

Early Years National Funding Formula Consultation – Draft Response

- 1. Welcome - would you like to provide your email address?**
- 2. Would you like to tell us the name of your organisation?**
Kent County Council
- 3. We'd like to know which area of the early years sector your answers represent. Which of these categories best describes your role in the sector?**
Local Authority
- 4. In which region do you work?**
South East
- 5. If you are not responding as a local authority, which local authority do you work in?**
N/A
- 6. If you are a childcare provider, do you consider yourself to work in a:**
Please tick as many boxes as apply to you.
 - Chain of providers?
 - Single setting?
 - Rural or sparsely populated community?
 - Inner city area?
 - Area of deprivation?
- 7. If you are a childcare provider, how many children can your individual setting offer places to?**
 - 10 or fewer children
 - 11-30
 - 31-60
 - 61-90
 - Over 91 children
- 8. If you are a childcare provider, do you offer the free entitlement to:**
 - three-and four-year olds?
 - two-year olds?

9. Should there be an early years national funding formula (to distribute money from central government to each local authority)? (q1 pg27)

Yes/No/Unsure

We fully support the introduction of a redistributive approach to funding early year's education so that the funding each local authority receives is based on a consistent, fair and transparent basis, rather than based on historic decisions.

However we have the following key concerns about these proposals:

- 1) They do not offer enough incentivisation and therefore there is a high risk that providers will not offer the additional 30 hours
- 2) They do not give LAs enough flexibility to help the government meet its manifesto commitment of increasing free childcare for working families
- 3) The range of hourly rates between LAs is currently too great, and these proposals do little to reduce imbalances between areas even though they will mean significant losses and disruption for many areas and providers.
- 4) The Area Cost Adjustment factor calculation appears to significantly influence LA allocation. We seriously question the amount of funding being distributed through this factor and in particular through the rateable value element.
- 5) We believe that the government has failed to adequately fund this manifesto commitment. We believe that the average funding rates proposed fall short of reflecting the true costs (salary + increased pension costs) of providing the free entitlement, do not take into consideration the living wage, and do not adequately incentivise providers to provide the government's commitment to 30 hours for working families. We also would like to stress that this sector has had to absorb six years of flat cash, with no increases to reflect the true salary and running costs of early year's settings. This has become increasingly difficult for those providers and sustainability and viability of some providers is now becoming a serious issue.
- 6) The proposed limits on centrally retained funding will have a detrimental impact on the quality of provision.
- 7) Removing the qualification supplement will also have a detrimental impact on the quality of provision and will impact on both maintained and private and voluntary settings.

10. Considering a universal base rate of funding which does not vary by local area... (q3&4 pg 27)

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

Yes/No/Unsure

Yes we think this is a sensible proposal and will ensure fairness and consistency of funding to LA's for the core offer.

Is 89.5% of overall funding the right amount to channel through this factor?

Yes/No/Unsure

89.5% seems a reasonable proportion, based on school notional SEN budgets being around 10.5%, therefore a similar percentage would seem to be reasonable for early years.

11. Considering an additional needs factor...(q5,6,7 pg 30)

Should an additional needs factor be included in the early years national funding formula?

Yes/No/Unsure

Do we propose the correct set of metrics?

Yes/No/**Unsure**

We agree with the metrics suggested but think that the Department should also include Children in Care (CiC). We think this is an important measure, which needs to be included in the basket of factors so that additional funding is provided to LAs like Kent who have a disproportionately high proportion of CiC so that appropriate support can be provided to improve their educational attainment of CiC and therefore narrow the achievement gap between CiC and all children, which in 2016 was 46.3% in Kent.

Do we propose the correct weightings for each metric?

Yes/No/**Unsure**

In the absence of any detailed costings or evidence to support the weightings suggested it is very difficult to provide any reasoned view on the proposed weightings.

12. Considering an area cost adjustment...(q8 & 9, pg 31)

Should the early years national funding formula include an area cost adjustment?

Yes/No/Unsure

Yes, we support the inclusion of an area cost adjustment to recognise the genuine additional running costs depending on the location of early years settings. However we believe that the amount of funding distributed through the ACA is too great and the range of ACA uplifts is too broad and too generous for some LAs. We therefore question the accuracy of the methodology proposed and feel that the proposals are too generic and do not adequately recognise the genuine costs which are specific to the Early Years sector. We are particularly concerned over the use of the Setting Rateable Value factor which varies

considerably between LA areas. Its impact on LA Early Years funding is too great.

In the absence of any evidence within the consultation we are interested to know if the DfE have undertaken a sensitivity analysis looking at the correlation between rateable values and market rent.

We believe that the current proposal leads to an unequitable distribution of the national pot for early years between LAs.

Should that adjustment be based on staff costs (based on the General Labour Market measure) and on nursery premises costs (based on rateable values)?

Yes/**No**/Unsure

13. 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%? (q2 pg27)

Strongly Agree

Agree

Neither Agree or Disagree

Disagree

Strongly Disagree

We believe that 10% funding floor is too great, and a floor of 1.5% aligned with the minimum funding guarantee would be more appropriate. A reduction of 10% could lead to significant turbulence in a LA area, threatening the sustainability of potentially many providers and compromising the local authority's ability to ensure a sufficient childcare market.

14. To implement the increased hourly rate for the two-year old free entitlement...(q10 & 11 pg 32)

Should we retain the current two-year-old funding formula?

Yes/**No**/Unsure

It is disappointing that the Department has missed the opportunity and failed to concurrently offer any proposals to move to a national funding formula for two year olds. To retain the current 2 year old funding formula at a time of moving to a national funding formula for 3 and 4 year olds does not make sense. It will lead to inconsistent and disjointed funding system for early years, and will perpetuate the unfairness between LAs in funding for 2 year olds.

Should we use the additional funding secured at the spending review to uplift local authorities' allocations based upon this?

Yes/**No**/Unsure

The two year old funding system must be based on a needs led/objective process and any additional funding should be evenly allocated through both the 2 and 3 and 4 year old allocations. We don't understand why these proposals put a higher % of funding into 2 years olds (7.1%) compared to 3 & 4 year olds (4.5%). There is no evidence within the consultation to support this distribution.

15. Considering the Dedicated Schools Grant...(q12 pg 32)

Should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?

Yes/**No**/Unsure

Our response to this is 'unsure' because the question asked actually includes two questions, to which we have different answers. The first question is '*should the free entitlement be capped at 30 hours for children of eligible working parents*', to which our answer is a firm YES, principally because (notwithstanding the proposed small increase to the funding overall for Kent), even a 30 hour free entitlement is likely to jeopardise the sustainability of some providers, hence anything greater than 30 hours would aggravate this situation. The second question is '*should the free entitlement be capped at15 hours for all other children*' to which our answer is NO. Fundamentally, we believe that the 30 Hour Free Entitlement should be universal because of the risks whereby children not eligible may be adversely impacted as a consequence of having half the access to quality early years provision in comparison to their eligible peers. The nature of the risk is of less opportunity, leading to potentially poorer achievement and the widening of achievement gaps. Three and four year olds not eligible under the proposed regime are in the minority, so why not make the offer universal, dispense with the bureaucracy of confirming eligibility and ameliorate the particular risk described?

16. Should Government set the proportion of early years funding that must be passed on to providers? (q13 pg 35)

Yes/**No**/Unsure

Our response to this is 'no' because there is a wider issue about not only how much money is retained by a local authority but what is done with it and to what effect. Currently in Kent we retain just fewer than 8%, which, in addition to fulfilling statutory duties, is used in a wide range of ways that demonstrably positively impact the quality of the Early Years sector and hence make a positive contribution to the lives of young children and their families. Services and functions provided through centrally retained funds include:

- A programme of support to providers to ensure that they are compliant with Early Years and Childcare Statutory Guidance
- Advice, support and training in relation to sound business and financial planning, incorporating sustainability from an environmental perspective
- Sustainability Grants (allocated only against a clear and strict criteria)
- A universal 'Annual Conversation' that allows each provider to self-reflect on their improvement journey and identify future goals and next steps
- A targeted Pre-Ofsted Health Check
- Workforce Development Bursaries
- Advice and support for providers to ensure that the needs of children with SEND identified early and responded to.
- The provision and facilitation of a framework for provider lead collaborations (we currently have approximately 460 providers in 55 formal collaborations, designed to provide peer to peer support and to drive a faster rate of improvement)

The collective impact of these measures is, we believe, a thriving Early Years and Childcare market within which 95% of providers are currently good or outstanding. We have managed to achieve this position through a period of six years of no funding increase to providers, by highly effective utilisation of the centrally retained funding. A reduction in centrally retained funding would compromise our ability to deliver this range of support, would put at risk the quality of the sector as a whole and therefore have a potential adverse impact on children and families.

17. Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers? (q14 pg 35)

Yes we agree

No, 95% is too high

No, 95% is too low

Unsure

We think that 95% is too high, and think that 93% is more realistic for the medium term. We are concerned that enforcing a 95% threshold will have a detrimental impact on the government's policy of increasing the free entitlement to 30 hours for working families, as some LA EY teams will have to be cut significantly to comply with this proposal. Our view would be to retain the 93% threshold for the next three years and then review with the potential to increase it to 95% in 2020-21.

18. Should local authorities be required to give the same universal hourly base rate to all childcare providers in their area? (q15 pg 36)

Yes/No/Unsure

19. Considering funding supplements that local authorities could choose to use (above the universal base rate)...(q1617 pg 39)

Should local authorities be able to use funding supplements?

Yes/No/Unsure

Should there be a cap on the proportion of funding that is channelled through supplements?

Yes/No/Unsure

A cap on the proportion of funding that is channelled through supplements is unnecessary. LAs with their Schools Funding Forums are best placed to determine how much funding is channelled through locally agreed supplements.

20. If you agree that there should be cap on the proportion of funding that is channelled through supplements, should the cap be set at 10%? (q18 pg39)

Yes, I agree with a 10% cap

No, the cap should be higher than 10%

No, the cap should be lower than 10%

We are unsure

There should not be a cap.

21. Should the following supplements be permitted? (q19 pg 43)

Deprivation Yes/No/Unsure

Sparsity / rural areas Yes/No/Unsure

Flexibility Yes/No/Unsure

Efficiency Yes/No/Unsure

Additional 15 hours Yes/No/Unsure

We support the proposals to allow deprivation, sparsity and flexibility supplements. However, there are some practical challenges, specifically around sparsity in producing a local data set which measures distance in a consistent way.

In relation to the proposal for an Efficiency supplement,

1. We are concerned that there is a potential unintended consequence from this supplement in that some settings may opt to maximising their capacity (to gain the supplement) and it having a detrimental impact on children's outcomes.
2. It is unclear from the consultation document what data source you would use to determine efficiency in settings.

In relation to the Additional 15 hours supplement,

1. It makes sense to incentivise settings to offer the additional 15 hours but we are unclear how this would operate in practice.

2. Looking at it from the other side it may be unfair on some types of providers such as maintained nurseries as even if they would like to in principle, they may not be able to actually offer the 30 hours.
3. We also believe that this supplement should be able to be targeted geographically, within a LA area, to incentivise providers where there are particular gaps in the provision of the additional 15 hours.

22. When using funding supplements, should local authorities have discretion over the metrics they use and the amount of money channelled through each one? (q20 pg43)

	Yes – over the metric they use	Yes - over the amount of money	No - over the metric they use	No - over the amount of money	Unsure when it comes to metrics	Unsure when it comes to the amount of money
Deprivation	X	X				
Sparsity/Rural Areas	X	X				
Flexibility	X	X				
Efficiency	X	X				
Additional 15 hours of childcare	X	X				

Yes, local flexibility is essential to ensure funding is distributed appropriately to meet local provision. Local Authorities must be given the freedoms and 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 that is channelled through each one.

23. If you agree that efficiency (efficient business practices that provide excellent value for money) should be included in the set of supplements, do you have a suggestion of how should it be designed? (q21 pg 43)

We believe that the design of an efficiency supplement should be left to each LA to determine (with their Schools Funding Forum)

24. If you agree the delivery of the additional 15 hours of free childcare should be included in the set of supplements, do you have a suggestion of how should it be designed? (q22 pg43)

We believe that the design of an 15 hours free childcare supplement should be left to each LA to determine (with their Schools Funding Forum)

25. 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. (q23 pg43)

The consultation document explains the importance of efficient allocation of resources that offer value for money. Early years funding must be used wisely, for the benefit of childcare sufficiency, quality and value for money. A key part of this is for us to be clear about what our funding is for so please, wherever possible, provide evidence to support your recommendation

We have some thoughts and concerns about the removal of what has been previously described as a 'quality' supplement. We absolutely agree that high quality provision must be universal and should be the aim of and expectation on every provider, not least because it is evidenced children do better in high quality provision. We have also already stated that we agree with a universal base rate and 'level playing field' across all types of providers. This does not seem to give credence to, however, the different requirements on different types of providers in relation to staff/children ratios and qualification requirements. We think therefore it may be necessary to have a supplement not for 'quality', but in recognition that the cost of, for example, the mandatory employment of a qualified teacher in a school may not be otherwise affordable. We strongly believe that there should be a qualification supplement to incentivise quality improvement, and we believe this has the potential to benefit disadvantaged children to a greater extent than a deprivation supplement. In summary, we support a levelling of provision and we believe that a levelling up is the right direction rather than levelling down as this consultation is implicitly proposing.

26. Should there be a Disability Access Fund to support disabled children to access their free entitlement? (q24 pg 47)

Yes/No/Unsure

Only yes on the assumption that this is genuine new funding provided by Government and it is set at an appropriate level.

27. 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? (q25 pg47)

Yes/No/Unsure

We are concerned about the use of Disability Living Allowance as typically children in receipt of DLA will be for physical disability (as other disabilities may take longer to diagnose), and therefore some high needs children would not be captured by this data source.

In addition there are no proposals within this consultation to include 2 year olds within this new process. Again we repeat our concern that these proposals do not go far enough and will lead to a fragmented funding system for Early Years, at a time when we are looking for a consistent, fair, transparent and joined up system. It feels like a missed opportunity.

28. 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? (q26 pg47)

Yes/**No**/Unsure

We believe that the current framework for providing EY Pupil Premium is not effective as it does not accurately capture the true number of deprived pupils as it's based on parental declaration. It is also an incredibly resource intensive process for both the Local Authority and Early Years settings.

29. 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 Education, Health and Care Plan). (q27 pg 51)

Strongly Agree

Agree

Neither Agree or Disagree

Disagree

Strongly Disagree

We believe that there is complete clarity on how parents and childcare providers in Kent can access funding – see our response to the question 30 below

30. When it comes to establishing an inclusion fund...(q28&29 pg51)

Should local authorities be required to establish an inclusion fund?

Strongly Agree

Agree

Neither Agree or Disagree

Disagree

Strongly Disagree

In Kent County Council (KCC) this is already established and working well with clear processes for allocating additional funding to providers to support them in

meeting their duties to support children with SEND under the EYFS and SEND Code of Practice.

Through the support from Early Years Specialist Teachers, parents are clear about the current Inclusion Fund, known in Kent as Severe and Complex Accessibility and Resources funding (SCARF). Providers are supported to access this additional funding through the process outlined below.

Currently, Kent allocates £1.4m funding per annum to provide SCARF for up to 15 hours in-line with the Free Entitlement. When the Entitlement increases to 30 hours there could be a potential barrier for children with SEND accessing their full entitlement without additional High Needs or Early Years funding being made available, which within current budget pressures would be extremely challenging, if not impossible.

Current Kent process for Early Years children with Special Educational Needs NOT in receipt of an EHCP

- The Early Years and Childcare Equality and Inclusion Team supports settings to identify children with possible special educational needs through training, advice and challenge including use of Kent's Best Practice Guidance (a document produced by Kent Equality and Inclusion Advisers and Specialist Teachers to provide strategies and interventions at universal, targeted and specialist level)
- Universal support is provided through regular briefings and bulletins, a centrally funded SEND visit for new setting SENCOs, referral advice, centrally funded core training and support at the Early Years Local Inclusion Forum Team (EYLIFT) meetings (a multi-agency meeting including providers where children are discussed and specialist support and advice is offered)
- If any child struggles to make progress and it is felt that more intensive support is needed a referral to the EYLIFT is made
- Following interventions within the provision and support from the Specialist Teaching and Learning Service, if the child does not make the expected progress a referral for Severe and Complex Accessibility and Resources funding (SCARF) can be made in partnership with the parents and the setting
- SCARF, is a non-statutory agreement provided by KCC to enable pre-school children with profound, severe and complex needs to access additional resources when the child is in receipt of any Free Early Entitlement Funding.
- SCARF requests are considered at District based decision making meetings attended by District SEN Officers, Specialist Teachers and District Co-ordinators for the Specialist Teaching and Learning Service. Children's needs are discussed at the SCARF meeting held in the District that the setting is based.

- The funding is intended to deliver the provision required to meet the child's outcomes detailed on their personalised plan, termly in the setting evidencing impact and every three terms by the local authority.
- SCARF enables settings to:
 - ensure that the child remains the responsibility of the whole setting, and that all setting staff have an understanding of their needs
 - observe the child and provide support at particular times, to develop their independence
 - include the child in large groups, smaller groups, and in the delivery of individual programmes as appropriate
 - arrange / attend training as identified on the Proposed SCARF Costings Form
 - purchase bespoke resources to meet the needs of the child

Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?

Strongly Agree

Agree

Neither Agree or Disagree

Disagree

Strongly Disagree

We strongly believe it would. Please see our response to the above question

31. 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. (q30 pg51)

We have concerns about the future proposals. Specifically we are concerned about the potential budget pressure on our inclusion fund (aka SCARF) arising from the increase to 30 hours for working families. We are currently spending £1.4m per annum on an inclusion fund. This has the potential to double on the back of the increase to 30 hours, and this should not be assumed by the DfE that there is enough funding within the High Needs block to meet this pressure . . . nothing is further from the truth.

We are also concerned about any proposed reductions to our High Needs budget arising from the eagerly awaited second stage consultation document affecting the Schools and High Needs block.

And finally we are concerned of the impact of the proposal within the 1st stage consultation on changes to school funding, that the schools block might be ring fenced in the future, leaving local discretion on the high needs and early years blocks only. We strongly oppose this proposal as it removes local discretion and our ability to effectively manage a budget that is under constant pressure.

32. When it comes to the SEN inclusion fund, should local authorities be responsible for deciding...(q31-33 pg51)

The children for which the inclusion fund is used?

Yes/No/Unsure

Absolutely, LAs are best placed for deciding eligibility for such a fund

The value of the fund?

Yes/No/Unsure

Yes, as they will have the best view about how many pupils are eligible and therefore a view on how much is needed to support eligible pupils but LAs must retain the ability to move DSG funding between all three existing blocks.

The process of allocating the funding?

Yes/No/Unsure

Yes – the LA has a proven track record of allocating such funding

33. 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? (q34 pg51)

Part 2 of our proposals explores whether local authorities should be required to pass through a minimum of 95% of their early years funding to childcare providers. This question explores whether SEN or SEND services for childcare providers (free at the point of delivery) should be included in that 95% pass-through rule.

Agree/Disagree/Unsure

34. 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)? (q35 pg53)

Strongly Agree

Agree

Neither Agree or Disagree

Disagree

Strongly Disagree

We think the 10% floor is too high and we favour a lower floor of -1.5% linked to the minimum funding guarantee.

35. 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? (q36 pg53)

Strongly Agree
Agree
Neither Agree or Disagree
Disagree
Strongly Disagree

There is no evidence in the consultation for central spend to reduce. Indeed, many of the proposals in the consultation will require greater central capacity from Local Authorities to ensure successful implementation of the Governments manifesto commitments. Again please see question 16

36. 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? (q37 pg54)

Strongly Agree
Agree
Neither Agree or Disagree
Disagree
Strongly Disagree

37. 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? (q38 pg54)

Strongly Agree
Agree
Neither Agree or Disagree
Disagree
Strongly Disagree

38. 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. (q39 pg55)