By email: EYNFF.consultation@education.gov.uk

15 September 2022

ADCS response to Consultation on EYNFF formulae

1. The Association of Directors of Children's Services Ltd. (ADCS) is the national leadership organisation in England for directors of children's services (DCSs) under the provisions of the *Children Act (2004)*. The DCS acts as a single point of leadership and accountability for services for children and young people in a local area, including children's social care and education. ADCS welcomes the opportunity to comment on the proposals outlined in the EYNFF consultation.

Context

2. ADCS members welcome the premise that updating data used in the EYNFF will mean early years funding will be better matched to need. Early years providers are nearing a point of crisis. They are still dealing with the fallout of the financial impacts the Covid-19 pandemic, including closures, staffing issues and reduced income as enrolments dropped. Alongside this, they have been adapting to the needs of the current two to four year olds whose development has been impacted by pandemic restrictions, including effects on confidence in social settings, gross motor skills, communication and language development, and there are still delays for accessing support for additional needs (Ofsted, 2022).

3. Early years providers are dealing with rapidly growing costs including an increase in the national minimum wage, rising costs of living, and soaring inflation. They are also experiencing severe workforce challenges and are struggling to recruit and retain high quality early years workers, often losing staff to roles in retail, for example, which pay better (DfE, 2022). A recent survey found that 90% of providers reported that their 2022 funding rates are not sufficient to cover the cost of delivering funded childcare places, and a third reported that they were currently operating at a loss (Early Years alliance, 2022).

4. Local authorities have a statutory duty to ensure that there are sufficient free childcare places to enable take-up of Early Years entitlements and this will get harder as more providers become financially unviable and are forced to close. Many providers are raising their fees in order to avoid this, however a recent survey has highlighted the affect that this is having on parents, with 62% saying that their childcare costs are either equal to or greater than their rent or mortgage (Pregnant Then Screwed, 2022). It also found that 41% of parents are reporting waiting lists of six months or more for a childcare provider, and that one in five parents reported that their early years setting had closed in the last 12 months. Without sufficient places available, more parents, generally women, will need to be out of employment in order to care for their child/ren, in turn, damaging the economy.

Targeting funding to those children who are most in need

5. ADCS is concerned that the government's focus in this area does not target those children and families with the most need; only by targeting funding towards the most socially and economically disadvantaged can we effect generational change. The government's flagship 30-hours 'free' childcare policy for working parents of three and four-year old children adversely affects those children with parents who are not working full-time or who are on a zero-hour contract, however, parents who earn up to £199,000 per annum can

benefit from this policy. Special educational needs continue to be more than twice as common amongst 3 and 4-year-olds registered for the 15-hour entitlement than the 30-hour entitlement (DfE, 2022), suggesting that there is a complicated relationship between level of need and access to additional funding. There is an obvious tension between this position and the government's stated drive to improve social mobility.

6. As first mentioned in the ADCS Position Paper – Building a Workforce that Works for All Children (2019), ADCS urges the government to review parental eligibility criteria to prioritise access for the most vulnerable. A proportion of this investment should be re-directed to support the development of this vital workforce in order to address capacity issues and improve access to training and development.

7. High quality early childhood education and care can have positive and long-lasting impacts on children's outcomes, particularly for disadvantaged children. It is vital that two year olds access their free 15-hour entitlement, however only 72% of eligible two year olds are currently receiving it (DfE, 2022). Better promotion is needed to improve take-up of this offer.

8. Considering the economic crisis, it is not surprising that the number of three and four year olds in receipt of the early years Pupil Premium has increased by 15% since 2020. Enhancing the Pupil Premium may help to incentivise providers to focus on vulnerable children and families, ensuring they have access to free childcare places. However, this will do little to alleviate the pressure on the most vulnerable children and their families who may not access free childcare as they struggle to access other more fundamental services, such as housing.

Regional disparity

9. The General Labour Market measure makes up 80% of the area cost adjustment, meaning that a large proportion of the area cost adjustment is determined by wages last calculated in 2013/14. This information is now out of date and is not necessarily reflective of childcare wages across different providers, with many early years workers being paid national minimum and living wages. Beyond this, the formula assumes that more money should be directed towards areas where wages are highest as this is the best proxy for staff related costs. Considering the positive role that high quality early years education plays in closing the attainment gap, higher funding for staff wages should, arguably, be directed towards the most deprived areas. This would drive up quality of staff in early years settings in more deprived areas and align with levelling up aims. It would be worth exploring alternative approaches in the future to ensure funding methods and crucially allocations reflect the current context.

Year-to-year protections

10. Considering the soaring inflation rates, the financial instability of the sector and the importance of early years education for improving later outcomes for children, funding for early years places needs to be reflective of the increasing pressures that early years providers are facing. A minimum of +1.1% increase in hourly funding rates for all local authorities is too low; many early years providers will not be viable if their income is not increased in line with rapidly rising costs. For example, inflation is currently set at 8.8% (ONS, 2022), teacher salaries are increasing with the minimum qualified teacher salary proposed to rise to £30k in 2022 (DfE, 2022). While early years providers have now been afforded some protection from rapidly rising energy costs for the next six months, we await more detail on practicalities and longer term responses. Recent analysis from the Early Years Alliance found that 20 LAs are expected to receive the minimum possible increase

for two, three and four year olds (2022). These areas saw a decline in early years places over the last five years of between 1.6% and 10%, the majority of which are in the North, not supporting the levelling up agenda. For those LAs affected by the gains cap, they will receive less funding than the early years national funding formula has identified them as to require.

Maintained nursery schools

11. According to a DfE report on the role of maintained nursery schools (2019), they provide disproportionately high levels of support to disadvantaged children (five times higher than private providers) and those with special educational needs (14% compared to 4%). At that time, almost two thirds were rated as outstanding compared to 18% of other provider types, demonstrating their role in delivering excellent early years provision to those children who need it most. Being maintained by the local authority, they also have strong links to communities and are an essential element of the early help agenda. Despite this, the numbers of maintained nursery schools have dropped from 600 in 1988 to 385, with the effects of this felt most significantly in disadvantaged areas.

12. The Early Years National Funding Formula does not consider the additional staffing costs that maintained nursery schools face. ADCS welcomes the additional £10 million funding, however, with additional staffing costs on top of the pressures felt by private providers and school nurseries, many maintained nursery schools will remain financially unstable. A recent survey found that 28% of maintained nursery schools had a cumulative deficit in 2021/22, and only 40% were able to set a balanced budget for 2022/23 (National Association of Head Teachers et al, 2022). One in five maintained nursery school expects to close within the next three years.

13. In efforts to save money, maintained nursery schools are seeking savings which may compromise their specialist staffing structure, including sharing one headteacher between two or more federation settings, or the head teacher being the only qualified teacher that a nursery school employs (DfE, 2019). ADCS members report that this results in the headteacher spending more time in the classroom and less time providing strategic leadership as a result.

14. Adequate funding is required for maintained nursery schools to reinstate the staffing structures which best support their specific cohort of young children. This should be genuinely new funding invested in children's outcomes and futures on the strength of available evidence of positive impact rather than a reallocation of existing budgets and funds. In most areas across the country, the majority of early years providers are in the private sector, such a move may therefore risk both sustainability of settings and the ability of LAs to meet sufficiency duties.

15. If you would like to discuss any of the points raised in this consultation further, please contact sarah.wilson@adcs.org.uk in the first instance.