

**Government Consultation****An Early Years National Funding Formula and changes to the way three- and four-year-old entitlements to childcare are funded**

Consultation issued: 11<sup>th</sup> August 2016

Response Date: 22<sup>nd</sup> September 2016

**Background/Context for Wiltshire Response**

- Wiltshire currently relies broadly on providers from the PVI sector and childminders, with only 6 maintained nursery classes.
- Wiltshire is a rural authority and therefore has a number of small providers, and currently does pay a rurality supplement within the local Early Years Single Funding Formula (EYSFF).
- Currently Wiltshire passports 100% of the Early Years block funding to pay for the free entitlement. Funding comes in to Wiltshire at an average of £3.84 an hour and this is what is paid out.
- Funding for 2 year olds is passported at the rate at which Wiltshire is paid – currently £4.97 per hour
- Wiltshire has already moved to a single universal base rate for all types of provider and therefore does not currently pay differential rates for different providers. The current universal hourly rate paid in Wiltshire is £3.81 per hour. Some providers will receive more than this depending on whether they qualify for supplements which are included in the EYSFF (deprivation, rurality, etc)
- Wiltshire already operates an Early Years Inclusion Support Fund but funds this from the High Needs Block of DSG funding, not from the Early Years block.

**Proposals: Part 1:****Funding from central government to local authorities**

1. *Should there be an early years national funding formula (to distribute money from central government to each local authority)?*

Yes – we would agree that there should be a formula for distributing funding from central to local government. Current funding reflects historical provision and has not been updated to meet changes in need

2. *To what extent do you agree with the proposed funding floor limit, so that no local authority would face a reduction in its hourly rate of greater than 10%?*

We would agree that there should be floors within the formula to protect those LAs that would see a reduction in funding, there will always be gainers and losers in a move to a new basis for allocating funding.

Given the limited time between this consultation and implementation it will be difficult for those authorities that lose funding to plan for such a significant reduction whilst implementing the extension of the entitlement to 30 hours for children of eligible working parents.

3. *Should a universal base rate be included in the early years national funding formula?*

Wiltshire would agree with a universal base rate as it enables per pupil funding to be allocated on an equitable basis ensuring that in the distribution of funding money is following the pupil regardless of the mix of provision in an area.

4. *Is 89.5% of overall funding the right amount to be channelled through this factor?*

It is difficult to comment on whether 89.5% is the “right” amount however we would agree that the majority of the funding should be allocated on a per pupil basis as this helps keep the formula simple and transparent and ensures most of the funding is allocated for most of the pupils. It also mirrors the principles within the school funding formula which requires the bulk of funding to be allocated through pupil led factors.

5. *Considering an additional needs factor...*

- *Should an additional needs factor be included in the early years national funding formula?*
- *Do we propose the correct basket of metrics*
- *Do we propose the correct weightings for each metric?*

We would agree that there should be an additional needs factor and that the largest element of that should be driven by deprivation. The additional needs factor needs to be able to reflect differences between different areas whilst not being too complex. We would want metrics that reflect the characteristics of the eligible population of children. As such we would question the use of data for Key Stage 1 and 2 to distribute deprivation funding and would ask why it is not possible to use data which reflects the characteristics of the children attending settings, such as IDACI indicators. We would also question whether the implementation of universal infant free school meals may have impacted on the numbers of families declaring eligibility for FSM.

Difficult to comment on whether the split is correct although would agree the bulk should be on deprivation rather than the more specific measures of DLA and EAL. In developing a response to this consultation early years providers in Wiltshire have raised concerns that

- a. Parents are often not ready to claim DLA when their children are so young
- b. Use of DLA as a driver for funding pushes families towards a benefits system

6. *Considering an area cost adjustment...*

- *Should the early years national funding formula include an area cost adjustment?*
- *Should that adjustment be based on staff costs (based on the General Labour Market measure) and on nursery premises costs (based on rateable values)?*

We agree that there should be an area cost adjustment. We are disappointed to see the exemplifications indicate a very low ACA for Wiltshire that, in our view, does not seem to reflect the costs associated with being on the M4 corridor. It is important to note that in areas such as Wiltshire there are pockets, for example Salisbury, where rateable values are relatively high but this cannot be picked up in the average figure used for Wiltshire as a whole.

7. *To implement the increased hourly rate for the two-year old free entitlement....*
- *Should we retain the current two-year old funding formula?*
  - *Should we use the additional funding secured at the spending review to uplift local authorities' allocations based on this?*

We agree that the current two year old formula should be retained. The funding has only recently moved to the current participation basis and further change would not be helpful. Funding for two-year olds is to support the most vulnerable two-year olds within each local authority area and therefore any uplift in funding should be passed on to support LAs and providers in meeting the need.

8. *Considering the Dedicated Schools Grant....*
- *Should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?*

It would be appropriate to cap the DSG funding to meet the statutory entitlement however this does not leave LAs with capacity to develop the market within their areas in order to support the sufficiency duty.

Wiltshire Schools Forum notes that as a point of principle the 30 hours free entitlement should be applied to those children and families in real need in the same way as the 2 year old funding is targeted. It is felt that the proposed methodology will widen rather than narrow gaps.

**Proposals: Part 2:  
Local Authority Funding to Providers**

9. *Should Government set the proportion of early years funding that must be passed on to providers?*
10. *Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers?*

We would agree that the majority of funding allocated through the national funding formula should be passed to providers.

It is difficult to be prescriptive about what that level should be. Current spend patterns across the country vary and LAs have been able to treat expenditure on pupils with additional needs differently, for example by classifying spend against the high needs block or the early years block. If funds are held centrally with the agreement of Schools Forum, and after consultation with providers, then it may be appropriate for a different level of funding to be held centrally.

11. *Should local authorities be required to give the same hourly base rate to all childcare providers in their area?*

Wiltshire has already moved to a single hourly rate for all providers and would feel this approach best meets needs within the County. It may be easier in some areas than others to do this depending on the existing mix of provision. Wiltshire is an authority in which the bulk of provision is delivered through the PVI sector however where provision a greater proportion is in the maintained sector it may be more difficult to achieve this because of historical funding differences.

12. *Should local authorities be able to use funding supplements?*

Yes

13. *Should there be a cap on the proportion of funding that is channelled through supplements?*
14. *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%?*

We would agree that there should be a cap on the proportion of funding channelled through supplements. This is in the interest of simplicity, transparency and in order to ensure that the majority of children attract the majority of the funding. Supplements should be delivered in such a way that they are able to target smaller amounts of funding to the areas of greatest need.

15. *Should the following supplements be permitted?*

*Deprivation, sparsity/rurality, flexibility, efficiency, additional 15 hours*

- *Deprivation* – yes agree this should be permitted
- *Sparsity/rurality* – yes, agree this is needed to ensure sustainability of provision in rural areas
- *Flexibility* – this is difficult to define and therefore runs the risk of being complicated, particularly as only small amounts of funding could be allocated via a supplement. Do not agree that this should be included.
- *Efficiency* – no, do not agree with this
- *Additional 15 hours* – the proposed use of a supplement to encourage providers to deliver the additional 15 hours goes against the principle stated elsewhere in the document that all hours, (universal and additional) are funded at the same rate. Inclusion of this supplement would be of the detriment of the hours funded for the universal element. Wiltshire would propose that for the first two years a similar approach should be taken as that for the implementation of the entitlement for 2 year olds with funding based on estimated uptake – this approach allowed LAs to flex the rate paid for the new entitlement for a transitional period prior to moving to participation funding. This ensures that funding for the new entitlement is used for that purpose and that funding for the universal entitlement is not diluted as a result.

16. *When using funding supplements should local authorities have discretion over the metrics they use and the amount of money channelled through each one?*

Yes

17. *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?*

We do not agree with the inclusion of these supplements and have proposed an alternative methodology for supporting the delivery of the additional 15 hours.

18. *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*

We would not agree with the inclusion of further supplements. The Wiltshire formula has been simplified in recent years to minimise the use of supplements and ensure a simple formula to support all children.

**Proposals: Part 3****Meeting the needs of disabled children and children with special educational needs**

19. *Should there be a Disability Access Fund to support disabled children to access their free entitlement?*
20. *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?*
21. *When it comes to delivering the funding for the Disability Access Fund, is the most appropriate way the existing framework of the Early Years Pupil Premium?*

We would support the implementation of a Disability Access Fund and the proposed eligibility criteria.

It is proposed in the document that the total amount of funding for each eligible child is passed directly to providers and not added to the hourly rate. There needs to be a mechanism in place for funding to follow the child if the child changes to a different provider during the year.

We would question why the Disability Access Fund is only available for 3 & 4 year-old and not 2 year-olds.

22. *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 not receiving appropriate support? (we mean children who do not already have an EHCP)*

The key to ensuring this is not the case is the link with the Local Offer. LAs need to ensure that there is clear signposting and pathways to identify what support is available – the issue is not necessarily a lack of financial support or a lack of clarity about financial support

23. *When it comes to establishing an inclusion fund....*
  - *Should local authorities be required to establish an inclusion fund?*
  - *Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?*
  - *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.*

Wiltshire already has an inclusion support fund in place and believes that it has already helped improve the supply of support that children receive. The key issue moving forward is how that fund is funded to support the increased requirement of the additional hours to ensure that needs can be met over the extended provision. Currently Wiltshire funds the inclusion support fund from the high needs block but continued pressure on this funding block will mean that a contribution may be required from the early years block. This will impact on the hourly rate that can be paid to providers for the existing and extended entitlement.

24. *When it comes to the SEN inclusion fund, should local authorities be responsible for deciding....*
  - *The children for which the inclusion fund is used?*

- *The value of the fund?*
- *The process of allocating the funding?*

Yes

*25. 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% pass through?*

We believe that LAs should be able to retain funding centrally for specialist services delivered free to providers at the point of use

**Proposals: Part 4:  
Transition to new funding arrangements**

26. *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)*

We agree that there needs to be a transitional approach to support those authorities that will lose funding. We would have some concerns over the limited time to plan for reductions or changes in 2017-18

27. *To what extent do you agree with the transition approach for the high pass-through of early years funding from local authorities to providers?*

Again, we agree that transition is necessary. Wiltshire already meets the requirement but for those LAs that hold more funding centrally it may require time to move even to the 93% and there may be costs associated with doing so.

28. *To what extent do you agree that our proposals on the high pass-through of funding from LAs to childcare providers makes the existing MFG for early years unnecessary*

The proposals are simpler than a MFG Arrangement and two transitional arrangements would be too complicated, however see comments above on the pass-through.

29. *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?*

Wiltshire would generally support a transitional approach.