

Early years funding – extension of the entitlements

Response of the Association of School and College Leaders

A. Introduction

1. The Association of School and College Leaders (ASCL) is a trade union and professional association representing over 24,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business leaders and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million children and young people across primary, secondary, post-16 and specialist education. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
2. ASCL welcomes the opportunity to contribute to this consultation. Our response is based on the views of our members, obtained through discussions at ASCL Council, with relevant advisory groups, and prompted and unprompted emails and messages.
3. When considering the impact of any proposals on different groups, it is ASCL's policy to consider not only the nine protected characteristics included in the Equality Act 2010, but also other groups which might be disproportionately affected, particularly those who are socio-economically disadvantaged. We have answered any equality impact questions on this basis.

B. Key points

4. In a [2021 report](#), the Institute for Fiscal Studies (IFS) highlights the inconsistency of early years entitlement spending over the previous decade. Increases in cash terms during the period have been followed by cash-freezes, which have resulted in real-terms cuts. For example, in 2020/21 additional funding raised hourly rates to £5.71 from £5.44, but this was below the 2017 rate of £5.89, in real terms.
5. In ASCL's [Blueprint for a Fairer Education System](#) we call for the development of the national distribution formulae into a clear, consistent approach to 0-19 funding, based on a detailed analysis of what every child and young person needs to succeed. This should align with the core curriculum at all ages. It needs to be both sufficient overall, and appropriately distributed. It should include a refocusing of the current approach to 'levelling up' so that proxy factors are agile and quickly reflect changes in need.
6. The [IFS Deaton Review](#) includes a chapter on building a more equal education system. Included are a set of guiding principles for policymakers, the first of which is to look at the education system as a whole. This principle resonates with the ASCL Blueprint. Educational inequalities start early in life, but every stage of the system plays a role in addressing inequality.

7. [The Early Years Alliance](#) have raised concerns about the risks of applying national statistics to an educational landscape that looks very different in different parts of the country. If the government is serious about achieving its levelling-up ambitions, distribution formulae must work in a way that cuts through national headline indicators and targets funding where it is needed most.
8. ASCL believes that more investment is required in the early years. This supports the IFS Deaton review guiding principles, including recognising the importance of early intervention. We would go further and suggest that greater investment in early intervention to support children with SEND could result in a reduction in the number of Education Health and Care Plans (EHCPs). Investing in closing the disadvantage gap in the earliest phase of a child's education could ease pressure on the high needs block in future years.
9. [Research by the Early Years Alliance](#) (EYA) indicates that a high proportion of early years settings will be unable to provide the places needed to match increased demand. Providers cite lack of space and staffing among reasons for this:
 - 42% of all early years providers surveyed already have a full waiting list for places.
 - 60% of providers planning to offer funded two-year-old places under the new offer are not planning to increase the number of places offered.
 - 59% of providers feel the sector has not been given enough time to fully prepare for the increased demand the early entitlement expansion.
10. In their report [Support for childcare and the early years](#), the Education Select Committee (ESC) concludes that the Early Childhood Education and Care (ECEC) sector is struggling. The ESC makes a series of recommendations to improve ECEC.
11. ASCL welcomes the expansion of early years entitlement. However, we would urge the government to consider the ESC recommendations carefully as this policy is developed.
12. This consultation is focused on the distribution of entitlement funding and not the quantum. The impact of any changes in how available funding is distributed must be tested against points 4-11 above.

C. Answers to specific questions

Section 1: National funding distribution for the entitlements for 2-year-olds and under

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?

13. Yes.
14. We agree that the IDACI measure of deprivation allows more targeted support to pockets of high deprivation that can be masked by other measures in areas where deprivation is generally at lower levels.
15. Using a basket of measures adds breadth to the deprivation weighting within the formula.

16. However, we are concerned about the potential impact on the stability of the formula caused by the cyclical review of IDACI. Area-level IDACI scores are updated every five years. We would ask that DfE reviews the impact and considers introducing protections into the formula that mitigate significant funding loss caused by changes in IDACI scores.

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?

17. Yes.

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

18. Unsure.

19. We broadly support consistency across funding distribution methodology, and this proposal indicates a similar approach to that taken in the existing 3-and 4-year-old formula and current disadvantaged 2-year-old formula.

20. However, the EYA research (see paragraph 9 above) indicates that providers will need additional support to create the capacity required to meet demand under the extension of entitlements policy. The proposal suggests that ACA calculations will be based on current 2-year-old entitlement weightings. It is difficult to see how this will support expansion at provider level.

21. In its recently published report [Support for childcare and the early years](#), the ESC makes a specific recommendation regarding premises costs. We think that government should adopt the ESC recommendation: *'Currently VAT costs and business rates facing ECEC settings are taken into account in the DfE's process of setting funding rates. Following these proposed changes, DfE should not account for any cost savings gained from VAT and business rate exemptions in their calculation of the funding allocations for local authorities. This would allow savings to be channelled back into the settings in recognition for the need for a more qualified (and therefore expensive) workforce. The benefits to retention and development of staff, affordability for parents and expansion of places for children will substantially outweigh the costs'*.

22. We acknowledge that this element will be kept under review as new entitlements are rolled out.

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?

23. Yes.

24. We broadly support consistency across funding distribution methodology.

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

25. Yes.

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

26. Yes.

27. In a consistent funding methodology across the early years age group it feels right that EYPP eligibility is a common feature.

28. As entitlement extension is rolled out we look forward to seeing data on the impact of the EYPP. We note that the ESC has recommended the government increase the EYPP to match that in primary schools and widen the eligibility criteria so that more children from very low-income families can access much needed extra support for any special educational needs.

Section 2: Impact of proposals. Published modelling provides illustrative allocations only. Final 2024 -25 funding rates will be confirmed using the most up to date data available in autumn 2023.

Question 7: Do you agree with this approach?

29. Unsure.

30. We acknowledge that this is a new funding formula to deliver the extension of entitlements and as such there is no baseline for comparison.

31. However it is not clear from the consultation that the [Early Years Supplementary Grant](#) (EYSG) is being baselined in the final funding rates for 2024-25.

32. The [EYSG guidance](#) indicates that £204 million is being allocated via the EYSG for the period September 2023 to March 2024. On the basis that this is a seven-month period we would expect that the equivalent allocation for the full funding year 2024 -2025 would be twelve sevenths of this figure. This would be around £349 million. The EYSG guidance indicates a figure of £288 million for 2024-2025. We seek clarity on this from DfE.

33. However, it is essential that DfE continues to work with LAs and providers to set the funding rate at a sufficient level.

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?

34. Yes.

35. This must be the minimum pass-through rate, and we reinforce our expectation that the DfE will continue to work with LAs and providers to set the funding rate at a sufficient level. This is essential for both the pass-through rate and for the centrally funded activities that LAs provide from their retained 5% to meet early years responsibilities.

36. We look forward to further consultation on increasing the minimum pass-through rate to 97% as roll out of the new entitlements progresses.

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?

37. Yes.

38. We broadly support a national approach to funding distribution methodology. We think this supports the principles of transparency, fairness and predictability. This is particularly important when a new formula (as is the case in these proposals) is being introduced and there is no baseline for comparison.

39. However, we also believe that some flexibility is necessary in order to react to local need. LAs, in conjunction with leaders of early years provision, will be best placed to make local adjustments.

40. We are concerned that the proposals do not include any guidance (statutory or non-statutory) on a locally managed consultation process for this purpose. We would ask DfE to include guidance on this in the response to this national consultation.

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

41. Yes, but please see our concerns on local consultation in paragraph 40.

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?

42. Yes.

43. However, we would like to see this proposal as mandatory, rather than just 'should' and extended as mandatory across early years from 9-month-olds to 4-year-olds who are taking up the free entitlements.

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?

44. ASCL supports the ESC in its recommendation to government that the application process for providers is reviewed. This should be done as a matter of urgency.

45. We expect the process for identifying needs and applying for funding to be better aligned with other SEND application processes such as EHCP or respite. This will help families and streamline systems and processes for schools. We want a standardised, digitised, and agile system that mimics what families will experience if they need to go through the process of applying for an EHCP.

46. We would support consideration of a similar approach to the EHCP reforms. This could include standardisation of the process.

47. Reforms to SENIF processes must be accompanied by levels of funding that accurately reflect the cost of support.

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

48. Yes.

49. This will be important if LAs and providers are to align with changes to identifying and communicating needs as part of the SEND Improvement Plan.

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?

50. We take this opportunity to re-iterate the urgent need for greater investment in early intervention and highlight its relevance in closing the disadvantage gap.

51. We think that there may be greater opportunity in the early years for holistic multi-agency working across health and social care. Where these opportunities for provision planning are missed, the outcomes for those young people can be negatively and dramatically impacted.

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

52. We understand that the scope of this consultation is limited to the way funding entitlements for 2-year-olds are distributed.

53. However, we remain concerned about the change in adult:child ratios for 2-year-olds, and we must assume that these ratio changes have impacted on the modelling that government has done to inform funding rates and adequacy in these proposals.

54. We look forward to future consultation on development of the early years entitlements policy that includes an evaluation of both changes to ratios and the adequacy of funding rates.

D. Conclusion

55. ASCL fully support the IFS Deaton Review's guiding principle that early intervention is important. Evidence indicates that preventing inequalities from opening up in the early years is more cost effective than trying to close the gap later in a child's education.

56. The extension to early years entitlements has a significant role to play in this space. We encourage the government to seize this opportunity and optimise the potential impact of early childhood education and care on the life chances of children.

57. I hope that this response is of value to your consultation. ASCL is willing to be further consulted and to assist in any way that it can.

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