

Fair funding for
all schools

Early Years Funding Formulae

DfE consultation

Launch date: 4 July 2022

Respond by: 16 September 2022

The Proposal

The Department for Education is proposing to update the funding formulae for the early education entitlements for children aged two, three and four. These formulae are no longer using the most recent data available.

It believes using up-to-date data will help to ensure the funding system remains fair, effective, and responsive to changing levels of need.

It is also proposing reforms to create a fairer distribution of maintained nursery school supplementary funding.

Questions

Q1 . Do you agree with our proposal to update the underlying data in the additional needs factor in the EYNFF? (Y/N/Unsure + 200 word comments)

Response – **Yes**

The levels of funding provided should be reflective of current, rather than historic, need. We would, however, question the statement in 1.1 regarding the adequacy of funding levels as there does not appear to be any recent assessment provided to draw that conclusion.

We have concerns about the current level of funding provided for Early Years and wish to see this increased, especially during the current time when inflation and rising energy costs, along with the increase to the minimum wage, have placed significant additional cost pressures on providers.

Questions

**Q2. Do you agree with our proposal to move to using the free school meals headline measure?
(Y/N/Unsure + 200 word comments)**

Response – **No**

Whilst we understand the desire for simplicity, changing this proxy factor to a more general measure will be less reflective of the population it is intended to fund. The rationale is also in conflict with the proposed approach to the Disability Living Allowance where the opposite conclusion is drawn in using a more targeted data set. We are also unclear why it is proposed to use January data as this is inconsistent with the approach used in other areas, for which the proposal is to align.

Questions

Q3. Do you agree with our proposal to update the way in which the Disability Living Allowance data is used? (Y/N/Unsure + 200 word comments)

Response – **Yes**

We recognise the value of aligning funding with the intended recipients of the funded support, however, note the inconsistency with the FSM factor.

Questions

Q4. Do you agree with our proposal to update the underlying data used in the area cost adjustment in the EYNFF, in particular the rateable values data and the GLM data, when available? (Y/N/Unsure + 200 word comments)

Response – **Yes**

The levels of funding provided should be reflective of current, rather than historic, need, without reduction by capping.

We believe too many local authorities have been capped back as far as possible and any formula that pushes more than 20% to the floor cannot be a responsive formula that provides the level of funding required.

In our opinion, a floor should catch a few outliers, not a fifth of the relevant population.

Questions

Q5. Do you agree with our proposed amendments to the proxy measure for premises-related costs in the EYNFF, including introducing schools rateable values data? (Y/N/Unsure + 200 word comments)

Response – **Unsure**

The change in approach appears to be trying to better reflect the diversity in provision and better match the funding requirement for providers. We are, however, unclear what proportion of the provider market data will be available regarding rateable values, therefore, would question whether inclusion would actually be reflective of the wider market requirement.

Questions

Q6. Do you agree with our proposed approach to mainstreaming the early years element of the teachers' pay and pensions grants? (Y/N/Unsure + 200 word comments)

Response – **Unsure**

Whilst the mainstreaming of grants provides increased certainty and simplicity, the methodology does result in a change to funding levels. The level of funding through the base rate does not reflect the funding previously provided to school nurseries. This could, therefore, impact either positively or negatively the funding available to the wider market if full protection was provided, with the potential need to extend equivalent levels of funding to other providers who employ qualified teachers.

Questions

Q7. Do you agree with our proposal to update the operational guide to encourage local authorities to take account of additional pressures that some providers might face using the existing quality supplement? (Y/N/Unsure + 200 word comments)

Response – **Unsure**

Whilst some LAs may have scope within their 10% supplement limit to accommodate this approach, it may prove more challenging to others. The method allowed to fund through this rate will also impact. Clearly, if a lump sum payment was allowed through the supplement, existing funding levels could be maintained, however, if an hourly rate approach was required, this would cause some funding turbulence.

The requirement to extend provision for a group beyond the existing group of schools may also result in unintended complexity and challenges in the provider market.

Questions

Q8. Do you agree with our proposal to update the underlying data in the area cost adjustment in the two-year-old formula? (Y/N/Unsure + 200 word comments)

Response – **Yes**

The levels of funding provided should be reflective of current, rather than historic, need, without reduction by capping.

Questions

Q9. Do you agree with our proposal to introduce a proxy for premises-related costs into the two-year-old formula? (Y/N/Unsure + 200 word comments)

Response – **Unsure**

As outlined in Q5, the change in approach appears to be trying to better reflect the diversity in provision and the impact this has on funding, however, we are unclear whether the suggested approach does indeed reflect the vast majority of the provider market cost and, therefore, funding requirement.

Questions

Q10. Do you agree with our proposed approach to protections in the EYNFF for 2023-24? (Y/N/Unsure + 200 word comments)

Response – **No**

We recognise the need to provide adequate protection to local authorities to manage changes and would hope to see future funding increases, which would enable funding to be levelled up to the point where no local authority would need to be protected.

We do, however, think this should not be at the expense of those with capped gains, and further funding should be found to enable this.

Questions

**Q11. Do you agree with our proposed approach to protections in the two-year-old formula for 2023-24?
(Y/N/Unsure + 200 word comments)**

Response - **Unsure**

Whilst we recognise the Department's point around the lack of necessity at this time to implement protections, we are unclear whether this should have an impact on funding policy, and want to ensure the framework is fit for purpose going forward.

If there is a sound basis for implementing a change then this perhaps should be pursued ensuring a sound policy basis in the event of future need.

Questions

Q12. Do you agree with our proposal to introduce a minimum hourly funding rate and a cap on the hourly funding rate for MNS supplementary funding? (Y/N/Unsure + 200 word comments)

Response – **Yes**

We recognise that the methodology used to calculate the supplementary rates is very historic, therefore, agree action should be taken.

We would, however, like to note our disappointment at the ongoing lack of a long-term strategic policy intent from the Department regarding their views on the status and value of MNS.

This consultation presented an opportunity to begin to establish this, perhaps considering the implementation of a lump sum to recognise additional fixed costs or aligning the business rates payment process with mainstream schools, which would provide greater simplicity.

Questions

Q13. Do you agree with our proposed approach to rolling the teachers' pay and pensions grants into MNS supplementary funding? (Y/N/Unsure + 200 word comments)

Response – **No**

Whilst we are supportive of the principle of mainstreaming grants, the proposed methodology would result in compounding the impact from the previous proposal of introducing the cap.

We feel this change should be made in addition to the cap, which would align with the approach typically adopted in wider school formula changes, where baselines and rates are adjusted.

Although the reforms are welcome there are serious concerns about the impact of funding levels due to the current high inflation rate. Providers are struggling with recruitment and retention, rising costs of living, changes in parental demand and an increase in SEND children post-Covid. As a result, we are seeing some providers being forced to close and others at risk of closure.

Questions

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? (200 word comments)

We can identify no material impacts at this time.

Questions

Q15. Are there any other comments that you would like to make about our proposed reforms?

Where a proposed change would result in the need to adjust a local funding formula, any implementation timescale should take into account the need to develop proposals, consult fully and implement the change following notification to LAs of the outcome of the consultation.