



Department  
for Education

# **Early years funding**

**Changes to funding for  
three- and four-year olds**

**Government consultation response**

**December 2016**

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## Foreword

The government is delivering its Manifesto commitment to double our childcare offer to 30 hours per week for working parents of three- and four-year olds. This will reduce the cost of childcare and support families to work and progress their careers after having children, if that is what they choose to do. This new offer is in addition to our existing 15 hour entitlement for all three- and four-year olds, as well as the most disadvantaged two-year olds, and complements our introduction of Tax-free Childcare and our increasing support for lower-income parents on Universal Credit.



We are making this ambitious expansion possible by investing an additional £1 billion every year by 2019-20, including over £300 million per year for a significant uplift to our funding rates. Including all the elements of the government's support for the three- and four-year entitlement, the national average funding rate for three- and four-year olds will increase from £4.56 to £4.94 per hour.

But more funding, even if it is at record levels, is only part of the answer. We now need to ensure that this funding is allocated efficiently and fairly across the country, and that it reaches providers so that they can deliver our entitlements on a sustainable and high-quality basis. That is why we consulted on a national funding formula for the early years and other changes to the way in which funding is distributed.

The consultation generated considerable interest, receiving over 3,000 written responses and attracting over 1,000 representatives from the sector to our consultation events across the country. Our proposals to improve the way we allocate funding have been positively received, with strong agreement that funding must be allocated through a clear and transparent funding formula, and must reach front line early years providers.

I am grateful to all those who took the time to provide us with their thoughts on the changes we proposed. We have considered their feedback carefully and have made a number of important changes to improve our proposals further.

Every local authority will receive a **minimum funding rate of at least £4.30 per hour**. This will give local authorities the scope to pay providers an average funding rate of at least £4 per hour.

We will also extend our additional funding for maintained nursery schools to at least the end of this Parliament (2019-20), and have reviewed our consultation position on funding supplements to enable local authorities to channel extra funding to recognise workforce qualifications and system leadership. I am clear that our expansion of the free entitlement will go hand-in-hand with our commitment to high-quality early education for all children.

I can also confirm our commitment to ensuring that early years provision works as well for children with additional needs as for all children. So to complement the Early Years Pupil Premium, which supports more disadvantaged children, the government will introduce a new national 'Disability Access Fund' to support access for disabled children. We will also ensure that all local authorities have special educational needs inclusion funds to provide additional support for children with special educational needs.

I recognise that these are ambitious changes and I am heartened by the widespread support we received for our proposals to improve the early years funding system. I am confident that they will result in providers being in a stronger position to deliver the free entitlements on a sustainable basis. They will support nearly 400,000 hard-working parents by making it easier for them to balance work with their family lives. And they will help to ensure that every child, whatever their background and individual needs, can access the high-quality early education they need to prepare for school and improve their life chances.

**Rt. Hon Justine Greening MP**

## ***Policies at a glance***

### **National funding to local authorities**

- Hourly funding rates (national average) will increase from £4.56 to £4.94 for three- and four-year olds (including the Early Years Pupil Premium, the Disability Access Fund as well as our supplementary funding for maintained nursery schools, and quality and expertise funding).
- Hourly funding rates (national average) will increase from £5.09 to £5.39 for two-year olds, based on the existing two-year old formula.
- A new early years national funding formula will allocate funding to local authorities for the existing 15-hour entitlement for all three- and four-year olds and the additional 15 hours for three- and four-year children of eligible working parents. It will consist of a base rate and an uplift for additional needs, based on measures of free school meals; Disability Living Allowance and English as an additional language.
- The formula will also include an area cost adjustment multiplier to reflect variations in local costs. This will use the general labour market measure to reflect staff costs and the Nursery Rates Cost Adjustment (NRCA) to reflect premises costs.
- The formula will include a minimum funding rate of £4.30 per hour to local authorities.
- While 80% of local authorities will see increases in their hourly funding rates, we will set a funding floor to ensure that no authority will see a reduction of more than 10% as a result of the formula. Transitional protections will ensure that no local authority sees an annual reduction in their hourly funding rates of more than 5%.
- Our ambition remains that all local authorities should be 'on formula' by 2019-20.

### **Local funding from local authorities to providers**

- We will require that all local authorities pass 93% in 2017-18 then 95% from 2018-19 onwards of early years funding to providers. If there are circumstances where this could create significant difficulties for local authorities, Ministers are willing to consider representations on a case-by-case basis against very tightly defined criteria.
- Local authorities will use a universal base rate to fund providers for each hour of the free entitlement, by no later than 2019-20, bringing about greater equality in funding between different types of provider.
- The government will provide supplementary funding of £55 million a year to local authorities for maintained nursery schools for the duration of this Parliament, to keep their funding stable during the implementation of the national funding formula.
- Local authorities will be able to use a limited set of funding supplements, with a total value capped at 10% of allocated budget to providers. The permitted supplements are for deprivation (mandatory, but for authorities to decide locally the measures they use); discretionary supplements for rurality/sparsity; flexibility; quality (to support workforce qualifications and system leadership); and a supplement for English as an additional language.
- The government will not include supplements for efficiency or for delivery of additional 15 hours.

### **Meeting children's additional needs**

- There will be a new Disability Access Fund (DAF) of £12.5m, equivalent to £615 per child per year to support access to the free entitlements. This Fund will be for three- and four-year olds who are taking up their free entitlement and are in receipt of Disability Living Allowance.
- We will legislate for every area to set up a local inclusion fund for children with special educational needs to support providers in driving outcomes for these children. Local authorities will need to include this in their Local Offer.
- The Early Years Pupil Premium (EYPP) will continue. In future, government will review the delivery mechanism for the EYPP alongside the DAF.

# Executive summary

## Case for change to a national funding formula

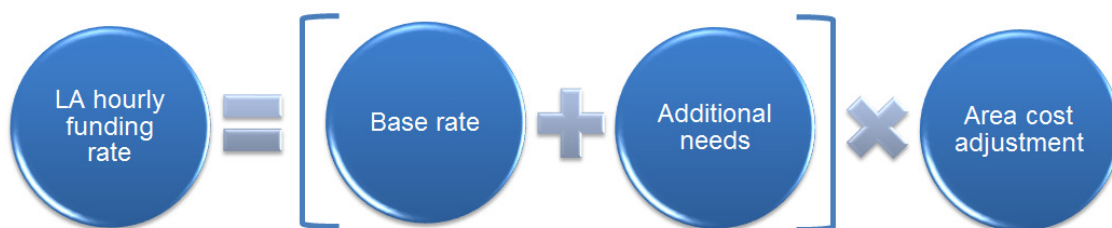
1. We have an ambitious Manifesto commitment to extend the free childcare entitlement to 30 hours for the three- and four-year old children of working parents. This will help nearly 400,000 families from September 2017 by reducing the cost of their childcare and supporting them into work, or to work more hours, should they wish to do so.
2. As we set out in our consultation, the early years providers that will deliver these free places need a sustainable, fair and transparent source of funding. The current early years funding system is, however, based on historic expenditure, leading to significant variations in funding for local authorities which correlate well neither with provider costs nor market prices. This government has been clear that this is neither fair nor justifiable.
3. There are also inconsistencies with the way in which local authorities distribute their government allocations to providers, both in the proportion of government funding which is paid out, and in the differing hourly rates paid to different types of provider. These problems mean that the funding received by providers delivering the same entitlement varies considerably.
4. A consultation on early years funding (*Changes to funding for 3- and 4-year olds*) ran for six weeks from 11 August to 22 September 2016. During this time, we received 3,121 responses to an online survey and engaged face-to-face with over 1,000 sector representatives at a series of consultation events across the country where there was widespread support for our case for change.

## The early years national funding formula

5. The early years formula has been designed to allocate funding fairly, efficiently and transparently, allowing local authorities to ensure that sufficient numbers of providers are willing and able to deliver 30 hours of free childcare on a sustainable basis, and go on delivering the 15 hours entitlement.
6. The formula will allocate funding for three- and four-year olds, both the existing universal 15 hour entitlement and the new 30 hour entitlement for children of working parents. It will commence in April 2017 for the existing 15 hours alongside the funding rate uplift announced in the 2015 Spending Review; and for the additional 15 hours when 30 hours of free childcare is implemented nationally from September 2017.
7. 73% of consultation respondents supported our creation of a sustainable, fair and transparent early years national funding formula. However, our extensive stakeholder engagement and consultative process raised some concerns around

the effects of the new national formula on authorities in the lower hourly funding range. We have considered these carefully and concluded that it is sensible to provide further support to authorities by guaranteeing that every local authority will receive a **minimum funding rate of at least £4.30 per hour**, paid for by additional investment, i.e. on top of the £300m uplift. With the high pass-through of funding to the front line (detailed below), this will give local authorities the scope to pay providers an average funding rate of at least £4 per hour.

8. With the strong support of respondents, the formula will feature three funding factors that determine the funding per child that each local authority receives:
  - a) a **base rate of funding** for each child;
  - b) an **additional needs factor**, reflecting the extra costs of supporting children with additional needs to achieve good early learning and development outcomes; and
  - c) an **area cost adjustment**, reflecting the different costs of providing childcare in different areas of the country.



9. As set out in our consultation, the base rate will channel 89.5% of funding with the remaining proportion for additional needs based on: free school meals eligibility; having English as an additional language; and being in receipt of Disability Living Allowance.
10. With wide support from consultees, an area cost adjustment (ACA) will be used. The ACA reflects cost differentials between local areas, particularly in terms of the staff costs, which are the main cost driver for childcare providers. There were mixed views on the precise metrics to be used, and to the government has decided that the ACA will be based on a general labour market measure, adjusted for relative nursery premises costs based on business rates data.
11. 60% of respondents agreed or strongly agreed with our provision of stability for areas that need to make savings by building a 'maximum reduction' into the formula. Though nearly 80% of LAs will see hourly funding rates rise, no local authority will face a reduction in its hourly funding rate of more than 10% against its 2016-17 baseline as a result of introducing this formula. In addition, a 5% annual loss cap means that all areas will have a fair and manageable transition to the new formula.

## Local authority funding of providers

12. The formula will deliver a significant improvement to the way in which the national early years budget is allocated to local authorities. But this cannot, in and of itself, ensure that providers themselves receive the funding they need to deliver the free entitlements. To do this, we will improve the way in which local authorities distribute funding to their local providers via three key changes.
13. First, by requiring local authorities to pass through a minimum proportion of early years funding to providers. 68% of consultees agreed. There was less agreement on the level at which it should be set: 27% thought the proposed 95% level too low; 9% thought it was too high and 48% agreed it was an appropriate level. To balance these views, the government has decided to retain a transitional approach and set the level at 93% in 2017-18 and 95% thereafter. This ensures that the vast majority of the record investment in the early years will be passed onto providers.
14. Second, we will make local authority funding formulas fairer to different types of providers by requiring local authorities to use a 'universal base rate' of funding for all providers: 65% agreed with this. It means that a child in a private or voluntary setting would receive the same basic level of 'per child' funding as a child in a nursery class in a primary school. To ease the transition to this new system, this will only be a requirement from 2019-20, although it is expected that local authorities will be making progress well ahead of then.
15. There were differing views on the universal base rate from some types of providers. In particular, maintained nursery school (MNS) respondents noted that as a result of being constituted as schools, they had additional specific statutory responsibilities such as delivering teacher-led provision. The government recognises that MNS bear costs over and above other providers. For this reason, the government will provide supplementary funding of £55 million a year to local authorities for the duration of this Parliament. This will enable local authorities to maintain their current funding levels for MNS during the wider changes in early years funding, and ensure that the important contribution these schools make to the social mobility of young children in disadvantaged areas and the wider early years sector continues. As the universal base rate is introduced, we will allow local authorities to continue to provide a higher level of funding to maintained nursery schools. We remain committed to consulting in regard to the future role of maintained nursery schools and how best to secure their high quality provision for the longer term.
16. Third, we will reduce the variation in local formulas so that they are simple, clear and maximise funding for providers. With 76% in support of the use of supplements, we will ensure that they will be focused on key drivers of local cost. We will introduce a 10% cap on the funding that authorities can allocate to providers through these supplements – over half of consultation respondents supported this.



17. We will continue to mandate the use of a deprivation supplement, and allow discretionary supplements for flexibility and sparsity/rurality. With significant support from the consultation, including via stakeholder events, the government has decided that, to reflect the costs associated, local authorities should be able to include a discretionary supplement for English as an additional language.
18. Consultees highlighted concerns at the lack of a quality supplement, specifically as a tool to support workforce qualifications and drive system leadership. The government absolutely agrees the importance of ensuring quality and will therefore allow a discretionary quality supplement for workforce qualifications and system leadership.
19. Consultation responses and stakeholder events also highlighted concerns about the proposed efficiency supplement and additional 15-hours supplement. To allay these concerns the government has decided not to allow these supplements in local formulas.

## **Support for children with special educational needs and disabilities**

20. We know that the current funding system does not serve the needs of children with special educational needs and disabilities (SEND) consistently. We are tackling this via two new components of early years funding so that families and children with SEND can access and benefit from the free early education and childcare that they are entitled to.
21. There was overwhelming agreement (89%) to the Disability Access Fund which we will introduce from April 2017. The purpose of the fund is to support early years providers to make initial reasonable adjustments and build the capacity of their setting to support disabled children. Providers will receive additional funding for children in their setting in receipt of Disability Living Allowance (DLA). Consultees asked for clarity over the amount – government can confirm that this will be £615 per year for every child eligible.
22. The government heard concerns around using DLA as a metric for the Disability Access Fund. However DLA is the government's assessment process for eligibility to disability support and no better alternatives were proposed. In response to stakeholders' concerns that using the existing Early Years Pupil Premium (EYPP) framework might be sub-optimal, we will review the delivery mechanism of the EYPP and the Disability Access Fund.
23. We will require all local authorities to build on existing good practice by having a local SEN inclusion fund, by April 2017, to support providers in improving outcomes for children with special educational needs. 78% of respondents agreed or strongly agreed with this.

24. Further, in response to views from across all areas and parts of the sector we will require local authorities to publish details on how they are using their SEN inclusion fund to support their early years SEN cohort, as part of their published 'Local Offer'. This will include the fund's planned value, eligibility criteria, and the process for allocating the fund to providers.
25. These measures will help providers by making it easier for them to access additional funding to support children with SEND. In turn they will help families by securing better access to the free entitlement and improved outcomes for their children.

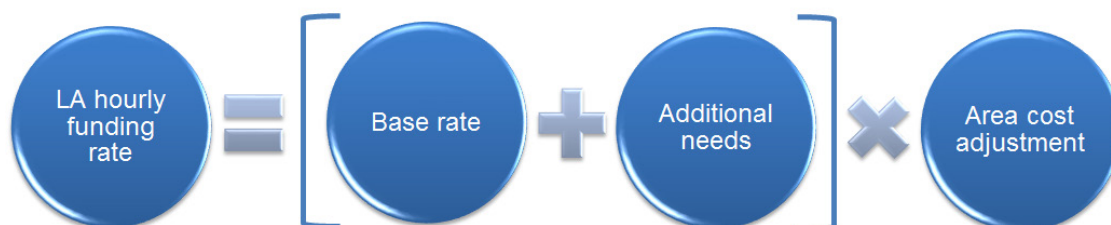
## **The impact of our proposals**

26. We are providing over £300m per year to uplift government funding rates. This includes the introduction of the £4.30 minimum funding rate for local authorities which means that 80% of local authorities will see increases in their hourly funding rates. Our 95% pass-through requirement will also maximise funding to the front line; local authorities will therefore have the scope to pay providers an average funding rate of at least £4 per hour.
27. For the minority of local areas who will see reductions in their hourly funding rates, these will be capped at 5% per year and 10% overall. Furthermore, the 95% pass through means that even when local authorities do see reductions in their hourly funding rates, these will not necessarily translate into reductions for providers.
28. The table published alongside this response shows the impact on individual local authorities from these changes.

# Part 1: Funding from central government to local authorities

## An early years national funding formula

1. We are committed to putting the distribution of the government's increased investment in the early years onto a fair, simple, transparent and evidence-based footing, ensuring that local authorities can pay their local childcare providers a sustainable rate of funding and attract new providers into the market.
2. That is why we proposed an early years national funding formula to allocate funding for both the existing 15 hour universal entitlement and the additional 15 hours for working parents. This provides a fair and transparent hourly rate for each local authority using a base rate, an element to reflect additional needs and an area cost adjustment to account for local variations in costs:



### We asked:

**Q9:** Should there be an early years national funding formula (to distribute money from central government to each local authority)?

### We heard

3. The majority of consultation respondents (73% of 3,121) were in favour of an early years national funding formula.

### Government response

4. Given the broad support for an early years national funding formula, government intends to implement this. Our funding formula will apply from April 2017 for the existing 15 hour entitlement and from September 2017, for the additional 15 hours of free childcare for working parents.
5. Early years national funding formula allocations to local authorities will be on a participation basis, and we will update allocations in due course to reflect any changes in the cohort of children. We will also keep under review the other data

underpinning formula factors and area cost, such as business rates data which is in the process of being updated.

## Base rate

6. We proposed channelling 89.5% of total formula funding through a base rate of funding for each child that will not vary across local authorities.

### We asked:

**Q10:** Considering a base rate of funding which does not vary by local area...

- Should a base rate be included in the national funding formula?
- Is 89.5% of overall funding the right amount to channel through this factor?

## We heard

7. Nearly three-quarters of all consultation respondents (73% of 3,121) agreed that there should be a base rate.
8. There was less certainty among respondents about the proportion of early years funding that should be channelled through the base rate. 39% of respondents were unsure about the proposed 89.5% proportion and over one-third disagreed (35%). There was no consensus on what proportion would be preferred: some suggested the proportion should be lower; others higher.

## Government response

9. As supported by respondents, we will use a base rate in the national funding formula. Although there were mixed responses on the weighting of the base rate, we remain of the view that 89.5% is an appropriate level to ensure sufficient basic funding for each and every child, while making sure that adequate levels of funding are also channelled to those with additional needs.

## Additional needs factor

10. We proposed an additional needs factor in the formula to channel funding using three elements: socio-economic disadvantage (using a metric of free school meals, FSM); special educational needs and disabilities (with metrics of free school meals and the Disability Living Allowance, DLA); and children with English as an additional language (EAL). Our proposed factor weightings were 8% for FSM, 1% for DLA and 1.5% for EAL.

## **We asked:**

**Q11:** Considering an additional needs factor...

- Should an additional needs factor be included in the early years national funding formula?
- Do we propose the correct basket of metrics?
- Do we propose the correct weightings for each metric?

## **We heard**

11. The vast majority of consultation respondents agreed that an additional needs factor should be included in the funding formula (79% of 3,121), although there were some concerns about the metrics used.

## **Government response**

12. We will include an additional needs factor in the formula, with which most respondents agreed.
13. Consultees suggested some alternatives to using the measure of free school meals at Key Stages 1 and 2. However, in order to allocate funding via the early years national funding formula, we need a metric with consistent data available nationally. If we were to use data on the two-year old entitlement, as some suggested, the eligibility criteria alone are not enough: they do not provide an actual dataset which could be used. Instead, we would have to use data on take-up of the two-year old programme<sup>1</sup>. Such data varies considerably between local authorities (between 34% and 94%); and from year-to-year (for example one local authority saw a 28%pt increase in take-up from 2015 to 2016, another saw a 6%pt decrease). It is therefore not sufficiently robust or stable to use for the additional needs funding factor. For this reason, we intend to proceed with our proposal to use the proportion of children in a local area receiving free school meals at Key Stages 1 and 2, weighted so that 8% of total formula funding is directed according to this metric. We consider that this is the best proxy measure for the additional costs of providing childcare for more disadvantaged children and children with low-level special educational needs.
14. It was also suggested that DLA is not an accurate enough proxy for more complex special educational needs and disabilities. The government believes that while it may not be a perfect proxy, DLA is a consistent, national level dataset which is up-to-date, inherently linked to children's needs, and more comprehensive than any

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<sup>1</sup> <https://www.gov.uk/government/statistics/education-provision-children-under-5-years-of-age-january-2016>

alternative. It is also a dataset which was proposed in the ISOS Partnership<sup>2</sup> report. We therefore intend that 1% of the total formula will be directed according to this metric.

15. We will use the data on English as an additional language (EAL) in this formula. Data on this is drawn from the school census and is for children whose first language (the language to which a child was initially exposed during early development and continues to be exposed to in the home or in the community) is not English. We intend to use Key Stage 1 and 2 data because there is no EAL metric for under-fives. 1.5% of total formula funding will be directed according to this metric.

## Area cost adjustment

16. We recognise that staff costs and nursery premises costs make up the bulk of costs, and that these can vary considerably across the country. We proposed an area cost adjustment to account for these variations, as a multiplier of both the base rate and additional needs factor.

### We asked:

**Q12:** Considering an area cost adjustment...

- Should the early years national funding formula include an area cost adjustment?
- Should that adjustment be based on staff costs (based on the general labour market measure) and on nursery premises costs (based on rateable values)?

### We heard

17. Nearly three-quarters of all consultation respondents (73% of 3,121) agreed that the formula should include an area cost adjustment. Only 17% disagreed and when explaining why, a general view was that all areas (or all with the exception of London) should be considered either equally, or against a range of factors that did not create what they perceived to be a disparity across the regions.
18. There were also mixed views on the adjustment being based on staff and nursery premises costs. Just over half of respondents agreed with this dual approach (52%) and 30% disagreed.

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<sup>2</sup> Funding for young people with special educational needs  
<https://www.gov.uk/government/publications/funding-for-young-people-with-special-educational-needs>  
(Table 5LA . Figures exclude Isles of Scilly and City of London)

19. With regard to the premises costs element, some respondents felt that the proposal to use nursery rateable values was not appropriate because it did not reflect differentials in rent/rates accurately between neighbouring boroughs. During face-to-face consultation, childminders using domestic premises voiced concern that rateable values were not as relevant to them as private and voluntary providers.

## **Government response**

20. With wide support from consultees, an area cost adjustment will be used within the formula.
21. On staff costs, we confirm our intent to use the general labour market measure as the principal component of our ACA. Use of this measure is consistent with a range of funding across government where there is a demonstrable link to wage costs. Variations in average early years wage costs correlate well to the general labour market measure. We considered alternative metrics, but we do not believe these are appropriate, because they are either already covered elsewhere in the formula (deprivation and EAL are covered by our additional needs factor for example); because they do not correlate well to early years wage costs; or because they are not available as robust national datasets.
22. We acknowledge the concern raised by a small number of local authorities around the variation in rateable values for nursery premises between neighbouring authorities. Rateable values reflect the annual rental value that properties (in this case, day nurseries and play schools) could achieve on the open market, and there is an appeals process available if ratepayers believe the valuations are incorrect. Rateable values in different areas are assessed according to the value of property in those particular locations, and therefore the government believes that the variation in rateable values for nursery premises between neighbouring authorities is justifiable. Therefore, we confirm our intent to base the smaller element of our ACA on the rateable values of nursery premises (based on 2010 business rates data), reflecting the fact that rates are a good proxy for premises costs.

## **10% funding floor**

23. In order to provide stability, we proposed to limit the impact of the formula for the minority of local authorities where it meant savings would be needed in comparison with historic funding rates. We proposed doing so by building in a

funding floor: no local authority should face a reduction in its hourly funding rate of greater than 10% against its 2016-17 baseline<sup>3</sup> as a result of introducing the formula.

### **We asked:**

**Q14:** 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%?

### **We heard**

24. Regarding the 10% funding floor, 60% of the 3,121 respondents either agreed or strongly agreed with this proposal. 22% disagreed or strongly disagreed and 15% gave a neutral response.

### **Government response**

25. It is important that sufficient funding gets to every area, including those which have been less generously funded in the past, to enable and incentivise delivery of the Manifesto commitment to 30 hours of free childcare. We also need to ensure that the introduction of the formula does not destabilise existing provision and jeopardise sufficiency in the minority of areas that do need to make savings.
26. Our proposal for a 10% funding floor was intended to strike the right balance between these two considerations and given respondents' support for this, we confirm that no local authority will face a reduction in its hourly funding rate of more than 10%, against its 2016-17 baseline, as a result of introducing this formula.

### **A new £4.30 minimum funding rate**

27. Our consultation focused on how the government could best distribute the increased early years budget for the three- and four-year old free entitlements. Therefore, we did not ask a specific question on the overall size of this budget. Nevertheless, concerns over the overall level of funding were a significant theme throughout the consultation.

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<sup>3</sup> As mentioned in the schools National Funding Formula consultation in February (<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula>) we carried out an exercise to 're-baseline' the four blocks of the DSG for each local authority. This is to ensure that each block aligns with the pattern of each authority's spending in 2016-17, rather than how the government allocated the funding to them.



## We heard

28. Analysis of responses indicated concerns around childcare sufficiency related to:
  - National Living Wage / National Minimum Wage, including future increases;
  - staff costs, including higher costs for more qualified staff; and
  - Business rates and premises costs.
29. Respondents emphasised that as a consequence of such cost pressures, quality and standards could decline.

## Government response

30. The government is investing an additional £1 billion per year in the free early years entitlements by 2019-20, including over £300 million per year to raise the hourly average funding rate. This record level of investment was based on our 'Review of Childcare Costs' which was described as "thorough and wide ranging" by the National Audit Office. The Review considered both current costs of provision as well as the implications of future cost pressures such as the introduction of the National Living Wage.
31. As set out in our consultation document, this new investment means that the majority of local authorities will see increases in their hourly funding rates and providers can expect to benefit to an even greater degree. The government acknowledges however the concerns expressed over funding rates, particularly by those local authorities and providers with lower rates, and has considered these carefully.
32. In response, the government has concluded that it is sensible to provide further support by guaranteeing that every local authority will receive a **minimum funding rate of at least £4.30 per hour**. With the high pass-through of funding to the front line, this will give local authorities the scope to pay providers an average funding rate of at least £4 per hour. This will be paid for by additional investment i.e. on top of the £300m uplift, and demonstrates the government's real commitment to ensuring that sufficient numbers of providers are willing and able to deliver the free early years entitlements nationwide.

## Two technical questions

### Funding formula for two-year olds

33. Funding for the most disadvantaged two-year olds is already allocated on a fair and formulaic basis and so was not covered by our proposals. The government has however committed to uplift the average two-year old hourly funding rate from

£5.09 to £5.39 and to implement this, we proposed retaining the current two-year old formula.

### **We asked:**

**Q15:** To implement the increased hourly rate for the two-year old free entitlement...

- Should we retain the current two-year old funding formula?
- Should we use the additional funding secured at the spending review to uplift local authorities' allocations based upon this?

### **We heard**

34. Almost two-thirds of respondents (61% of 3,121) agreed that the current two-year old funding formula should be retained and 62% agreed that we should use the additional funding to uplift local authorities' allocations based on this.

### **Government response**

35. Given the support received, government will proceed with implementing the increased hourly rate for the two-year old free entitlement based on the existing formula, from April 2017.

### **A technical note on the Dedicated Schools Grant**

36. As part of looking at the way in which the Dedicated Schools Grant funding is allocated in the future, we proposed that early years funding within the DSG should be (i) capped at 15 hours for all three- and four-year olds and (ii) capped at 30 hours for three- and four-year old children of eligible working parents. This would be true for all children taking up the free entitlements, whether they are in a maintained or non-maintained setting.

### **We asked:**

**Q16:** Considering the Dedicated Schools Grant, should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?

### **We heard**

37. Over half of all consultation respondents (58% of 3,121) agreed that the free entitlement should be capped at 30 hours for children of eligible working parents, and 15 hours for all other children; fewer than a quarter disagreed (24%). However, a small number of local authorities raised concern about the impact this might have on their funding.

## Government response

38. This technical correction to the Dedicated School Grant would resolve a historic anomaly where government funded some four-year olds to receive up to 25 hours childcare rather than 15 hours. While we are committed to making the change proposed in our consultation, we recognise that doing so straight away could cause unnecessary turbulence in a small number of areas. Therefore, we intend to transition this change, so rather than implementing it from 2017-18, we will do so from 2019-20.

## Part 2: Local authority funding to providers

### Maximising funding to providers

39. Ensuring local authorities pay a sustainable funding rate is key to enabling providers to thrive. We therefore proposed changes to local funding arrangements alongside our early years national funding formula to maximise funding to providers.

### Passing through 95% of funding to providers

40. We proposed a high minimum percentage of early years funding that local authorities must pass through to childcare providers. We proposed a level of 95%. Putting this in context, the median (average) central spend for three- and four-year olds in 2015-16 was 5% while the mean was 6%. The 95% level (and the slightly lower level of 93% in 2017-18) was set to balance the need to ensure that funding reached providers against the risk of reductions to in-kind support services provided by LAs before buy-back<sup>4</sup> models can be established.

#### **We asked:**

**Q17:** Should government set the proportion of early years funding that must be passed on to providers?

**Q18:** Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers?

#### **We heard**

41. Over two-thirds of survey respondents agreed that government should set a proportion of early years funding that must be passed on to providers (68% of 3,121). There were a range of views on the level at which it should be set: around half (48%) agreed our proposal is appropriate; 27% thought it too low; and 9% thought it too high.
42. We heard many calls for monitoring and transparency to ensure local authorities adhere to the minimum pass-through rate. Some local authorities were concerned

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<sup>4</sup> By 'buy-back' we mean where, instead of receiving a support service free at the point of use, providers chose the services (for example, improvement services, training or business support) they require and buy those services from their local authority or another provider.

on the impact the policy might have on local issues, such as local authority support services for children with SEND.

## Government response

43. The government will proceed with proposals to require 93% (in 2017-18) and 95% (from 2018-19) of the planned early years funding rate to be passed from local authorities directly to providers. This will ensure that our record investment in the early years entitlements reaches the front line by limiting the degree to which local authorities can retain money to spend centrally.
44. However, under the existing system we know that many local authorities already have very low or zero reported levels of central spend, meaning that providers already receive the vast majority of the funding allocated by central government. With the introduction of the high pass-through policy, we do not expect local authorities to reduce the amount of central government funding they are already passing on to providers if it is already above our recommended level.
45. We will regulate to ensure compliance with the policy. Technical details of how we intend to define and monitor compliance are set out in the accompanying operational guidance.
46. The Department for Education is willing to consider requests to dis-apply the high pass-through requirement in exceptional circumstances only, until 2019-20, while early years funding changes bed in. Such requests will be judged against very tightly defined criteria, including evidence that local providers are content to deliver the entitlements if the local authority passes on less than 93% (in 2017-18) and 95% (from 2018-19). Further details are set out in accompanying operational guidance.

## A universal base rate for all types of provider

47. We proposed that, by 2019-20, all local authorities should be required to set a universal base rate in their local single funding formulas which is the same for different types of provider.

### We asked:

**Q20:** Should local authorities be required to give the same universal hourly base rate to all childcare providers in their area?

### We heard

48. Two-thirds of respondents (65% of 3,121) agreed that local authorities should be required to give the same universal base rate to all childcare providers in their

area. We heard that this approach could be an opportunity to improve quality in voluntary and private providers.

49. A significant minority (28%) did not agree with this proposal, some of whom represented maintained nursery schools. Concern generally centred on the higher costs involved in running maintained nursery schools. It also indicated that these offered high quality provision and specialist services to disadvantaged children, and that they might not remain sustainable were a universal base rate introduced. A range of comments were made about the universal base rate not taking into account differences in provision such as adult to child ratios and qualification requirements.

## **Government response**

50. Given support for our proposal, the government will proceed with requiring all local authorities, by 2019-20, to distribute a universal base rate to all childcare providers in their area. We will monitor progress in moving toward the universal base rate over the next two years.
51. The government recognises that maintained nursery schools (MNS) bear costs over and above other providers. For this reason, the government will provide supplementary funding of £55 million a year to local authorities for the duration of this Parliament. This will enable local authorities to maintain their current funding levels for MNS during the implementation of changes to early years funding, and ensure that the important contribution MNS make to the social mobility of young children in disadvantaged areas and the wider early years sector continues. As the universal base rate is introduced, we will allow local authorities to continue to provide a higher level of funding to maintained nursery schools. We remain committed to consulting openly regarding the future role of maintained nursery schools and how best to secure their high quality provision for the longer term.

## **Funding supplements**

52. We proposed that, in addition to the universal base rate, local authority funding formulas could use funding supplements whose total value will be subject to a 10% cap. Whilst we want to end arbitrary and unjustified differences in the funding rates paid to different providers, it is important that local authorities retain the ability to manage their local markets and recognise localised cost pressures.

## We asked:

**Q21:** Considering funding supplements that local authorities could choose to use (above the universal base rate)...

- Should local authorities be able to use funding supplements?
- Should there be a cap on the proportion of funding that is channelled through supplements?

**Q22:** If you agree that there should be a cap on the proportion of funding that is channelled through supplements, should the cap be set at 10%?

**Q23:** Should the following supplements be permitted:

- Deprivation
- Sparsity / rural areas
- Flexibility
- Efficiency
- Additional 15 hours of childcare

**Q24:** When using funding supplements, should local authorities have discretion over the *metrics* they use and the *amount* of money channelled through each one?

## We heard

53. Three-quarters of all respondents (76% of 3,121) thought that local authorities should be able to use funding supplements.
54. There was less certainty about there being a cap on the proportion of funding channelled through supplements. 51% agreed; 25% disagreed and 20% were unsure. This mix of views was reflected in the discussion we heard during our face-to-face engagement; a balance was sought between channelling more funding to the children with the greatest needs and preventing the erosion of the universal base rate for all providers. Around 22% of respondents agreed with the cap being set at 10%; a third (34%) were unsure. 15% and 13% respectively supported a higher or lower proportion.
55. The vast majority of respondents (81%) agreed that a deprivation supplement should be permitted. We heard support for the deprivation supplement to continue to be mandatory but the metrics that local authorities currently use should be revised; that local authorities should consider more factors than income and that

Ofsted's recent report 'Unknown children – destined for disadvantage?'<sup>5</sup> is a valuable source of helpful criteria.

56. There was overall support for a rurality/sparsity supplement. Looking at the free text responses of the 24 predominantly rural local authorities, some authorities cautioned that the metrics of such a supplement should be chosen carefully – with sustainability / economies of scale / size of setting considerations more important, in their experience, than measures of distance.
57. We also heard that flexibility supplements are already used in some areas and that this channel of funding helps providers to meet the needs of parents. It may be particularly helpful for childminders.

## Government response

58. The government will allow authorities to use a basket of funding supplements up to a maximum of 10% of the total funding given to providers. All authorities will continue to be required to have a mandatory deprivation supplement and will have discretion over the metric they use.
59. We will permit authorities to use a discretionary rurality/sparsity supplement. We have reflected on the stipulation of the distance metric suggested in the consultation and concluded that it could be unnecessarily restrictive. We will therefore allow local authorities to frame this supplement as they see fit.
60. We will permit authorities to use a discretionary flexibility supplement to support, for example, local demand for a particular type of provider or for meeting particular parental working patterns. Authorities will have discretion over the metric they use.

## Specific funding supplements: efficiency, quality and additional 15 hours of childcare

61. We asked specific questions on two supplements that are not yet used, but have the potential to help local authorities improve business sustainability or manage their local market.

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<sup>5</sup> 'Unknown children – destined for disadvantage?' (Ofsted, 2016)  
<https://www.gov.uk/government/publications/helping-disadvantaged-young-children-ofsted-thematic-report>



## **We asked:**

**Q25:** 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?

**Q26:** 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?

**Q27:** If you think that 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.

## **We heard**

### *Efficiency supplement*

62. Only just over one-third of respondents (37% of 3,121) thought an efficiency supplement should be permissible and a similar proportion (36%) said that it should not be included. 20% were unsure. The most prevalent reasons for disagreement were that strong and sustainable business models should be their own reward; and that efficiency is difficult to define and measure.

### *Additional 15 hours supplement*

63. There was stronger support for a supplement to encourage providers to offer the additional 15 hours of childcare to working parents; half of all respondents agreed (53% of 3,121) and some made recommendations for its design.

64. In contrast to the survey responses however, nearly two-thirds of those who provided free text responses emphasised that they did *not* agree with this supplement (63% of 493). They reported concerns that the proposal would unfairly disadvantage providers who were unable to offer the additional 15 hours due to capacity limitations or because they serve areas where the vast majority of their children are eligible for the universal 15 hours only.

### *Quality*

65. The consultation stated that the government was minded not to allow a quality supplement. However, many concerns were raised about this proposal.

66. 40% of 767 free text responses recommended a quality supplement; specifically that it should reflect higher rates of pay for more qualified staff. A further 16% suggested a measure based on Ofsted ratings and there were other related ideas for metrics such as provision for gifted and talented children and measuring children's outcomes.

67. We also heard ideas around the promotion of ‘system leadership’, for example that high quality settings could be rewarded for supporting other providers who serve areas of disadvantage and/or brokering structural solutions to meet parents’ patterns of demand with a consistently high quality offer.

*New supplement ideas: English as an additional language (EAL)*

68. A number of respondents suggested an EAL supplement. We were consistently asked why there should be a funding factor for EAL in the national funding formula but not in the local funding formula.

## Government response

69. We will not include efficiency in the basket of supplements. While the government remains committed to efficient provision, we acknowledge the challenges in defining a metric robust enough to allocate additional funding.

70. While we were attracted to having an ‘additional 15 hours’ supplement to incentivise 30 hours delivery, we do not wish to disadvantage providers that, due to capacity or other constraints, are unable to deliver. So while the arguments are more finely balanced here, we will not include this supplement for 2017-18 but will keep this supplement’s future possible inclusion under review.

71. We will allow authorities to use a discretionary quality supplement to recognise workforce qualifications and system leadership and are persuaded to allow authorities to use a discretionary ‘English as an additional language’ supplement.

72. The resulting position on supplements for 2017-18 is as follows:

Supplements		
Category	Mandatory / discretionary	Allowed / not allowed
Deprivation	Mandatory	Allowed
Rurality/Sparsity	Discretionary	Allowed
Flexibility	Discretionary	Allowed
Quality	Discretionary	Allowed (used for workforce qualifications and/or system leadership)
English as an additional language	Discretionary	Allowed
<i>Efficiency</i>	<i>N/A</i>	<i>Not allowed</i>
<i>Additional 15 hours</i>	<i>N/A</i>	<i>Not allowed (future possible inclusion will be kept under review)</i>

## Part 3: Meeting the needs of disabled children and children with special educational needs

### Introduction

73. The government is clear that all children should be able to access their free early years entitlement and that no child should have their access restricted or denied because of special educational needs or a disability. We recognise that there are issues with the way the funding system currently works to support disabled children and children with SEN. We proposed two new models for allocating additional funding to help address this:
- A targeted **Disability Access Fund**, paid as an annual sum to providers in respect of children in receipt of Disability Living Allowance (DLA) taking up a place in their setting. The purpose of the proposed fund would be to aid access to free childcare places for disabled children.
  - **SEN inclusion funds**. We suggested that all local authorities set up SEN inclusion funds in their local funding systems. The purpose would be for local authorities to work with providers to support the needs of children with SEN.

### Targeted Disability Access Funding

#### We asked:

**Q29:** Should there be a Disability Access Fund to support disabled children to access their free entitlement?

**Q31:** Should eligibility for the Disability Access Fund be children aged 3 or 4 who are a) taking up their free entitlement and b) in receipt of Disability Living Allowance?

**Q31:** 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?

#### We heard

74. A very large majority of respondents agreed that there should be a Disability Access Fund to support disabled children to access their free entitlement (89% of 3,121 respondents).
75. Just over half agreed with our eligibility proposal (53%); 26% disagreed, 19% were unsure. Of those offering additional commentary, over half (59% of 771) thought the DLA measure would not cover all relevant children because they will not meet DLA criteria or because they have not yet been diagnosed.

76. 40% of 3,121 respondents agreed that the existing framework of the Early Years Pupil Premium (EYPP) was the most appropriate mechanism for delivering the Disability Access Fund. However, some respondents were concerned that this was not a robust enough model on which to base the delivery of the Disability Access Fund.

## **Government response**

77. From April 2017, the government will introduce the new targeted early years Disability Access Fund of £12.5m, to enable a fixed lump sum payment of £615 per eligible child per year to be paid to early years settings that are providing a free entitlement place for three- and four-year olds.
78. We have considered the responses and concerns around the eligibility criteria, specifically in using Disability Living Allowance (DLA) as a measure. There was however no consensus on a viable alternative proxy for disability in the early years, so we have decided that the eligibility criteria for receiving the Disability Access Fund should be receipt of DLA.
79. The purpose of the Disability Access Fund is to aid access to places. Additional funding for providing ongoing support for disabled young children will continue to be available from the high needs block of the DSG, including for children with Education, Health and Care (EHC) plans. Children with SEND who are not in receipt of DLA will also be able to access support from their local SEN inclusion fund.
80. In response to concerns raised that the existing delivery model of the EYPP is sub-optimal, we will review how both this and the Disability Access Fund are delivered.

## Special educational needs inclusion funds

### We asked:

**Q33:** On the SEN inclusion fund:

- 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)

**Q34:** When it comes to establishing an inclusion fund...

- Should local authorities be required to establish an inclusion fund?
- Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?

**Q35:** 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.

**Q36:** When it comes to the SEN inclusion fund, should local authorities be responsible for deciding...

- The children for which the inclusion fund is used?
- The value of the fund?
- The process of allocating the funding?

**Q37:** 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?

### We heard

81. Nearly three-quarters of respondents (73% of 3,121) agreed 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. 78% of respondents agreed or strongly agreed that local authorities should be required to set up an inclusion fund, and that such a fund would help to improve the appropriate support that children receive in early years settings. It was widely recognised that many local authorities already have some form of SEN inclusion fund, and there was support for ensuring that best practice is replicated across the country.
82. In identifying barriers to the requirement for local authorities to set up an inclusion fund, the main concerns were that the system would be too slow (23% of 924); that there wasn't capacity within existing funding streams to deliver the fund

(21%); a lack of clarity (20%); and the view that providers would be underfunded (17% and reflected in some respondents' comments). There was not significant commentary on how these barriers should be overcome.

83. Respondents were in broad support that local authorities should be responsible for deciding the children for whom the fund can be used (62% of 3,121); the fund's value (56%) and the process by which it is allocated (59%).

## Government response

84. The government will require all local authorities to establish SEN inclusion funds for three- and four-year olds in their local funding systems from April 2017. This will build on existing good practice, and will support providers in all areas of the country to address the needs of individual children with SEN in the early years. Local authorities may wish to use a similar approach for two-year olds but we are not making this a requirement.
85. Local authorities, in consultation with their local early years providers, parents, and SEN specialists, will be responsible for deciding the children for which the SEN inclusion fund will be used. Our view is that the fund would be best focused on children with lower level or emerging SEN, since those with more complex SEN (broadly those children in receipt of an Education, Health and Care (EHC) plan) can receive additional funding via the high needs DSG block.
86. Local authorities will be responsible for deciding the amount of money (pooled from either or both of their early years and high needs DSG funding) that they set aside for their SEN inclusion fund, and how the fund will be allocated to providers. However, these decisions should be taken only after discussions between local authorities and providers on the level of SEN resource and support which will be offered, bearing in mind the number of SEN children in the local area; their level of need; the capacity of their early years market to support these children without a call on additional resource; and the appropriate balance of funding between the SEN inclusion fund and the universal base rate.
87. We will require local authorities to publish details of their eligibility criteria along with the planned value of the fund at the start of the year, and the process for allocating funding to providers as part of their 'Local Offer'.
88. We expect local authorities to pass the majority of their SEN inclusion funds to providers in the form of top up grants on a case-by-case basis: this will count within the 95% pass-through. They can also use part of their SEN inclusion funds to support central specialist SEN services, but any funding used for this purpose will not count towards the 93% / 95% pass-through. It will instead count within the 7% (in 2017-18 and the 5% (from 2018-19) of early years funding that local authorities are able to retain centrally.

89. We have listened to the small number of local authorities concerned that counting specialist SEN services within centrally retained funds will lead to a significant loss of these services in particular areas. The Department for Education is willing to consider requests to dis-apply the high pass-through requirement, in exceptional circumstances only, until 2019-20 while early years funding changes bed in. Such requests will be judged against very tightly defined criteria. Further details are set out in accompanying operational guidance.

## Part 4: Transitions to the new funding arrangements

### Funding floor

90. In order to provide stability for local authorities and providers, we proposed that no local authority should face a reduction in its hourly funding rate of more than 10% against its 2016-17 baseline as a result of introducing the formula.
91. The consultation also set out our proposals to limit local authorities' annual reductions in their hourly rates to 5% in 2017-18 and 5% in 2018-19.

#### We asked:

- 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)?

### We heard

92. Just under half of respondents (45% of 3,121) either agreed or strongly agreed with the transition approach for the funding formula. In further comments (noting these applied to the transition of the high pass-through as well as the floor), 36% of 534 felt that the transition time was insufficient, but 17% commented it was too generous.
93. Where respondents said that the transition time was insufficient, they generally felt that local authorities and providers required more time to adjust to reductions in funding levels, and to implement new processes required to administer the new formula. Some suggested the transition should take a minimum of three years.

### Government response

94. We acknowledge that some respondents desired a longer transition period, although we also recognise that there were a range of views.
95. We are mindful of the need to increase funding to less generously funded areas as fast as possible, while keeping the transition manageable for the minority of local areas who will need to make savings. For this reason, we intend to implement the 10% funding floor, and the 5% annual protection. Our ambition remains that all local authorities should be 'on formula' by 2019-20.



## Introduction of the high pass-through

### We asked:

- 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?

### We heard

96. Just under half of respondents (46% of 3,121) either agreed or strongly agreed with the transition approach for the high pass-through, and a further 29% neither agreed nor disagreed. 20% disagreed or strongly disagreed.

### Government response

97. As with the last question, there were a range of views on the transition of the high pass-through. Here we must balance the need to push funding through to providers as fast as possible against the risk of reductions to valued central support services before 'buy-back' models become established. Given more than twice as many consultees agreed with our proposal as disagreed with it, and given the lack of consensus on an alternative, we intend to implement our proposed transition, starting at 93% in 2017-18 and moving to 95% from 2018-19.

## The Minimum Funding Guarantee for early years

### We asked:

- 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?

### We heard

98. The most common response (38% of 3,121) was neither agree nor disagree; 36% agreed or strongly agreed and 20% disagreed or strongly disagreed. Free text responses mainly reflected concerns that removing this element threatened the sustainability of providers.

### Government response

99. We acknowledge that many did not have strong views, but recognise there was greater support for this proposal than there was disagreement. We are very mindful of the need to maintain the sustainability of providers and the 95% pass-

through, our minimum funding rate and our £300m investment to increase average funding rates, are intended to do precisely that. We therefore intend to proceed with removing the Minimum Funding Guarantee for early years.

## Introduction of universal base rates

### We asked:

- 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?

### We heard

100. There was agreement or strong agreement with the proposed transition for introducing the universal base rate by 41% of 3,121 respondents; a further 27% were unsure, and 26% either disagreed or strongly disagreed.

### Government response

101. Given the broad support, we intend to allow local authorities until 2019-20 to implement a universal 'per child' base rate, while encouraging them to do so sooner if possible, and monitoring their progress.

## Equality assessment

103. We published this as a separate document and are issuing a revised version alongside this government response, reflecting the views from consultees.

## Next steps

104. The new funding formula will commence in April 2017 for the existing universal entitlement for three- and four-year olds, at the same time as the increase to the average funding rate. When the additional 15 hour entitlement for working parents is implemented nationally in September 2017, it will also be subject to the new funding rates.
105. We are announcing local authority allocations alongside this government response. These will confirm local authority hourly funding rates and enable authorities to go out to consultation on their proposed early years funding formulas. We are also providing a technical note setting out how allocations have been calculated.
106. Alongside the changes to funding through the early years national funding formula (i.e. funding from central government to local authorities), we will regulate so that, from April 2017, local authority funding to providers reflects the policies set out in this document. We are issuing operational guidance setting out technical details so that local authorities can implement changes to their local funding formulas.
107. We recognise that to announce funding rates as soon as possible in advance of April 2017, local authorities will need to determine their funding approach; consult with their providers; discuss with schools forums; and engage local democratic processes as needed.
108. To support providers' business planning, it will clearly be important for them to have indicative local funding rates as soon as they can. We therefore urge local authorities to issue their consultations before Christmas if at all possible. While local authority consultations clearly need to be meaningful, this does not necessarily mean they need to be undertaken over an extended time period. This is particularly the case if local authorities already undertook preliminary planning on their early years funding formulas in light of our August consultation, and engaged providers in this.
109. We re-emphasise that while schools forums need to be consulted on changes to local early years single funding formulas, including agreeing central spend by 28th February, the final decision rests with the local authority. As such, we would expect schools forums to engage with local authorities in a timely way without creating undue delay. We recognise that this may need to be outside the routine school forum schedule of meetings.
110. Our support contractor, Childcare Works, will monitor and advise local authorities in preparation for implementation of the 30 hours entitlement, including progress in undertaking our funding changes, reviewing early years funding formulas, and engagement with providers. They will conduct regular reviews leading up to implementation, and carry out additional targeted intervention with those facing particular challenges. We will use a revised s251 early years 2017-18 budget

proforma to monitor local authorities' implementation of the high pass-through and use our funding benchmarking tool to ensure that local authority funding formulas are transparent to providers.

111. Childcare Works will also work closely with local authorities and providers to ensure that they have the tools and knowledge to create and maintain sustainable quality business models.

## The consultation process

The consultation '*Early Years Funding: changes to the way the three- and four-year old entitlements are funded*' ran from 11<sup>th</sup> August to 22<sup>nd</sup> September 2016.

The consultation was hosted online and in total 3,121 responses were submitted (there were another 11 responses submitted via email). The survey involved 44 questions overall, some with additional sub-questions, including 11 open questions.

In addition to written responses, the consultation team engaged face-to-face with over 1,000 sector representatives at a series of consultation events across the country.

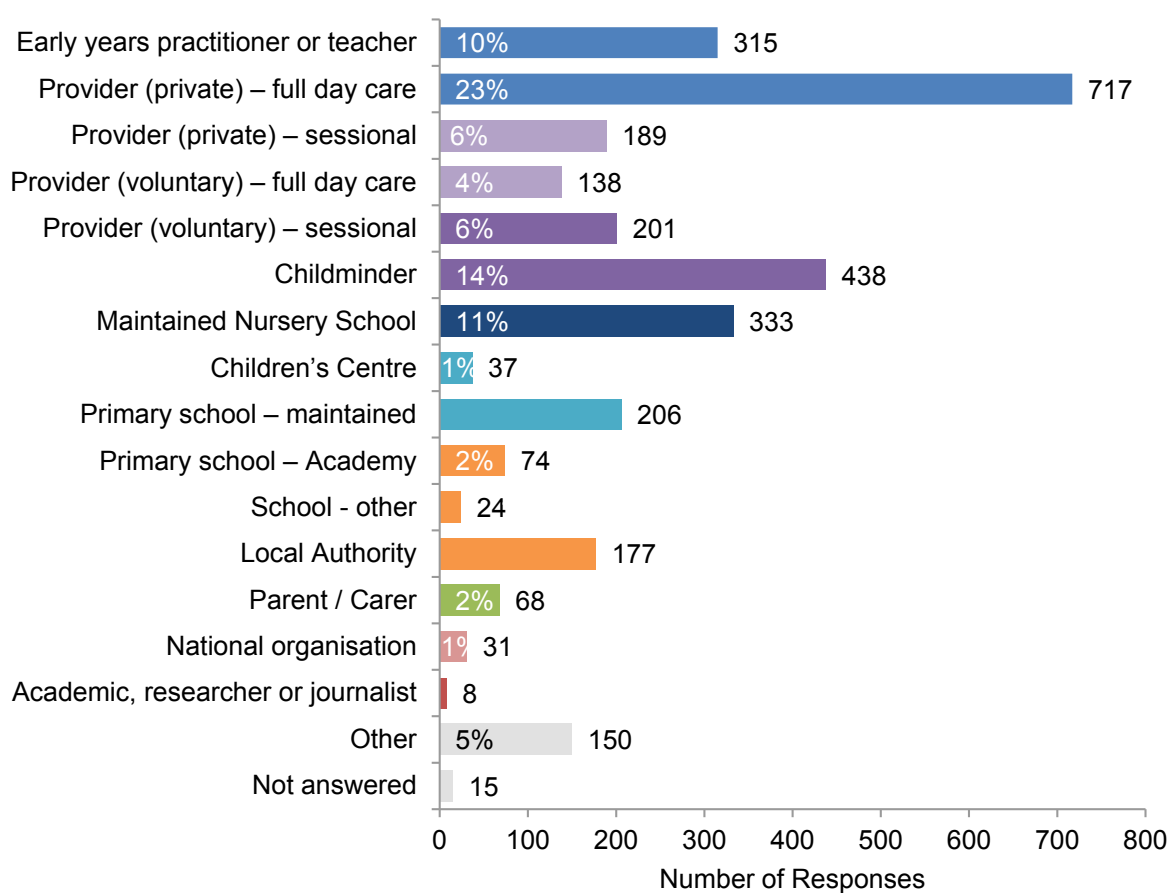
The consultation team were available for contact via a mailbox and received a large volume of enquiries. The vast majority of these enquiries were regarding individual indicative local authority funding rates and their calculation.

We would like to convey our thanks to all those who participated in the consultation.

## Summary of respondents

As the next chart illustrates, there was a wide range of providers, local authorities and organisations who participated in the online survey. There were varying views; sometimes differences of opinion between areas of the sector and occasionally between regions, reflecting local circumstances.

## Respondents by type of provider (Base: 3,121 respondents. EYNFF consultation, 2016)



### Breakdown of respondents

Provider respondents represented small to large settings and the vast majority offer the free entitlement to three- and four-year olds (80%) and two-year olds (69%). Higher proportions of respondents stated that they work in single settings (62%) compared to a chain of providers (10%). 6% of respondents represented local authorities.

In terms of location, 13% (of 3,121) said they were located in a rural or sparsely populated community, 12% in an inner city area and 29% in an area of deprivation.

Percentages may not total 100% due to rounding and due to 'unsure' percentages not always being included.



Department  
for Education

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