i> • <i>Do we propose the correct basket of metrics?</i> • <i>Do we propose the correct weightings for each metric?</i>
	<p>The consultation document (page 29, para. 111(a)) describes the primary educational needs factor as being “the proportion of children in a local area receiving free schools meals”. This is a measure of take up rather than eligibility, so this would be an odd choice of proxy measure. Again, there is no statistical evidence or modelling within the report to ascertain why DfE are proposing these particular weightings. There would also appear to be a degree of overlap between metrics proposed. Also, there is no indication of the additional costs needed to support children reflecting these particular proxies of need or disadvantage.</p>
Q5	<p><i>Considering an area cost adjustment....</i></p> <ul style="list-style-type: none"> • <i>Should the early years national funding formula include an area cost adjustment?</i> • <i>Should that adjustment be based on staff costs (based on the General Labour Market measure) and on nursery premises costs (based on rateable values)?</i>
	<p>Warwickshire acknowledges that premises costs will vary by type of area. However, we disagree with using the basic general labour market measure as this would reflect that, for example, Early Years providers in London were recruiting from the same staff pool as Bank and Investment Houses in the City. This inevitably will overstate the true staff cost pressures. Generally, staff costs for Early Years will vary very little according to where people live (apart from London) because most PVI staff will be on the National Living Wage and school staff are on standard terms and conditions. We recommend a much more focused subset of the staffing market as a proxy indicator here and that the Area Cost Adjustment should not be applied to all costs.</p>
Q6	<p><i>To implement the increased hourly rate for the two-year old free entitlement....</i></p> <ul style="list-style-type: none"> • <i>Should we retain the current two-year-old funding formula?</i> • <i>Should we use the additional funding secured at the spending review to uplift local authorities’ allocations based upon this?</i>

	<p>Warwickshire would support the overall proposal to retain the current 2 year old funding formula and to distribute the additional funding secured at the spending review on the same basis. However, there does seem to be a contradiction here that the rationale used was to preserve stability, when the overall formula for 3 and 4 year olds is creating so much instability in the case of Authority areas such as Warwickshire that will receive less funding overall.</p>
Q7	<p><i>Considering the Dedicated Schools Grant....</i></p> <ul style="list-style-type: none"> • <i>Should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?</i>
	<p>Warwickshire agrees with the proposal to cap the Dedicated Schools Grant Funding at 15 hours for all 3 and 4 year olds and at 30 hours for those children of eligible working parents.</p>
Q8	<p><i>Should Government set the proportion of early years funding that must be passed on to providers?</i></p>
	<p>Warwickshire fundamentally disagrees about the Government setting a proportion of Early Years Funding that must be passed onto providers. Authorities currently have wide discretion of the amount of Early Years funding they retain because, as DfE acknowledge elsewhere, Early Years provision is highly localised and a complex market that varies from area to area. To respond to this, different local authorities will require different capacity (and that may change over time as the market changes over time). An arbitrary ceiling on centrally held funding will stop Early Years providers accessing the support they need and will constrain the ability of local authorities to manage local child care markets and ensure sufficiency. The DfE analysis of current central spend (on page 19 of the report) is clearly flawed. If 43 local authorities genuinely have no central spend then who is administering the distribution of funding and why have DfE or OFSTED not reviewed any of these authorities who seemingly are spending nothing on sufficiency or quality of provision?</p>
Q9	<p><i>Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers?</i></p>
	<p>Please see response above on Question 8 regarding the proportion of funding that can be retained. There should be no arbitrary figure assigned to this. The assertion (in para. 136) that the average central spend is currently 6% is presumably based on the same flawed data that has identified that 43 local authorities have no central spend. Therefore, we do</p>

	<p>not see how 6% can be an accurate reflection of the current position. Further, it does not seem rational to then expect local authorities to reduce this capacity at a time when they are required to implement the new 30 Hours free entitlement offer. This new entitlement will increase the workload of central teams (in, for example, checking parents' eligibility) and draft DfE guidance imposes further bureaucracy by requiring local authorities to pay providers on a monthly basis and adjust projected numbers to actuals on a termly basis. It is perverse to reduce central spend at the same time as increasing local authorities' responsibilities.</p>
Q10	<p><i>Should local authorities be required to give the same universal hourly rate to all childcare providers in their area?</i></p>
	<p>Warwickshire believes that there are good reasons to give differential universal hourly rates to childcare providers. Similar to lots of other local authorities, in setting its own local single funding formula it has taken into account unavoidable additional costs locally. This is particularly the case with maintained nursery schools, which make a unique contribution to early years provision, and where many of the additional costs are driven by the requirements placed on them as schools. In Warwickshire they provide high quality education and childcare, including meeting the needs of vulnerable and disadvantaged children. The move to a universal hourly rate will only result in the closure of maintained nursery schools, because they bear costs over and above other providers because of their structure. Supplementary funding for just 2 years won't resolve this. If the DfE insist on a nationalised and centralised Early Years funding formula then they also need to be accountable for the subsequent impact on and closure of maintained nursery schools.</p>
Q11	<p><i>Should local authorities be able to use funding supplements?</i></p>
	<p>Warwickshire believes that local authorities should be able to use funding supplements and should not be constrained in the design of these supplements. There needs to be sufficient flexibility for local authorities to respond to local childcare markets.</p>
Q12	<p><i>Should there be a cap on the proportion of funding that is channelled through supplements?</i></p>
	<p>There should not be a cap on the proportion of funding that is channelled through supplements. Different local authorities will face different challenges due to different local child care economies. Therefore, they need the funding flexibility to be able to respond appropriately to this without the imposition of arbitrary caps set nationally.</p>

Q13	<i>If you agree that there should be a cap on the proportion of funding that is channelled through supplements, should the cap be set at 10%?</i>
	See comment above to Question 12. There should be no cap set on the proportion of funding to be channelled through supplements and there is no rationale for the imposition of an arbitrary cap level.
Q14	<i>Should the following supplements be permitted?</i> <ul style="list-style-type: none"> • <i>Deprivation, sparsity / rural areas, flexibility, efficiency, additional 15 hours</i>
	Warwickshire is of the view that supplements should be designed locally and should not be constrained to a limited set of 5 supplements.
Q15	<i>When using funding supplements, should local authorities have discretion over the metrics they use and the amount of money channelled through each one?</i>
	Local authorities should be given the freedom of flexibilities to use funding supplement metrics that they choose, design and define and they should also have the freedom to decide on the amount of money to be channelled through each one. If they do not have the freedom to do this then DfE should set the rate for each element and they should also be accountable to all local providers for the decisions that they have taken nationally.
Q16	<i>If you agree that efficiency / additional 15 hours should be included in the set of supplements, do you have a suggestion of how it should be designed?</i>
	Warwickshire has no particular view at this stage on how the efficiency or additional 15 hours supplement should be designed, but it does believe that this should not be defined nationally and local authorities should be able to define to local need.
Q17	<i>If you think any additional supplements should be permitted which are not mentioned here, please set out what they are and why you believe they should be included?</i>
	See above response to Question 15 regarding permitted additional supplements.
Q18	<i>Should there be a Disability Access Fund to support disabled children to</i>

	<i>access their free entitlement?</i>
	Warwickshire welcomes the introduction of a Disability Access Fund. However, Warwickshire has concerns that the £12.5m. per year nationally may not be sufficient. The Consultation (at para. 197) claims that local authorities can use funds from their High Needs budget, but the majority of local authorities already have an overspend on this budget and the National Funding Formula proposals precluded shifting funding from different blocks. Before introducing a Disability Access Fund the DfE need to ensure that it is properly funded.
Q19	<i>Should eligibility for the Disability Access Fund be children aged 3 or 4 which are a) taking up their free entitlement and b) in receipt of Disability Living Allowance?</i>
	Warwickshire agrees with the eligibility criteria being proposed.
Q20	<i>When it comes to delivering the Disability Access Fund, is the most appropriate way the existing framework of the Early Years Pupil Premium?</i>
	Warwickshire agrees that it makes sense to use the existing framework of the Early Years Pupil Premium to deliver a Disability Access Fund as this provides a clear and transparent explanation of funding coming directly from DfE.
Q21	<i>To what extent do you agree that a lack of clarity on how parents / childcare providers can access financial support results in children with special educational needs receiving appropriate support? (We mean children who do not already have an Education, Health and Care Plan)</i>
	We think this is best responded to by parents / childcare providers, rather than by a Local Authority.
Q22	<i>When it comes to establishing an inclusion fund....</i> <ul style="list-style-type: none"> • <i>Should local authorities be required to establish an inclusion fund?</i> • <i>Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?</i> • <i>If you envisage any barriers, arising from existing practice or future proposals, to introducing a new requirement on local authorities to establish an inclusion fund, please tell us what they are and how they might be overcome.</i>
	If local authorities are required to establish an inclusion fund then DfE need to provide the resources for this. It is not sufficient to suggest a pooling of funding from either one or both of the Early Years and High Needs

	<p>allocations. The Early Years allocation will have to be largely devolved directly to providers under the DfE's own 5% imposition. Existing High Needs blocks are already under incredible pressure from elsewhere within the system. Where local authorities continue to support local services, for example specialist services, they should be allowed to continue to do so and this should be considered as part of the 95% of funding to be passed to providers. Delegation and buy back does not work in a situation of high cost and low incidence clients. The spend is too "lumpy". The example of City of York inclusion funding on page 49 is ironic in that it involves the use of schools block spend which would be precluded under DfE's proposed arrangements for the Early Years, High Needs and Schools Block. Local authorities need as much flexibility in terms of funding streams that they use as possible if they are to be required to establish an inclusion fund and improve the supply of support for children with special needs.</p>
<p>Q23</p>	<p><i>When it comes to the SEN inclusion fund, should local authorities be responsible for deciding....</i></p> <ul style="list-style-type: none"> • <i>The children for which the inclusion fund is used?</i> • <i>The value of the fund?</i> • <i>The process of allocating the funding?</i> • <i>Where specialist SEN or SEND services are delivered free at the point of use, should they be considered as funding passed directly to providers for the purposes of the 95% high pass-through?</i>
	<p>As noted above the response to Question 22, local authorities should be given as much freedom and flexibility as possible, in terms of children that are targeted, the value of the fund and the process of allocating the funding. This funding must be included as part of the 95% high pass-through.</p> <p>Warwickshire has introduced 'inclusion support funding' but the pressures on the high needs block mean that the amount which can be made available without additional funding are insufficient to address the need.</p>
<p>Q24</p>	<p><i>To what extent do you agree with the transition approach proposed for the Early Years National Funding Formula (money distributed from Government to local authorities)?</i></p>
	<p>It makes sense for those areas that have been traditionally underfunded by DfE to receive their additional funding as swiftly as possible. However, the proposed funding floors to limit any overall reductions are unacceptable as they will lead to wide scale disruption, particularly in places such as Warwickshire. A reduction in hourly funding rate of 10% against the 2016/17 baseline will result in reductions in the capacity of the local authority to deliver this agenda as well as the direct impact on providers themselves. Warwickshire would contend that the minimum funding</p>

	<p>guarantee of minus 1.5% for schools should be applied equally to authorities.</p>
Q25	<p><i>To what extent do you agree with the transition approach proposed for the high pass-through of early years funding from local authorities to providers?</i></p>
	<p>Warwickshire disagrees with the proposed transitional approach for the high pass-through. There is no evidence in the report for high central spend needing to reduce. Indeed, the proposals require greater central capacity, not less. The simplistic argument being made that front-line is good and back-office or central spend is bad has no evidence based justification.</p>
Q26	<p><i>To what extent do you agree that our proposals on the high pass-through of funding from local authorities to childcare providers makes the existing Minimum Funding Guarantee for the early years unnecessary?</i></p>
	<p>As in Question 24 above, Warwickshire believes that the minimum funding guarantee for Early Years should remain and it should be set at minus1.5% per pupil, the same as for schools.</p>
Q27	<p><i>To what extent do you agree with the transition approach proposed for introducing the universal base rate for all providers in a local authority area?</i></p>
	<p>Warwickshire disagrees with the proposal for a universal per child base rate of funding. To force local authorities to move to this position by 2019/20 will only lead to enormous disruption in the provision of nursery schools and nursery classes that will inevitably lead to the closure of this sort of provision and will jeopardise plans to implement the 30 Hours offer by making much of our maintained sector provision unviable.</p>
Q28	<p><i>Please provide any representations / evidence on the impact of our proposals for the purposes of the Public Sector Equality Duty (Equality Act 2010). The protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race (including ethnicity); religion or belief; sex and sexual orientation.</i></p>