

**Early years funding – extension of the entitlements
Government consultation
Draft response from Early Education, August 2023**

Question 1: 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?

Yes. [Few children of working parents likely to fall under any of the disadvantage headings, but this mixed approach will maximise the chance of any being reflected in the measures. More relevant for disadvantaged 2yos than the new entitlements.]

Question 2: 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.

Question 3: Do you agree with our proposed approach to the area cost adjustment in the new national funding formula?

Yes [For the sake of consistency across the different formulae]

Question 4: 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 [Again for consistency]

Question 5: Do you agree that we should extend DAF eligibility to all children accessing the entitlements from April 2024?

Yes although the number of children access DLA will be small, and in many cases needs will be emerging so SENIF and other sources of support will also be necessary.

Question 6: Do you agree that we should extend EYPP eligibility to all children accessing a free childcare entitlement from April 2024?

Yes. This although this will mostly only affect disadvantaged 2yos, not children of working parents given the minimum qualifying threshold. Government should consider raising the threshold as many disadvantaged children will not qualify, and should consider an “ever EYPP” measure so that once eligible, children remain so. Government should also consider whether this is the best means of providing disadvantage funding, as there is a long-standing issue of settings not applying for EYPP because the administrative processes are disproportionate to the level of funding, or making assumptions about whether parents are eligible and parents do not always complete the necessary forms.

Question 7: Do you agree with this approach?

We have concerns about the lack of continuity with current 2yo funding rates, as settings will expect these to remain at or above 2023-24 rates. While recognising that this is a new funding rate, we would want to ensure no LA would see it's 2yo funding level drop below 2023-24 levels, or at least that 2yo funding plus EYPP in 2024-25 will not be less than disadvantaged 2yo funding in 2023-24. We do not agree with the approach of

separating this from the 3-/4-yo funding as that will remain the largest proportion of funding for most settings and therefore the most crucial to ensure viability.

Question 8: 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 2-year-old disadvantaged and working parent offers; and the 9 month to two year-old offer?

Yes.

Question 9: 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, the same supplements should be allowed for. Consideration should be given to raising the cap so that local authorities can target the funding to better support disadvantaged children, at a comparable rate to additional needs factors in schools.

Consideration should also be given to making the quality supplement mandatory. Government is proposing to invest hugely in the early years sector, but in return is currently seeking no guarantees that the quality of provision will increase. The current workforce crisis is the result of a system which allows providers to operate on minimum levels of staffing, with no incentive to upskill their practitioners or provide career progression routes. There is a marked difference between the experience and qualifications profile of the workforce in schools and in PVI's, despite primary schools receiving the same funding as PVI's. We urge government to make quality supplements mandatory and to work with local authorities to develop models which will incentivise a better qualified (and better paid) workforce to drive up standards and provide a better return on this large amount of public investment.

Question 10: Do you agree that the deprivation supplement should be mandatory for every entitlement funding stream?

Yes, although it appears that relatively few children of working parents will qualify.

Question 11: 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, this is vital. This is an important opportunity to identify emerging needs and intervene early, which will support children and families. Many needs which may be "emerging" may not be low level and SENIF funding alone may not be enough. Access to High Needs funding may also be required, not only for children with an EHCP of which there will be few in this age group. In many areas where overspent high needs budgets are reserved for statutory school age children, we are already aware of difficulty accessing appropriate funding for disadvantaged 2yos and this needs to be addressed if eligibility will widen. Additionally, the situation where this support will only be available to children of working parents for under 2s could further disadvantage children of non-eligible parents.

Question 12: 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?

A consistent national approach to SENIF funding, learning from best practice at local level, would be considerably fairer than the current postcode lottery. Our members report that SENIF application procedures have become increasingly bureaucratic and restrictive. There is a tension between the EYFS reforms pushing for a reduction in data tracking of children, and the SEND system which frequently requires this evidence. The system must be financially sustainable for settings as the core funding does not include any notional provision for supporting children with SEND, and SENIF funding is not sufficient to cover the costs of additional support and is frequently received late in a child's time at nursery. Settings are therefore going into deficit to support children with SEND, or else turning them away. Often at present, 30 hour children often only receive SENIF support for 15 hours; if they are to take up their 30 hours entitlement at any age, additional funding will be needed for all the hours.

Question 13: Would local authorities and providers find it helpful for the Department to be more prescriptive about the operation of local SENIFs?

Potentially yes for greater consistency and fairness.

Question 14: 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?

We know that children with SEND are already less likely to take up their entitlements, and half as likely to take up their 30 hours entitlement as the universal 15 hours at age 3. For all the same reasons, children under 3 with disabilities are also less likely to benefit from these entitlements and will be further disadvantaged going forward through their education as a result of a more unequal starting point. Making the entitlements universal and ensuring adequate support for children with SEND would be the best mitigation, including a significant increase in SENIF funding and guaranteed access to high needs funding where it is needed.

The targeting of the new entitlements at working parents disadvantages parents who are unable to work because of a disability or because of caring responsibilities for a family member. We also know SEND is more prevalent in economically disadvantaged households, who are less likely to be working, or likely to work fewer hours. In all these respects, the new entitlements are less likely to be accessed by children and parents with disabilities, and both children and parents will be negatively impacted by the loss of respective opportunities to learn and to work.

Basing the criteria for eligibility on income is likely to indirectly disadvantage some minority ethnic groups. It is disingenuous to say that the additional needs factors will compensate for this for disadvantaged groups if children from those groups are unable to access the entitlements because they are less likely to meet the minimum income thresholds.

Question 15: Are there any other comments that you would like to make about our proposals set out in this consultation?

The fundamental flaw with this consultation is that the elements that are out of scope are the most crucial in determining whether the new entitlements succeed.

The largest source of income for settings will continue to be funding for the 94% of 3- and 4-year-olds accessing the universal entitlement, plus the roughly 30% of them accessing an additional 30 hours. For the new entitlements, only around 50% of households are expected to be eligible, and take up rates are estimated at between 35% and 75%, so the take up rate might range from around 17% of under 1s, to 38% of 2-year-olds. Even when added to the numbers of disadvantaged 2-year-olds, the numbers will not exceed the 3- and 4-year-olds. Few settings will only take under 3s, and it will therefore continue to be vital for setting viability for income for the funded entitlements to cover costs for all age groups. Therefore, unless the funding rate for 3- to 4-year-olds fully covers the costs of provision the new entitlements cannot succeed. Yet that rate manifestly fails to cover costs at present, leading to the current financial crisis in the sector. We urge government to look very seriously at this issue.

Another problem which is not addressed and therefore likely to be perpetuated is that there is no mention of whether settings will be able to charge for consumables and “optional” extras for the new entitlements on a similar basis to the existing 30 hours. We know that the system of “voluntary” charges is in practice widely used as a way of topping up the inadequate hourly rates, and that parents have long had issues with both the universal 15 and the additional hours not in practice being freely available at point of delivery. With the rates for under 3s being set higher, government must ensure the new entitlements are delivered free at point of delivery, that any additional charges are transparent and voluntary.

While we note that the MNS supplementary funding is out of scope, we have explained many times since its introduction that it was problematic for MNS to only receive this in relation to the universal 15 hours. MNS make the 2-year-old and 30 hours offers available because their families need access to these, and they are public sector institutions which exist to meet the needs of their communities and deliver key government policies. MNS which take disadvantaged 2-year-olds take an average of 20 each, compared to 8 in each primary school with 2-year-olds and 6.5 per PVI. It is likely that many PVIs will prioritise 2-year-olds of working parents because it is easier to take a child for 30 hours, and a child of working parents is more likely to take parent-paid extra hours. This may put pressure on places for disadvantaged 2-year-olds, so it is vital that MNS continue to be able to offer these places. Yet they are losing money that they cannot afford to lose when they do so. The same principle will apply to the new offers. Those same low-wage working parents who can currently access 30 hours at a maintained nursery school for their 3- and 4-year-olds when there is nowhere else available, would equally benefit from places for their 2-year-olds, or for those nursery schools which take them, younger children too. Yet the more that MNS define their offer on the basis of community need rather than economics, the more risk that they are financially penalised for doing so. If the MNS supplementary funding is not to be included in the current consultation, the issue must be urgently addressed elsewhere or the number of closures is likely to increase significantly.

We urge government to look seriously at all these issues if it wishes to successfully deliver the new entitlements and meet the expectations which it has raised among parents.