

22 September 2016

By email: EarlyYearsFundingReform.CONSULTATION@education.gsi.gov.uk

ADCS Response to the consultation on an early years national funding formula

1. The Association of Directors of Children's Services Ltd (ADCS) welcomes the opportunity to comment on the proposed early years national funding formula. ADCS is the professional association for directors of children's services (DCS) and their senior management teams. Under the provisions of the Children Act 2004, the DCS is the chief officer responsible for the discharge of local authority functions with regard to education and children's social care and champion for children across wider children's services.
2. The national funding formula has been devised as a means to encourage providers to deliver enough free childcare to meet the government's manifesto commitment of 30-hours free childcare for working families with 3 and 4 year olds. As the consultation document rightly points out, providers cannot be compelled to deliver this, appropriate funding is the only means of incentive. ADCS members are concerned that the available funding is too low to incentivise providers to switch from market rates paid directly by parents to the government rate, particularly if the vast majority of eligible parents are already paying market rates for childcare provision.
3. The average hourly funding rate published by DfE of £4.88 misleads providers and inappropriately raises expectations about increases in hourly rates. The rate includes elements which are not universally applicable but have been spread across all pupils including: the ACA, the Pupil Premium, supplementary funding for Nursery Schools, quality and expertise funding, and the Disability Access Fund. Once the actual hourly rates providers will receive are determined, which in many cases will be lower than £4.88, this may result in disengagement by the sector, resulting in a lack of provision to meet parent demand for the 30-hours free childcare. Local authorities will find it challenging to meet their sufficiency duty if the hourly rate is not attractive enough to encourage providers to offer the additional provision.
4. DfE have indicated that there will not be annual increases in early years funding once the new formula is set within the current spending review period. Given that the consultation acknowledges that staffing is a significant cost of delivery, any increases in the minimum or living wage would place financial pressures on providers if equivalent increases in the hourly rate paid were not made.
5. The extension to 30-hours free childcare for working families with 3 and 4 year olds is essentially a universal offer, only a parent earning over £100,000 (£200,000 for two parents) would not be eligible. There is an obvious tension between this position and the government's stated drive to improve social mobility. If the income threshold was reduced, and fewer parents eligible, increased levels of funding would be available to act as a real incentive to providers while also narrowing the policy to focus on those children and families who are socially and economically disadvantaged.
6. The consultation suggests that 95% of early years funding allocated to local authorities should be passed directly to providers. Introducing a cap on retained funds could destabilise early years teams and threaten the investment made in supporting childcare providers to improve outcomes for children in the early years. A cap on retained funding will have a significant impact on areas which lack

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provision as it will limit the ability of the local authority to help build capacity in the market. ADCS members would welcome the ability to retain a higher level of funding if agreed via an appropriate mechanism at the local level.

7. ADCS members are concerned that there may be a squeeze on places available for disadvantaged 2 year olds in favour of providers switching to 3 and 4 year olds who are entitled to 30-free hours. 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 families who may not access free childcare as they struggle to access other more fundamental services, such as housing.

For further information, please contact Esther Kavanagh Dixon, ADCS Policy Officer, esther@adcs.org.uk / 0161 826 9487

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