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Evaluation of the allocation method of the Early Years Pupil Deprivation Grant in Wales

Produced by The Local Government Data Unit ~ Wales

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OR OTHER LEGAL ISSUES



Llywodraeth Cymru
Welsh Government



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www.dataunitwales.gov.uk

 029 2090 9500

 enquiries@dataunitwales.gov.uk

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Executive summary

What was this evaluation about?

The aim of this evaluation was to review the existing Early Years Pupil Deprivation Grant (EYPDG) allocation mechanism (method) and make recommendations as to whether the current approach could be practicably improved.

What did we do?

In summary, we have:

- Considered the suitability of the current method for allocating the grant;
- Examined the approach adopted in other countries for funding this type of support and considered their suitability in the Welsh context;
- Considered some potential alternative approaches in detail, including providing a picture of what the allocation might look like; and
- Sought the views of local authorities and learning settings.

What are our findings?

In summary the findings of our evaluation suggest that:

- The current allocation method is relatively transparent and simple to understand.
- In terms of a suitable allocation method we believe that in the main it 'fits the bill'.
- The key short coming of the current method is that it is based on estimates rather than 'actual' data.
- The estimation method for the numbers of pupils from low income households in non-maintained settings is less satisfactory.
- Any change in the allocation method is likely to involve an increase in the administrative burden, possibly for Welsh Government, local authorities and individual learning settings.
- Some local increases in the administrative burdens may be acceptable, particularly if they bring other additional benefits.
- Bringing the current method more in line with the Pupil Deprivation Grant (PDG) allocation method by using actual data should be explored. This will involve additional administrative processes and possibly require a change in legislation.
- While the introduction of an early years Pupil Level Annual School Census (PLASC) might be regarded as excessive for the purpose of collecting data to support the allocation of this funding, there may be other benefits to be gained from such a census which might justify this.
- Extending the collection of information on individual pupils, such as via PLASC, would provide an opportunity to have information on the number of hours of provision. This offers the potential to explore extending the funding method to an allocation based on the hours of provision. This would likely result in a shift in the pattern of allocation across areas and learning settings.
- Alternative funding models such as an area based approach or the use of a threshold are possible. These will result in significant shifts in allocations across setting. However, there is no obvious rationale for moving to an alternative model, which

would not align with PDG or the allocation methods used in England for similar grants.

- The impact of the roll out of Universal Credit on entitlement to free school meals (FSM) has yet to be fully determined and may be a consideration in terms of subsequent review.

What does this mean?

Our review has not identified any fundamental issues with the current allocation method for EYPDG. As a consequence, we would not suggest there is a need to make any immediate changes to the current method ahead of the 2016-17 funding round. We have identified potential improvements to the current approach. These are likely to result in some increase in the administrative burden. While this may not necessarily be an issue, the benefits of any change should be balanced against this.

We have considered the suitability of other allocation models. We are not able to provide any evidence to suggest that these are an improvement on the current allocation method or that they would bring any significant improvement in the outcomes of learners experiencing deprivation. Given that the eligibility for FSM is used to allocate the larger PDG (and also for the Pupil Premium (PP) and Early Years Pupil Premium (EYPP) in England) we cannot see any case for recommending a new or different approach to allocating the EYPDG. Indeed we think that such a change might be difficult to justify and also send confusing messages about the aims/purpose of the two grants in Wales and how they should be used.

Introduction

1 Purpose

The aim of this evaluation has been to review the existing **Early Years Pupil Deprivation Grant (EYPDG)** allocation method and make recommendations on whether it can be practicably improved.

2 Background

The Welsh Government has three key priorities in terms of education in Wales. These are improving literacy, improving numeracy and breaking the link between disadvantage and educational attainment.

In 2012 the Welsh Government introduced the **Pupil Deprivation Grant (PDG)** enabling schools to provide extra support for learners from deprived backgrounds to help them achieve their potential. In 2015-16 the PDG is £1,050 per pupil aged between 5 and 15, eligible for free school meals (eFSM) or who is aged between 4 and 15 and is looked after by the local authority (LAC). The PDG, totalling £76.8 million, is almost entirely delegated to schools, although the regional consortia manage the LAC element of the PDG funding.

In April 2015 the Welsh Government introduced the **EYPDG**. In 2015-16 the EYPDG is £300 per eligible learner aged between 3 and 4 receiving Foundation Phase early education for a minimum of 10 hours per week in an approved setting. The EYPDG, totalling £4.6 million in 2015-16, is fully delegated to the Foundation Phase settings.

3 Allocation of PDG and EYPDG

PDG is allocated using information from two databases: the Pupil Level Annual School Census (PLASC), which identifies the learners that are eFSM; and the Children In Need database, which identifies LAC learners. Using these data, the Welsh Government calculates the number of eligible learners per school and allocates the PDG accordingly.

EYPDG is allocated on the basis of the number of Foundation Phase learners in a setting, multiplied by an estimate of the likely proportion of eFSM learners in that intake. The allocation differs on the type of setting:

- *Primary schools*: the proportion of five-year olds in that school that are eFSM;
- *Nursery schools with no five-year-olds*: the eFSM average for the feeder primary school(s); and
- *Settings in the non-maintained sector*: the overall proportion of eFSM in the local authority area.

The EYPDG is provided to around 1,350 settings in Wales delivering the Foundation Phase. The EYPDG for primary schools and nurseries is fully delegated to those settings. EYPDG for settings in the non-maintained sector is paid to the regional consortia who work with their local authorities and Foundation Phase advisory teachers to direct the funding to non-maintained settings.

Our approach

4 Desk research

As part of our evaluation we undertook a desk based study of the approaches in several nations to review the provision of Early Childhood Education and Care (ECEC), how the provision is funded and how funding is targeted at low income families.

5 Evaluation of the current method

An element of our desk research was to consider the current method and its appropriateness and effectiveness. This included understanding how it had been developed, how it was viewed by stakeholders and how it compared with methods used for other similar allocations.

As part of this work we looked in some detail at the current allocation, how it is allocated across areas, and what future allocations might look like based on population projects and current method.

6 Consider changes/improvements to the current method

Building on our desk research and our evaluation of the current method we went on to consider potential improvements to the current method based on numbers of pupils experiencing deprivation. In particular we considered:

- replacing the current use of estimates with 'actual' data;
- introducing stability by fixing allocations for a number of years;
- introducing an early years PLASC; and
- allocation of the grant based on the hours of provision.

7 Considering alternative approaches

Again, building on the findings of our desk study we explored alternative approaches to allocations. We looked in detail at two potential alternative approaches:

- **A threshold approach.** The suitability of this approach is based on an assumption that for settings with high percentages or total numbers of eFSM learners aged 3 and 4, there is a greater need for resources to contribute towards assisting in the development of those learners. In exploring this allocation methodology, we applied a number of threshold levels to existing available data to identify whether a suitable allocation method could be identified.
- **Area based approach.** This approach used both the number of eligible learners and the level of deprivation in the areas in which the school is situated. Based around the methodology used in the Welsh Index of Multiple Deprivation (WIMD), we were able to construct an index which we used to exemplify how such an approach might be developed and what its impact on allocations might be.

8 Seeking the views of stakeholders

Our desk research and the review of the current allocation method helped us identify key areas of focus. Based on these we, through the Welsh Local Government Association (WLGA), sought the views of teachers, educational professionals, consortia representatives and directors of education services. We were keen to understand their views, both on the current allocation method and on our emerging views on improvements to it or alternative approaches.

9 Improving pupil outcomes

As part of our review we have considered the likely impact of allocation methods on the outcomes of pupils, and in particular those experiencing deprivation. This has not been straightforward. Given that the EYPDG is in its infancy, it was not possible to assess in any robust way the direct impact it is having on learners. We have however been guided by Welsh Government guidance on the use of the EYPDG – “What really works for the early years”¹ and “What interventions should you use in your school/setting?”². In summary, these suggest the main areas in which schools and other settings should focus their use of the EYPDG are:

- family engagement;
- pedagogy (teaching);
- leadership and staff development;
- speech, language and communication;
- assessment;
- self-regulation;
- social and emotional learning;
- digital technology;
- early literary and numeracy approaches; and
- work with others.

¹ <http://learning.gov.wales/docs/learningwales/publications/150506-pdg-what-really-works-en.pdf>.

² <http://learning.gov.wales/docs/learningwales/publications/151118-early-years-pdg-poster-en.pdf>.

Desk research

10 Desk research methodology

Awareness around the benefits of Early Childhood Education and Care (ECEC) are becoming increasingly prevalent in today's society. Many Governments in the Western world subsidise the provision of ECEC, although the level of investment varies considerably. We have undertaken a desk based study of the approaches in several nations to review the provision of ECEC, how it's funded and how funding is targeted for low income families. Details of the findings are included below.

11 New Zealand The approach

New Zealand's approach to ECEC (referred to ECE in New Zealand) has, until recently, been one of inclusion, universal subsidies and access for all. National policy is now focused towards a targeted approach for '*priority need*' children rather than one of inclusion. The change in national policy is the result of an ever-changing political landscape, rather than a review of methodologies and impacts.

Prior to 2010, all children from birth to the age of 6 years were eligible for 20 hours ECE per week (called 'free' at this point). Since July 2010, the initiative has been restricted to children aged between 3, 4 and 5. The initiative is funded centrally, and there are two rates of funding available which are paid directly to the ECE provider. The ECE scheme is now targeted towards initiatives to increase participation in high need communities and families.

The state does not provide ECE services, they are delivered by community and privately owned services. Provisions eligible for 20 hours ECE include:

- kindergartens and preschools;
- childcare centres and crèches;
- play centres and playgroups;
- Kohanga Reo and other programmes with a language and culture focus; and
- approved home-based care.

Intensive community participation projects in the form of three-year trials have been targeted towards vulnerable communities where 25% or more of children start school without attending ECE (provision is inclusive).

In 2012, the government introduced a 'social obligation' stating that from the age of 3, all children must attend 15 hours of ECE per week. Non-compliance will result in a reduction of up to 50% in benefits received. The current funding model moves away from universal subsidies and towards targeted support; it is envisaged that this will reduce uptake amongst middle income families and increase uptake by families with a lower socio-economic status.

Funding

The main funding is the universal "ECE Funding Subsidy". This contributes to services' operating costs by paying for part of each hour each child spends in ECE, to a maximum of 30 hours per child-place per week. The funding is available from birth until children start school.

"20 Hours ECE" is a higher rate of funding than the ECE Funding Subsidy and is available for all children aged 3, 4 and 5. The subsidy is paid for a maximum of 30 hours, and rates are the same across all service provisions.

- "Plus 10 ECE" is an initiative that enables ECE services to claim up to 10 hours of funding for a child in addition to the "20 Hours ECE" hours; and

- Each hour of “20 Hours ECE” claimed replaces an ECE Funding Subsidy hour.

Equity Funding³ is a funding method used for supporting priority need children. It’s paid in addition to the ECE Funding Subsidy and “20 Hours ECE”.

Equity Funding is available to community based services to offset the costs associated with, amongst other things, low socio-economic communities. Rates of funding vary according to the component applied for⁴ and the “Equity Index” rating (EQI) for the location of the service.

The level of funding paid to each eligible service is determined by:

- its EQI; and
- the funded child hours claimed by the service.

Each actual funded child hour is multiplied by the relevant funding rate. As with the ECE Funding Subsidy, Equity Funding may not exceed six hours per child-place per day (or per child for “20 Hours ECE”), to a maximum of 30 hours per child-place per week (or per child for “20 Hours ECE”).

12 Norway

The approach

Norway aim to provide high quality universal access to childcare services for children aged between 1 and 5 irrespective of parent’s economic status.

Municipalities have had responsibility to develop and manage childcare facilities since 1975 (The Day Care Institution Act 1975), however the ‘obligation’ to establish such services and to provide a sufficient number of spaces wasn’t introduced until 2004.

Norway has taken significant steps in recent years to improve Early Childhood Education and Care (ECEC) coverage, including:

- lower parental fees (maximum parental fees are now set by national government);
- equal treatment for public and private settings (which has financial implications for municipalities);
- cash for care benefits have been abolished for 2 year olds (only 1 year olds are eligible now);
- public subsidies have been increased to 80% of running costs; and
- there is no gap between parental leave ending and kindergarten provision beginning.

The Kindergarten Act (2006) regulates the authorisation, operation and supervision of early years childcare services. Private/public ownership is fairly balanced and are treated equally: they are paid the same rates and qualify for the same grants.

In 2009, an individual, legal right to a childcare ‘place’ was institutionalised as a social right for children aged between 1 and 5.

Funding

Previously the public subsidy aspect of funding childcare services for children aged between 1 and 5 was via earmarked grants; this was the approach when municipalities were only responsible for financing maintained settings. This funding structure changed to more general purpose block grants in 2011 when the municipalities’ remit was amended to also include the financing of non-maintained settings. Today, childcare services in Norway are funded in the main by public money (80%), the remainder is funded via parental fees (20%).

³ <http://www.education.govt.nz/assets/Documents/Early-Childhood/Early-Childhood-Education-Funding-Handbook/Chapter10EquityFunding.pdf>.

⁴ <http://www.workandincome.govt.nz/individuals/brochures/help-with-childcare-costs.html>.

Earmarked grants were based on the number of children in kindergarten, their age and number of hours spent per week.

Block grants are distributed according to potential demand. They are based on the number of children aged between 3 and 5, the number of children aged between 1 and 2 who don't receive the cash-for-care benefit and the educational level of the population. The reason for this approach is that a population with a high educational level will have high employment and therefore generate a high demand for ECEC. The model doesn't take into account low-income families.

13 England

The approach

In April 2015 the Department for Education (DfE) in England introduced the Early Years Pupil Premium (EYPP). EYPP is additional funding for early years settings to improve the education they provide for disadvantaged children aged between 3 and 4. Since April 2011, there has been a 'Pupil Premium' in England, providing schools with extra funding to raise the attainment of disadvantaged pupils from Reception to Year 11.

For the purposes of EYPP, early years providers are any organisation that offers education for children aged under 5, including nurseries and childminders. Early years providers have to use this extra funding to improve the quality of education for disadvantaged children, with Ofsted inspections reporting on whether providers spend their EYPP funding effectively. In the financial year 2015-16, DfE plan to spend £50 million on the EYPP.

Eligibility

In England children aged between 3 and 4 in state-funded early education attract EYPP funding if they meet at least **one** of the following criteria:

- In receipt of certain benefits, including:
 - a. Income Support
 - b. income-based Job Seeker's Allowance
 - c. income-related Employment and Support Allowance
 - d. support under part VI of the Immigration and Asylum Act 1999
 - e. the guaranteed element of State Pension Credit
 - f. Child Tax Credit (provided they're not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190)
 - g. Working Tax Credit run-on, which is paid for 4 weeks after they stop qualifying for Working Tax Credit
 - h. Universal Credit;
- they are currently being looked after by a local authority in England or Wales; or
- they have left care in England or Wales through:
 - a. an adoption;
 - b. a special guardianship order; or
 - c. a child arrangement order.

Children must receive free early education⁵ in order to attract EYPP funding. However, they do not have to take up the full 570 hours of early education they are entitled to in order to get EYPP.

In England children become eligible for free early years education at different points in the year depending on when they turn 3. Some children aged 2 in England are also eligible for

⁵ <https://www.gov.uk/help-with-childcare-costs/free-childcare-and-education-for-2-to-4-year-olds>.

free places. Children aged 4 in primary school reception classes who already receive the English school-age Pupil Premium are not eligible for EYPP funding.

Identifying eligible children

Early years providers are ultimately responsible for identifying eligible children. However, DfE has asked English local authorities to encourage providers in their areas to engage with parents to identify which children are eligible for EYPP funding. In particular, providers are encouraged to speak with the parents of children who took up the early education entitlement for children aged 2, as most of these children will attract EYPP when they turn 3.

DfE provides a 'model form' for providers to use to engage with parents on determining eligibility. A copy of the 'model form' is provided at **Annex 1**.

Eligibility checks

Local authorities are required to check the EYPP eligibility of any child a parent or provider alerts them to.

In most cases the local authority will have to check eligibility twice. Local authorities first check a child's eligibility when a provider or parent tells them that a child may be eligible. They can check a child's eligibility before they begin to take up their free education entitlement. However, they are encouraged not to do this more than a term in advance, in case the family's circumstances change.

Local authorities need to check a child's eligibility again in the academic year when the child is taking up their 4 year old entitlement. This check is about finding out if a child's circumstances have changed and if they have stopped being eligible for EYPP as a result. Obviously, where a child becomes eligible when they are already aged 4, such a second check is not needed.

When a local authority checks a child's eligibility, they must inform the child's parents or legal carers of the outcome of the check. It will also inform the early years provider where the child receives its early years education. Local authorities are restricted from sharing this information.

Eligibility checking system

Local authorities in England are able to use the national eligibility checking system⁶ to check children's eligibility for the EYPP. The Small Business, Enterprise and Employment Act 2015⁷ provides local authorities with the legal authority to use the eligibility checking system for this purpose.

⁶ <https://fsm.education.gov.uk/fsm.laportal/PortalLogin.aspx>.

⁷ http://www.legislation.gov.uk/ukpga/2015/26/pdfs/ukpga_20150026_en.pdf.

Funding for EYPP in England

Financial year 2015 to 2016

For 2015-16, the DfE based the initial amount of EYPP funding each local authority received on an estimate of how many eligible children will take up their entitlement.

This estimate was calculated by examining how many:

- children aged 3 and 4 take up their entitlement to free early education in the local authority area; and
- older children's take up of free school meals in the local authority area.

DfE published the estimates⁸ of the local authority funding allocations for 2015-16 and the counts upon which this was based.

In Autumn 2015 DfE planned to collect data from English local authorities about EYPP take-up. To support this, local authorities were asked to record:

- how many eligible children in the local authority area are taking up their entitlement to EYPP;
- how many hours of early years provision these children are receiving; and
- the reason(s) why these children are eligible.

It is planned that this data be used to adjust the figures and ensure local authorities receive the correct amount of funding for 2015-16.

Financial year 2016 to 2017 onwards

From January 2016, DfE will use the school census and early years census⁹ to collect information on:

- how many eligible children in a local authority area are taking up their entitlement to EYPP; and
- the eligibility criteria these children meet.

It is intended to use this data to calculate how much EYPP funding local authorities will receive in future financial years.

Distribution of EYPP funding to providers

English local authorities provide EYPP funding to all eligible early years providers in their area at a national rate per hour, per eligible pupil (currently 53 pence). For 2015-16, this equates to £302.10 for each eligible child who takes up the full 570 hours of state-funded early education they are entitled to.

Distributing EYPP

Local authorities allocate the funding to early years providers based on:

- how many eligible pupils they have; and
- how many hours of state-funded early years education these children take up.

Local authorities do not place conditions on the funding.

EYPP funding follows the eligible child rather than the provider. If a child moves to a different provider part way through the year, they do not lose any of their funding, because the local authority will have calculated the amount of EYPP each provider received based on the hours of take up.

⁸ <https://www.gov.uk/government/publications/early-years-pupil-premium-local-authority-allocations>.

⁹ <https://www.gov.uk/early-years-census>.

In cases where a child lives in one local authority but receives early education at a provider based in a different local authority, the provider's local authority is responsible for funding the EYPP for the child and for checking the child's eligibility.

14 Scotland

The approach

The Early Years Framework has been in place in Scotland since 2008. The Framework identifies 10 key elements of transformational change in the early years including, helping children, families and communities to secure outcomes for themselves, breaking cycles of poverty, inequality and poor outcomes in and through early years and simplifying and streamlining delivery.

The Children and Young People (Scotland) Act 2014 introduced new early learning and childcare entitlements to replace the funded 12.5 hours per week during term time of pre-school education for children aged 3 and 4.

Provision includes local authority nursery schools, nursery class in primary schools, local authority or private day nurseries, independent school nurseries, playgroups and registered childminders.

Funding

Since August 2014, the following children are eligible for 600 hours per year (the equivalent of around 16 hours per week during term time) early learning and childcare:

- children aged 3 and 4, starting from around the first term after their third birthday;
- children aged 2, starting from the point that they are looked after, under a kinship care order, or with a parent appointed guardian; and
- children aged 2, starting from the first term after their 2nd birthday, (where their 2nd birthday falls on or after 1 March 2014) with a parent in receipt of qualifying benefits; or, the first term after their parent starts receiving qualifying benefits. Benefits include:
 - Income Support;
 - Job Seekers' Allowance (income based);
 - Employment and Support Allowance (income based);
 - Incapacity or Severe Disablement Allowance; and
 - State Pension Credit.

From August 2015, the following children are also eligible for 600 hours per year of early learning and childcare:

- children aged 2, starting from the first term after their 2nd birthday, (where their 2nd birthday falls on or after 1 March 2015) with a parent in receipt of qualifying benefits; or, the first term after their parent starts receiving qualifying benefits. Benefits include:
 - Child Tax Credit, but not Working Tax Credit, and your income is less than £16,105*;
 - both maximum Child Tax Credit and maximum Working Tax Credit and your income is under £6,420*;
 - support under Part VI of the Immigration and Asylum Act 1999; and
 - Universal Credit.

*The income thresholds for Child Tax Credit and Working Tax Credit vary annually.

15 Findings

Our research suggests there are a limited number of targeted grant funding models despite there being numerous examples of Early Childhood Education and Care (ECEC) being funded. Some funding models incurred a cost to the family and were therefore not included in our

final research. Wales have a fully funded ECEC agenda so there are no cost implications for families.

New Zealand have implemented an area based approach to deprivation grants in the form of Equity Funding. Eligibility for Equity Funding is calculated based on census information about the locality and the number of hours each child spends in ECEC (based on a return from the service provider). Wales could take a similar approach using an index derived from the Welsh Index of Multiple Deprivation (WIMD) data.¹⁰

The Norwegian model doesn't provide an alternative approach to early years grant funding for deprived pupils, mainly due to their universal approach to provision. Municipalities have a duty to provide childcare places for all children aged 1 and 5; coverage is very good at 90%, despite uptake being voluntary. Deprivation is not considered as part of the main funding approach (block grants) but municipalities do have an obligation to offer financial assistance to low income families for parental fees.

In Norway, 97% of children aged between 3 and 5 are enrolled in childcare services. It is therefore reasonable to say that ECEC is available to all families (including low income families). There isn't additional funding available to offset the factors associated with deprived children. These children receive the same as non-deprived children, the only difference is that low income families receive provision at a reduced rate or are exempt from fees (the level of financial support that low income families receive varies considerably across municipalities).

The provision of childcare services in Norway is impressive but there isn't much opportunity for learning in terms of deprivation funding as ECEC provision is universal. In Norway, ECEC is the third largest service sector after care services and primary education at a local authority level, provision is institutionalised and each child (aged 1 to 5) has an individual legal right to a childcare place.

In England, children aged 3 and 4 in receipt of state funded ECEC may also be eligible for deprivation funding in the form of the Early Years Pupil Premium (EYPP) grant which is means tested. To qualify, children aged 3, 4 and some aged 2 must be subject to one of an extensive pre-defined criteria based around state benefit entitlement, Looked After Children (LAC) status/history and/or support under part VI of the Immigration and Asylum Act 1999.

Scotland take a similar approach, whereby ECEC is arranged by local authorities and is a legal entitlement for all children aged 3 and 4 and also vulnerable children aged 2 (eligibility based on LAC status or means tested based on benefit entitlement). Research suggests funding is distributed in one lump sum at local authority level. Local authorities decide how the overall grant from the Scottish Government is spent; this may include funding their own pre-school centres or commissioning places from private or voluntary centres. Some local authorities also provide free transport to facilitate access to ECEC in rural areas, although they are not required to do so.

Funding is means tested at a pupil level in both England and Scotland which results in a significant administrative burden on local authorities to check and report eligibility. In both countries, eligible ECEC settings receive funding directly from the local authority, there is only one mechanism for distributing funding in both countries which make for a clear landscape in terms of funding rates and distribution.

The English model is a good example for distributing targeted ECEC funding at an individual pupil level. It would require the introduction of an early years schools census, such as PLASC as targeting at an individual pupil level needs to be based on sound data and not estimates. Using estimated figures to estimate levels of funding may not be sufficiently robust.

¹⁰ <http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>.

Each of the national models that were reviewed had a clear funding stream. In each case, funding was paid directly to local authorities who are then responsible for distributing amongst providers. In Wales, funding is distributed between local authorities and regional consortia before being distributed to service providers.

New Zealand was the only country (of those reviewed) taking a different approach in terms of targeted ECEC funding for deprivation, by using an area based approach to determine funding levels. New Zealand's method for calculating eligibility for deprivation grants (Equity Funding) is based on census information about the local area and the number of hours each child spends in ECEC (based on data returned from service providers). This approach does not result in a significant administrative burden for local authorities and can potentially be applied nationally and distributed in a fair and consistent way.

16 Next steps

The desk research was key to our subsequent evaluation work and data analysis as it gave us a clear sense of direction in terms of potential allocation methodologies. For example, our decision to explore the merits of an area based approach were a direct result of the research we undertook looking at Early Years Deprivation Funding in New Zealand.

Our findings – current allocation method

17 Development of existing method

Our starting point for evaluating the current EYPDG allocation method was to review how it had been developed. This included discussions on its background with colleagues in Welsh Government.

At the point of its introduction, there was a need to develop an allocation method relatively quickly in order to make the first allocation in a timely way. Like the PDG it was decided that an allocation method based on the funding being linked to the numbers of pupils experiencing deprivation was appropriate. Regard was given to the allocation method that existed for the PDG, although it was quickly recognised that could not be replicated, because of the lack of actual data on eFSM for learners aged 3 and 4. There was not sufficient lead time to consider developing data to meet the gaps, hence the need to use estimates.

18 General observations

We were keen to explore the extent to which the current allocation method impacted on learner outcomes. However, in trying to pursue this, we concluded that it was too early to undertake any meaningful evaluation in this area. We were limited to considering the extent to which the allocation method enabled settings to put in place effective interventions. We did consider the findings of the latest Welsh Government review of the PDG (Evaluation of the Pupil Deprivation Grant: 2nd Interim report - December 2015¹¹). It reported:

“... that funds are now concentrated on the delivery of interventions, and specifically on funding staff time to deliver them.”

Although the report noted that which pupils will receive targeted interventions will vary across settings, it does suggest that if this approach to using funds were mirrored for EYPDG, then an allocation method based on learner numbers would be appropriate.

Discussions with local authorities, regional consortia and settings suggest the current grant is being used for a range of purposes including:

- employing additional teaching assistance;
- staff training;
- supporting the improvement of language skills; and
- parental engagement.

We considered the current approach to EYPDG allocation in the context of wider Welsh Government support for early years education for learners from deprived households. The Welsh Government currently funds the Flying Start programme to support learners in those areas with the greatest concentrations of deprivation.

Evidence from the Deprivation in Education report (National Foundation for Educational Research (NFER))¹² indicates that learners from deprived households who also live in areas where deprivation is most concentrated, experience the biggest challenges in terms of the impact on outcomes.

Given that the recognised interventions are a mixture of both whole class/setting and individual learner based approaches, the current EYPDG allocation method would appear to complement the approach to funding Flying Start in those areas which attract this funding.

¹¹ <http://gov.wales/docs/caecd/research/2015/151203-evaluation-pupil-deprivation-grant-year-2-en.pdf>.

¹² <http://learning.gov.wales/docs/learningwales/publications/141013-final-report-en.pdf>.

19 Stakeholder views

Most of the stakeholders we spoke to, both formally and informally, view the current method as generally fit for purpose. There was no strong feeling that it was unfair or inadequate. Some did point to eFSM being a poor proxy for identifying children from a deprived background who need additional support. This is discussed further below. There was a recognition that the method of allocation for the non-maintained sector was less satisfactory, relying on the local authority and regional consortia to distribute it appropriately locally.

20 Robustness of the estimates of eFSM

While we've identified that the use of estimates for eFSM numbers is a potential weakness in the current system, we've not been able to quantify how robust or otherwise these estimates are. Beyond using 'actual' data, we've not identified any options for improving the estimation method being used. While it will be difficult to assess exactly how accurate the estimation method is, we might be able to get a better idea by comparing the estimates used with the actuals when a cohort reaches age 5. This will not be appropriate for some settings for example nurseries or schools where data is not comparable. However, there should be a significant number of settings where this analysis would be possible. We'd suggest that this should be done when at least two years of data are available. The findings should make it possible to make a more informed assessment of the robustness of the approach to estimating eFSM for the early years pupils.

21 Future allocation

In **Annex 2** we detail some of the analysis we undertook to examine the current allocation. In terms of our expectations of the distribution of the grant funds by setting or local authority areas, we found nothing 'unexpected'.

We also undertook an analysis of the likely future allocations based on the current method and using published projections of population numbers. This suggests that based on the current per learner level of funding the quantum of the allocation remains quite stable over the period to 2035. However, this is based on significant assumptions, including the robustness of the projections data, the stability of the economy, and the stability and continuity of welfare benefits and entitlement to FSM.

22 Other considerations

Other areas we considered included the suitability of entitlement to FSM as an indicator for identifying early years pupils experiencing deprivation. We considered the difficulty in identifying children with entitlement and this is discussed in the next section of the report (**Our findings – improving the current allocation method**). FSM is widely used both in Wales and in other parts of the UK. It is used for the PDG allocation. More broadly it is used in the local authority funding formula in Wales.

FSM entitlement is based on the parent or guardian being in receipt of an Income Based Benefit or Tax Credit. Changes to the benefits system are underway, including the introduction of Universal Credit as a replacement for a number of existing benefits. We are aware that these may have implications for entitlement to FSM. We assume this is something Welsh Government will be keeping under review as part of its wider use of eFSM to distribute funding.

Some of the settings we spoke with felt that they were better placed to identify the pupils who needed additional support, and who, in turn, should attract additional funding. They noted that some of these would not be eFSM and so would not attract funding under the EYPDG or PDG. However developing a transparent and robust system for allocating EYPDG that could take account of this local knowledge would be a challenge.

23 Conclusions

It would appear that, given the need to develop a method in a relatively short time frame, and in the absence of alternative data sources such as those used to allocate the PDG, the current allocation method adopted when the EYPDG was introduced, was appropriate. It is relatively simple to understand and therefore relatively transparent. Given the availability of the data used, undertaking the annual allocation process places minimal burden on Welsh Government, with the process placing no direct burden on local authorities or individual settings, beyond the allocation of funding to non-maintained settings.

The current allocation method appears to give settings the freedom to use it for a range of interventions to provide support to learners (and parents/guardians) from households on low incomes.

Our discussions with stakeholders, including Welsh Government, local authorities and settings, would suggest that there are no widespread concerns about the current allocation method. As such, while we discuss some potential for improvements in this report, we suggest there is no urgent need to make changes to the current allocation method.

When compared with the PDG allocation method and other possible approaches, perhaps the key weakness of the current model is that it is based on estimates rather than actual data, where it appears the least robust approach to estimation being used for the funding for non-maintained settings. We also acknowledge that the benefits of having robust data would need to be considered against the additional burdens that this would place on a range of stakeholders. We discuss this and other potential improvements to the current method in the section (**Our findings – improving the current allocation method**).

The current method is predicated on eFSM being a suitable indicator for identifying pupils who are experiencing deprivation. In undertaking this review we have not undertaken a detailed examination of its suitability. It is used in the national education funding formula, in the PDG allocation method and in allocation approaches elsewhere in the UK. We did undertake a short review of suitable benefits data that might be used as an alternative. However, given the current changes in welfare benefits that are underway, it was not clear that a stable alternative is available at this time.

Given its widespread use, and there being no obvious suitable alternative indicator or indicators available at this time, we see no reason not to use eFSM in an allocation based on a grant for individual pupils. However, this may be an area to keep under review, for example when it becomes clear what impact, if any, the introduction of Universal Credit will have on eFSM numbers.

It is important to note that our evaluation of the current method and our broader assessment of potential new approaches has been heavily influenced by the allocation method used for the PDG. At an early stage of our work it became clear that stakeholders view them as 'sister' grants, with similar aims and objectives. Therefore unless there are clear policy drivers for them being allocated in very different ways, any divergence of allocation methods may be difficult to justify.

Our findings – improving the current allocation method

24 Potential improvements to the current allocation method

Our evaluation of the current approach and our desk based research provided an insight into potential changes/improvements to the current method which might be considered. In particular we have considered:

- Replacing estimates with actual data;
- Introducing stability by fixing allocations for a number of years;
- Introducing an early years PLASC; and
- Allocation of the grant based on the hours of provision.

25 Moving to 'actual' eFSM data

A shortcoming of the current approach, at least in terms of perception, is that it is based on estimates of the numbers of pupils entitled to FSM, rather than the actual number. This is perceived as a weakness when compared with the PDG. There is the potential for this to be addressed in a number of ways.

Firstly, it might be possible for settings to check eligibility locally based on evidence of benefit receipt provided by parents or guardians. This would place an additional burden on settings. It is not clear how straightforward it would be for staff locally to make this assessment of entitlement, particularly given the transitional arrangements as welfare reform changes come into effect. This would need to be investigated further.

A more robust and proven approach would be to mirror what is undertaken for the PDG, that is, to use the Department for Education eligibility checking service, to check entitlement. As detailed in our desk based research, this is also undertaken in England for its Early Years Pupil Premium (EYPP), where individual settings identify potential entitlement by contacting parents, with the local authority then checking entitlement using the checker. As mentioned earlier this approach is currently not possible in Wales as the legislation governing the use of the checker prevents it being used to check entitlement when there is not an intention to make an application for FSM.

We understand that it would be possible to make a change to legislation to allow the checking service to be used in Wales for identifying eFSM, even where there is no intention of providing this provision. Like other changes, the cost of implementing the change and the ongoing additional burden this would place on settings and local authorities would need to be balanced against any tangible benefits that it would bring in terms of improved outcomes for pupils, although these would likely be difficult to quantify. It appears that local authorities and regional consortia would support a change in the legislation to facilitate using the checking service.

26 An early years Pupil Level Annual School Census (PLASC)

PLASC is the mandatory annual census of schools across Wales. It provides Welsh Government with pupil and school level data to support more accurate targeting of funding and to help develop and monitor policy. It does not currently capture early years learners.

An obvious source of robust actual data on pupils would be to introduce an early years PLASC. This has been done in England, with data on eFSM from the England's PLASC used for the allocation of its EYPP.

Extending PLASC to non-maintained settings could bring a significant improvement in the allocation of grant funding to them. Under current allocation, the grant is based on a county eFSM average and rely on local consortia arrangements.

The development, implementation and ongoing maintenance of an early years PLASC would also have resource impacts for Welsh Government. This would need to be considered and factored into any plans. Equally, the development of such a census would also make additional information available about early years learners and their progress. In theory it would enable the extension of the current longitudinal information on the progress of individual pupils and cohorts.

The stakeholders we spoke with were generally very supportive of the introduction of an early years PLASC. In some local authority areas settings are already required to keep a certain level of information about each pupil. The extent to which settings in the non-maintained sector have the infrastructure to support this would need to be explored. It was suggested that the early years PLASC might be a smaller data set than the full PLASC.

Those we spoke with felt the additional administrative burden, at least in the maintained sector, would be minimal and that there would be added benefits arising from having access to this information. For example the ability to track children's progress and for forward/financial planning. It was noted that settings in the maintained sector with older pupils will already be completing a PLASC return.

Even with the legislative changes, introducing an early years PLASC for the sole purpose of collating data for the EYPDG probably cannot be justified. It would need to be considered in the context of this and wider potential uses of the data from such a return.

27 Allocation based on hours of provision

Our desk based research considered England's approach which takes a grant allocation based on pupil numbers a step further: using an allocation based on the amount of hours of provision supplied. Rather than an amount per pupil per year, it would in effect become a grant paid at an hourly rate for each hour of education provision supplied.

The current approach in Wales provides a fixed amount per child. As a consequence settings providing different hours of provision for pupils, whether it be based on parental choice or local policy, will attract the same funding per 'eligible' learner. Is this appropriate or 'fair'? The answer to this question is not straightforward. In many respects it is dependent on how we expect the grant to be used. For example, if the funding is used for additional 'classroom' staff to provide support then an allocation based upon the hours of provision will have an impact.

Alternatively, if the funding is to support family engagement or perhaps purchase weekly language development support for individual pupils, the number of pupils may be the factor which influences the cost of the intervention.

Adopting a grant based on hours of provision will result in a shift in allocations, both between settings and across local authority areas. Settings or areas where pupils on average receive the greater hours of early years education will see an increase in their funding and vice-versa. If this were an approach which Welsh Government considered attractive, we would recommend further modelling and exemplification work be undertaken to better understand the impact locally.

28 Stability

As part of our evaluation we thought it appropriate to at least consider the issue of stability. We often hear those receiving grant funding making the case for stability over time in order to support strategic and operational planning.

It is important to differentiate between certainty about the continuation of grant funding and certainty about the precise level of funding. Clearly, particularly in terms of the current allocation method, the former is of most importance.

It would be relatively simple to maintain stability of the grant over a three year funding period. Most simply, this could be achieved by rolling forward the allocation per setting from year one to years two and three. We suggest that it would be necessary to at least explore the suitability of simply using the eFSM for one cohort of pupils aged 5 to determine the allocation of EYPDG for a setting for several years. It might be that the average percentage of eFSM of more than one cohort might be a more appropriate approach.

While this might be seen as attractive in terms of administration of the allocation, it may require the introduction of further processes. For example, consideration would need to be given to how new settings opening during the period were accounted for. Similarly it would be necessary to have a method to take account for exceptional changes in learner numbers at settings, for example where settings were merging or provision being reorganised.

Stability for a number of years might appear attractive. However, the level of change in funding at the end of a fixed period could be significant, particularly for those settings who have experienced changes in the characteristics of their cohorts over the period. There would likely be some 'winners' and some 'losers'.

29 Impact on outcomes

In **paragraph 9** we talk about interventions which might improve pupil outcomes. Some of these, such as the use of digital technology, leadership and staff development, and assessment are likely to be whole class/setting interventions or approaches. As such while grant funding is likely to be important in resourcing these, being able to identify individual eFSM pupils is likely to be less of an issue. However, other interventions such as family engagement or speech and language development are likely to be targeted at individual pupils. Consequently, for these interventions the identification of individual pupils who are eFSM may be helpful. Having said that, feedback from some of the settings we have spoken with suggests that they feel that they are best placed to identify which eFSM pupils, and indeed non-eFSM pupils, would benefit from targeted interventions. Whether or not the identification of individual pupils is used for targeting intervention, it would be potentially useful in enabling the tracking the progress of eFSM pupils.

30 Conclusion

We have identified a number of ways of potentially improving the current approach, which at their core involve moving from eFSM to 'actual' data. This would improve the robustness of the allocation method, particularly if these were introduced for non-maintained settings. The changes discussed would also align the method for allocating EYPDG closer to the method used for PDG.

Many of the changes we discuss in this section would involve some increase in the administrative burden both for Welsh Government, for settings and for local authorities. The introduction of an allocation based on 'actual' data for the non-maintained setting would mean there would no longer be a need for regional consortia to be involved in the EYPDG distribution.

The introduction of an early years PLASC appears attractive, as it could potentially provide a robust data source for the allocation of EYPDG and also provide a source of additional information to support local, regional and national planning and policy. It would bring an additional administrative burden, which would need to be considered alongside the wider benefits provided by such a census. Should an early years PLASC be pursued, the inclusion of

data on hours of provision should be considered, which would enable an allocation method for EYPDG based on an hourly rate to be explored.

Subject to the processing not being prohibitively resource intensive, it would seem useful to explore the possibility of amending the legislation to permit the use of the DfE's eligibility checking service to check eFSM of early years pupils in Wales.

We have considered the potential for introducing some stability in the funding allocation at a setting level over a number of years. We have not found a strong case for recommending this. The grant is used in several ways, some which might be best supported by some stability year on year, others which are linked directly to the number of eligible learners in the cohort, support the grant being annual and reflecting estimates of, or the current, eligible learner numbers. Given this, it is unlikely that such changes would have a significant demonstrable impact on learner outcomes one way or another. Across the stakeholders we consulted, there was a mixture of views. Some thought the introduction of stability was attractive, while others favoured the grant following learner numbers. As with other changes, this would also need to be considered in the context of diverging from the method currently used to allocate the PDG.

Our findings: alternative threshold approach

31 Threshold model allocation

This approach is based on the premise that for settings with a higher percentage or total number of pupils experiencing deprivation, there is a greater need for resources to support these pupils. For example a setting with just a handful of pupils experiencing deprivation and needing additional support might be able to facilitate this from within existing resources. However, a setting with perhaps a third or more of its pupils experiencing deprivation, might require a significant level of additional resource to support their additional needs and improve outcomes.

32 Our approach

We were able to explore three different variations of the threshold approach:

- one based on a minimum number of estimated eFSM learners in a setting;
- one based on a minimum percentage of estimated eFSM learners in a setting; and
- one based on a combination of the two.

Having a threshold enabled us to explore increasing the 'per learner' rate, while constraining the total grant to the current quantum. We used a 'per learner' rate of £400 for our analysis, an increase of a third on the current grant rate of £300 per learner.

33 Allocations

Firstly a threshold of 12 estimated eFSM learners per setting was used (and a per learner rate of £400). Using this threshold, around 60% of maintained settings currently funded would receive no funding. This would equate to around 20% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

We then replaced the number threshold with a percentage threshold. We used 21% which, with a per pupil rate of £400, would deliver a total grant similar to the current quantum. Again, applying this threshold, would result in around 50% of maintained settings currently funded would receive no funding. This would equate to around 25% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

Finally, we ran the model using two threshold values, a minimum number of estimated eFSM learners aged 3 or 4 in a setting and an estimated percentage of eFSM learners aged 3 or 4. The thresholds were determined using an optimisation process and constrained to the current grant total quantum. The optimal thresholds were 7 and 20%.

Applying these thresholds combined, around 60% of maintained settings currently funded would receive no funding. This would equate to around 25% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

34 Impact on outcomes

It is difficult to assess the implication of such a change of approach on pupil outcomes. We were not able to do this with any certainty. However, it would clearly send a different message to both those settings who would gain and those who would lose funding. Given Welsh Government's policy drive to improve outcomes for pupils from deprived backgrounds, would those in settings not receiving any grant funding be able continue to fund support for these pupils locally? This could potentially impact negatively on the outcomes of around 25% of eFSM pupils who would be in settings that would attract no EYPDG funding. More broadly, the threshold approach makes no provision for identifying individual eFSM pupils, either in

the settings above or below the threshold level for funding. As indicated earlier in the report this may have an impact on the effective targeting of interventions.

35 Conclusions

We have concluded that it would be possible to develop a threshold based allocation approach for EYPDG. Such an approach would be relatively transparent and simple.

Such an approach would result in significant shifts in funding. Even a relatively low threshold would remove a substantial number of learning settings from the funding stream.

Having a simple threshold based either on numbers or percentages of eFSM would mean that a setting either attracts funding or it doesn't. It also means that for those settings whose eFSM is on or around a threshold, year on year change could be significant, with a difference of just one learner possibly meaning a setting losing all its grant. This may cause an issue for settings when planning interventions or support for the medium or long term.

As with other approaches we've not been able to provide an assessment of the likely impact on learners. While there is the potential for the approach to have a positive impact in settings where funding increases, it is equally possible that there will be a negative impact in those settings which would no longer attract funding.

Our findings: Area based approach

36 Area based approach

In our desk based research we looked at New Zealand's "Equity Index" rating method of distributing grants aimed at removing inequalities of deprivation for learners at risk of experiencing deprivation. It is not just based upon based on the number of eligible learners, but also the overall level of deprivation in the school's area, based on an index of deprivation. Further details of our work on exploring this approach can be found in **Annex 4**. We explored whether a similar approach might offer a suitable alternative method here in Wales.

37 Using Welsh Index of Multiple Deprivation (WIMD)

In Wales, Welsh Government's WIMD¹³ is used to identify the overall level of deprivation at small area geographies, and because of this, we were able to analyse an area based method for allocating the EYPDG. In the case of WIMD, the index is available at Lower Super Output Areas (LSOAs), which are statistical areas defined by the Office for National Statistics¹⁴ (ONS) and are designed to be statistically comparable.

Whilst there was potential for using the overall WIMD index as a basis for an area analysis, this takes into account deprivation affecting all ages in the population and not just early years pupils. Previous iterations of WIMD have included both an overall index as well as a child index¹⁵. However, Welsh Government have been unable to support the production of a child index for the current iteration of WIMD as efforts have focused on the production of small area statistics, namely the Area Analysis of Child Deprivation (AACD) statistical release¹⁶.

38 Impact on allocations

We explored a number of allocation amounts using this method, assigning a level of funding per eligible pupil in each school based on the quintile of deprivation of the area it is located in. We used the following to exemplify the impact of the approach.

- Quintile 1 (most deprived) : £600 per eligible pupil;
- Quintile 2 : £400 per eligible pupil;
- Quintile 3 : £100 per eligible pupil;
- Quintile 4 : No funding; and
- Quintile 5 (least deprived) : No funding

39 Impact on outcomes

As with the threshold approach, we found it difficult to assess the implication of such a change of approach on pupil outcomes. Again we were not able to do this with any certainty. Also, like the threshold approach, it would send a different message to both those settings who would gain and those who would lose funding.

The specific impact of this approach on the allocation will depend on the final detail. But as our example has indicated, while some settings would gain funding others will lose some or all of their funding. While this might have a positive impact where the per pupil funding

¹³ <http://wimd.wales.gov.uk/>

¹⁴ <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/census/super-output-areas--soas-/index.html>

¹⁵ <http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation-child-index/?lang=en>

¹⁶ <http://gov.wales/docs/statistics/2015/151201-wimd-2014-area-analysis-child-deprivation-2014-en.pdf>

received increases, in other settings this could potentially have a negative impact on pupil outcomes.

Earlier in the report we discuss the potential advantages of being able to identify individual eFSM learners, both in terms of targeting interventions and tracking progress. Like the threshold approach, this approach makes no provision for identifying individual eFSM learners.

We discussed the potential of this approach with a small number of stakeholders. Not surprisingly reaction was mixed. If it were to be pursued, there would need to be robust evidence and arguments to address the question as to why a very different approach to the PDG was being proposed. Similar to the threshold approach, there would also be questions around the expectations for supporting learners in settings which would see their EYPDG funding reduced or lost entirely.

40 Other issues

On a practical note, WIMD indicator data is not guaranteed to be updated regularly or to have an ongoing update cycle. This could result in school funding levels becoming static over time. The grant total would still fluctuate in line with eligible pupil numbers, but the allocation per pupil would not be updated unless the data specified in the AACD release is updated. So changes in concentrations of deprivation in areas might not be reflected in the grant in a timely way.

41 Conclusions

It would be possible to develop an area based allocation approach for EYPDG. However, it would introduce some added complexity and is likely to be less well understood.

While we have been able to construct a 'quasi early years index' to demonstrate the potential of such an approach, considerable further work would be needed to develop a robust methodology.

One important feature of this approach, which distinguishes it from both the current method and the threshold approach, is that it takes into account deprivation more broadly that just learners from households experiencing low income.

This approach has a weakness in that it takes no account of the catchment area of the learners for a setting. This would seem a very significant weakness. We have not tried to assess the extent to which this would be an issue, but would propose that further analysis is undertaken if the approach were to be considered.

Given the complexity of the approach and its limitations, we would suggest it would be difficult to justify moving to this methodology while the PDG grant continued to be funded based on eFSM.

Annex 1: Desk research – England’s model form

Voluntary model form used in England to check eligibility for the Early Years Pupil Premium (EYPP)

We would like to collect information about you and your child. This will help us to provide the best education and support for your child by making sure that if your child is eligible for the Early Years Pupil Premium (EYPP) that we receive this funding. We would be grateful if you could complete this form and return by **[date]**. Please note that completion of this form is voluntary and non-completion will not affect your child’s eligibility for their place at nursery/preschool/childminder etc. **(please amend as appropriate)**. However, if you do not complete this form, we may not be able to identify whether your child is eligible for the EYPP and we may not receive additional funding to support your child.

ABOUT YOUR CHILD/CHILDREN

Child’s Last Name	Child’s First Name	Child’s Date of Birth			Name of preschool, nursery, childminder
		DD	MM	YYYY	
		DD	MM	YYYY	

PARENT/GUARDIAN DETAILS

	Parent/Guardian 1			Parent/Guardian 2		
Last name						
First Name						
Date of Birth	D	M	Y	D	M	Y
National Insurance Number*						
National Asylum Support Service (NASS) Number*	/	/		/	/	
Daytime Telephone Number						
Mobile Number						
Address						
	Postcode:			Postcode:		

* Complete as appropriate

FAMILY INCOME AND BENEFIT DETAILS

Is your joint family income over £16,190 per year? (Please place an X in the appropriate box).

Yes No

If you have ticked yes, you do not need to complete the rest of this section.

If you ticked no, please place an X in this box if you¹⁷ are in receipt of any of the benefits listed below:

- Income Support
- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Universal Credit.
- Support from NASS (National Asylum Support Service) under part 6 of the Immigration and Asylum Act 1999
- the guarantee element of State Pension Credit
- Child Tax Credit (with no Working Tax Credit) with an annual income of no more than £16,190
- Working Tax Credit run-on

Please place an X in this box if you are not sure whether your joint family income is over £16,190, or whether you are in receipt of one of the benefits listed above, but you would still like us to check whether your child is eligible for the EYPP.

ADOPTED CHILDREN, CHILDREN SUBJECT TO A SPECIAL GUARDIANSHIP ORDER OR A CHILD ARRANGEMENTS ORDER

If your child has left care through adoption, special guardianship or a child arrangements order and you would like your child to attract the early years pupil premium, you should complete the following section and attach a copy of the relevant court order:

Has your child been adopted from care?

Yes No

If you have ticked yes in the previous question, have you been granted an adoption order by the courts yet?

Yes No

Did your child leave the local authority's care under a special guardianship order or a child arrangements order (formally known as a residence order)?

Yes No

How the information in this form will be used

Where you have indicated that you are in receipt of one of the listed welfare benefits or you would like us to check whether your child is eligible for the EYPP, the information you provide in this form will be used by the council to confirm receipt of one of the listed welfare benefits. They will do this by checking the information you have provided against the work benefit data provided by HMRC and DWP. We would like your consent to request the council to make this check.

The council will then confirm whether your child is eligible for the EYPP (but will not notify us of which benefits you are receiving). You are free to withdraw your consent so that your details are not used in future. Whether you provide your details or not will not affect any of the welfare benefits you may be entitled to. The data you provide may also be used to ensure accuracy of records across the local authority and to prevent fraud.

Children who have been adopted from care or are subject to a special guardianship order or a child arrangements order.

Eligibility will be based on your declaration that your child was formally a looked after child and on the evidence of their status e.g. a copy of the relevant order. The local authority will decide whether your

¹⁷ This includes those who have parental rights for the child/children named on this form.

child's nursery, childminder or pre-school is eligible for extra funds through the early year's pupil premium. This form and a copy of the relevant order should be returned either to your local authority or your child's nursery or childminder to enable funding to be allocated. If you decide to return this information to the local authority, please ask your child's nursery/childminder for the most appropriate address.

DECLARATION

The information I have given on this form is complete and accurate. I understand that my personal information is held securely and will be used only for local authority purposes.

I agree to the local authority using this information to enable my child's preschool/Nursery/school/childminder to claim the early year's pupil premium for my child

Signature of parent/guardian:

Date:

About this form

All early years providers who deliver Government funded early education can claim the early years pupil premium for three and four year old children whose parents are in receipt of one or more of the following benefits:

- Income Support
- Income-based Jobseekers Allowance
- Universal Credit
- Income-related Employment and Support Allowance
- Support under Part VI of the Immigration and Asylum Act 1999
- the guaranteed element of State Pension Credit
- Child Tax Credit (provided you're not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190)
- Working Tax Credit run-on.

Three and four year olds will also be eligible if:

- they are currently being looked after by a local-authority in England or Wales
- they have left care in England or Wales through an adoption
- they have left care in England or Wales through a special guardianship order or a child arrangement order.

Completing this form could result in extra funding for your child's early years provider

Completing this form allows us to check whether your child is eligible for the EYPP which could provide up to an extra £300 for your child's nursery, pre-school or child minder to fund valuable support like extra training or, resources to help raise the quality of your child's early education.

We are committed to ensuring that the personal and sensitive information that we hold about you is protected and kept safe and secure, and we have measures in place to prevent the loss, misuse or alteration of your personal information.

We will use the information you provide to check whether your child is eligible for the early years pupil premium.

Thank you for completing this form and helping to make sure your child's early years provider is as well funded as possible

Annex 2: Data analysis – current allocation method

Approach

Our analysis of the current allocation method was based on data provided by Welsh Government on the allocation of grant funding to local schools, along with estimates for the number of learners aged 3 and 4 in each maintained setting and an overall estimate of estimated eligible learners in non-maintained settings.

We used these data to undertake analyses of the current allocation method at school, local authority and consortium level, including mean allocation across setting types, maximum allocations, total allocations and projected allocations over time, as well as looking at the estimated number of eligible pupils at similar geographies.

The reason for undertaking these initial analyses was to ensure the data fits our expectations of the grant’s allocation, and that no initial skewness of the data could be found. For example, large total allocations to areas with relatively low numbers of children in the overall population.

Total allocations

Figure 1 - Total allocations to all settings by local authority, 2015-16

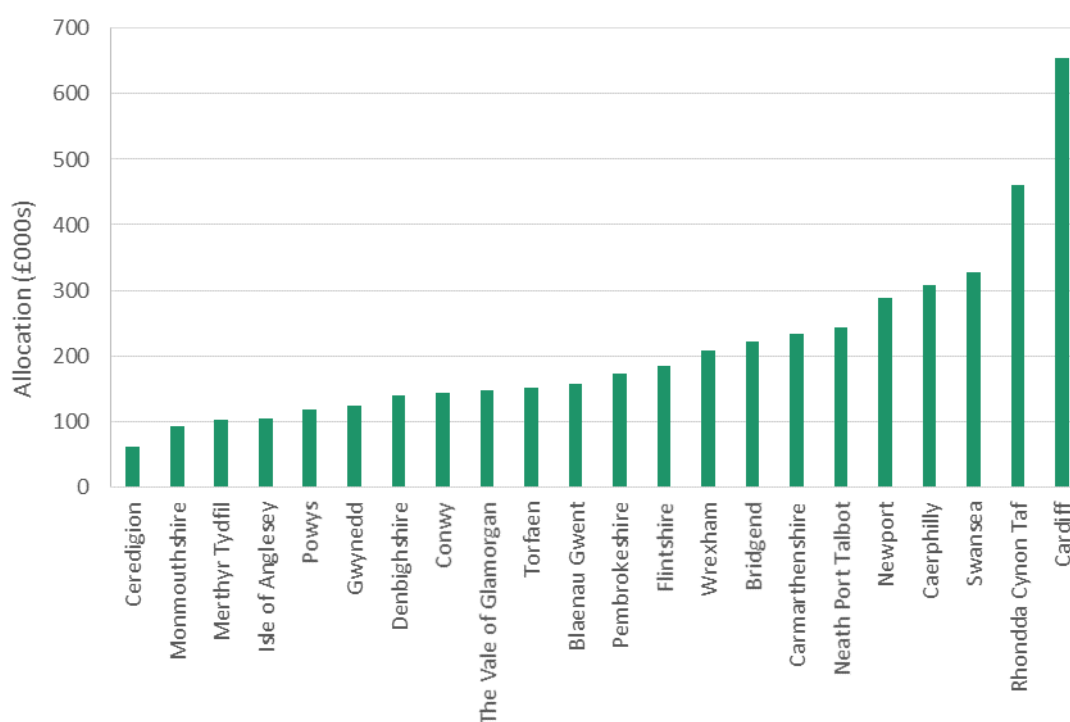


Figure 1 shows the total allocation of EYPDG at local authority level. This incorporates maintained nursery and primary settings as well as non-maintained settings. Unsurprisingly, the three authorities with the largest population make up the areas with the highest level of allocation (Cardiff - £654,000, Rhondda Cynon Taf - £461,400, Swansea - £327,900). Ceredigion has the lowest overall allocation at £61,200.

Table 1 - Total allocation to local authorities, 2015-16

Local authority	Allocation (£s)
Ceredigion	61,200
Monmouthshire	92,700
Merthyr Tydfil	102,300
Isle of Anglesey	103,500
Powys	117,300
Gwynedd	123,900
Denbighshire	138,600
Conwy	143,700
The Vale of Glamorgan	147,000
Torfaen	150,900
Blaenau Gwent	157,500
Pembrokeshire	172,200
Flintshire	185,100
Wrexham	207,600
Bridgend	221,400
Carmarthenshire	234,000
Neath Port Talbot	243,300
Newport	288,300
Caerphilly	308,400
Swansea	327,900
Rhondda Cynon Taf	461,400
Cardiff	654,000
Wales	4,642,200

Similar patterns can be seen at the local authority level for primary settings **Figure 2** and **Table 2**.

Figure 2 - Total allocation to primary settings by local authority, 2015-16

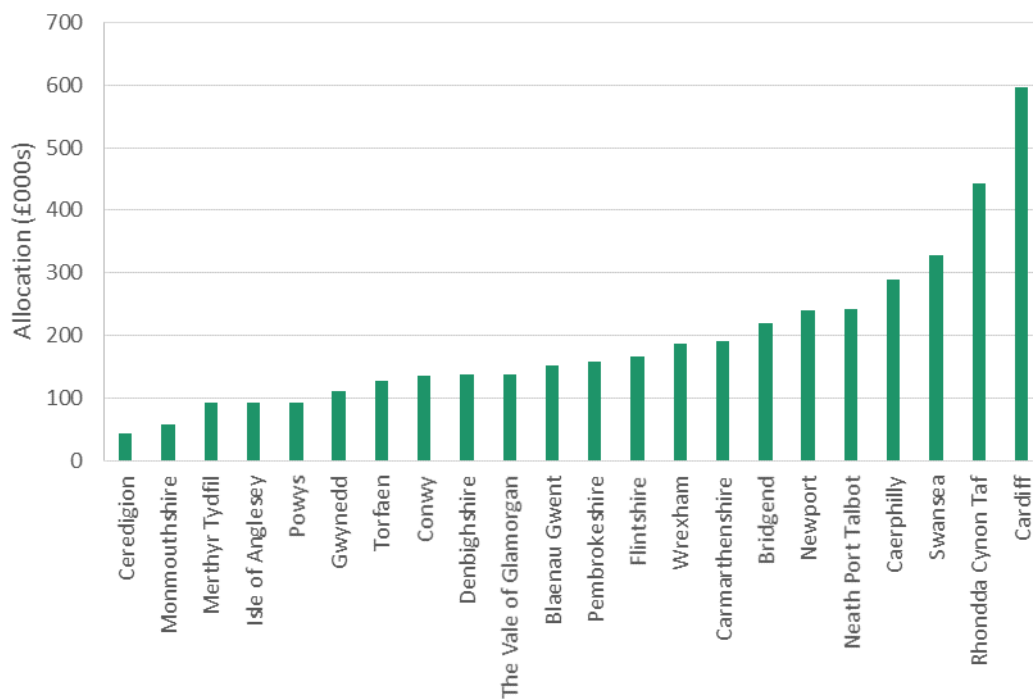


Table 2 - Total allocation to primary settings at local authority level, 2015-16

Local authority	Allocation (£s)
Ceredigion	43,500
Monmouthshire	57,600
Merthyr Tydfil	91,500
Isle of Anglesey	91,800
Powys	92,400
Gwynedd	111,600
Torfaen	127,800
Conwy	134,700
Denbighshire	136,800
The Vale of Glamorgan	137,400
Blaenau Gwent	152,400
Pembrokeshire	159,000
Flintshire	165,600
Wrexham	186,000
Carmarthenshire	191,700
Bridgend	219,900
Newport	239,400
Neath Port Talbot	242,400
Caerphilly	289,200
Swansea	327,900
Rhondda Cynon Taf	442,800
Cardiff	595,500
Wales	4,236,900

Different patterns of allocation occur when looking at allocation totals to non-maintained settings and nursery settings. In the case of **nursery settings**, this is a reflection of policy differences across local authorities with regards to the provision of early years education above the statutory minimum. For the **non-maintained** allocation, the number of eligible learners is likely to be strongly influenced by a number of factors including local policy implementations and the availability of private provision of early years education.

Table 3 - Total allocation to local authorities for non-maintained settings, 2015-16

Local authority	Allocation (£s)
Swansea	0
Bridgend	0
The Vale of Glamorgan	0
Neath Port Talbot	900
Denbighshire	1,800
Merthyr Tydfil	4,200
Blaenau Gwent	5,100
Conwy	9,000
Isle of Anglesey	11,700
Gwynedd	12,300
Pembrokeshire	13,200
Torfaen	16,200
Rhondda Cynon Taf	16,800
Flintshire	17,400
Ceredigion	17,700
Wrexham	18,600
Caerphilly	19,200
Powys	24,900
Newport	34,200
Monmouthshire	35,100
Cardiff	37,200
Carmarthenshire	39,300
Wales	334,800

The range of allocations to nursery and primary settings varied considerably (**Table 4**). In primary school settings, of which we had allocation data for 1,334, the mean allocation was £3,176, whilst the maximum allocation for any single setting was £23,700. The median value for primary school allocation was £1,800.

In contrast to this, nursery settings, of which we had allocation data for 17, had a far lower maximum allocation of £10,200, a higher mean allocation across all nursery settings than primary school settings of £4,147 and a slightly higher median value of £3,300.

There may be a number of factors for this difference in allocation totals by setting type, including class size and overall school size, and the large difference in the total number of primary school settings compared to the total number of nursery settings. Therefore, direct comparisons between settings should be treated cautiously.

Table 4 - Summary of allocation to nursery and primary settings, 2015-16

Setting type	Average (£)	Median (£)	Max (£)	Number of settings
Nursery	4,147	3,300	10,200	17
Primary	3,176	1,800	23,700	1,334

Summary data for non-maintained settings are not available.

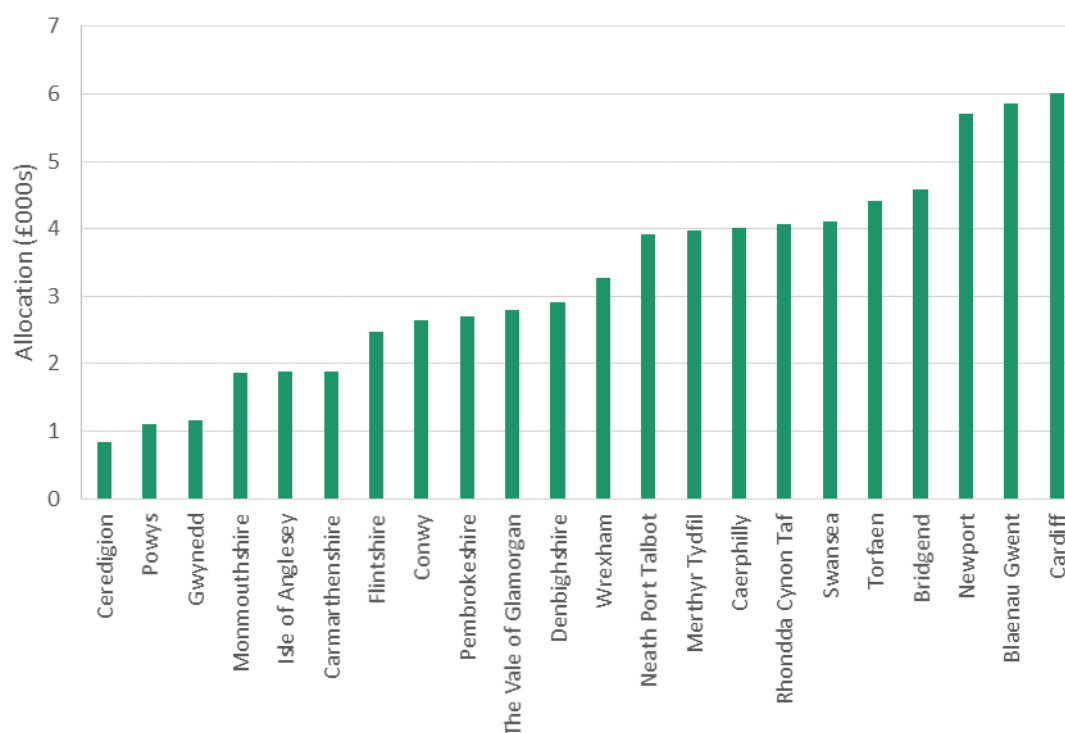
Due to this, the summary statistics in **Table 5** reflect the mean, median and maximum of local authority area allocation. Please note that the allocations for EYPDG to non-maintained settings are distributed via the regional consortia to settings depending upon local arrangements (which vary across Wales).

Table 5 - Summary of allocations to local authorities for non-maintained settings, 2015-16

Setting type	Average (£)	Median (£)	Max (£)
Non-maintained	15,218	14,700	39,300

Figure 3 shows the mean allocation to all primary schools by local authority area. The pattern of distribution here is different to that of the overall allocation, and is influenced less by overall population size. This may be a reflection of differing rates of eligible learners in primary school settings across authorities, but may also be a reflection of different class sizes across authorities. Therefore assumptions on low income or deprivation should not be taken from comparing across the mean at this level, even though there is a marked difference between the highest mean (Cardiff - £6,015) and the lowest mean (Ceredigion - £837).

Figure 3 - Mean allocation by local authority to primary settings, 2015-16



Projected allocations

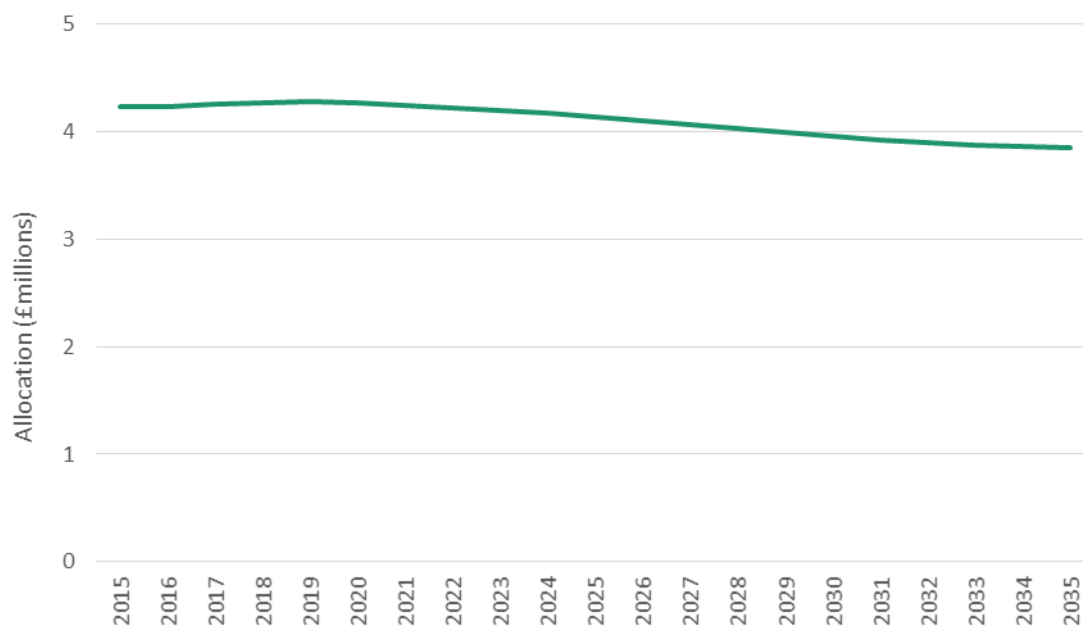
As part of the review, we analysed the projected expenditure of the current allocation method up to 2035. In the main this was to identify what the future trend of the allocation might be, based on Welsh Government’s population projection for children aged 3 and 4 at local authority level¹⁸. The population projections relate to the whole population and are not available for the eFSM population sub-group.

We used the most recent year for the current allocation method (2015-16) as a starting point. For each subsequent year we calculated the percentage change in the total number of children aged 3 and 4 in each local authority compared to the previous year. We then assume that the rate of children identified as eFSM remains constant over the projection period, and calculate the number of children aged 3 and 4 who are eFSM in each area as being the total number from the previous year, plus or minus the percentage difference based on the change in the population projections. We then rounded down the total number to the nearest whole number to represent the number of children. This figure was then multiplied by 300, and therefore the projection also assumes that the grant rate will remain static over time.

The results of the projection can be seen in **Figure 4**. Over time, we found that the grant will remain relatively stable, increasing between the current year and 2022, before beginning to decrease gradually right up to 2035. This trend is clearly influenced by the overall trend in population projections for children aged 3 and 4 in Wales, which are projected to decrease overall. The results presented here should not be used to infer projections at local authority level, as there will be varying projections of the changes to the population of children aged 3 and 4 across local authorities over time.

¹⁸ <https://stats.wales.gov.uk/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority/populationestimates-by-localauthority-year>

Figure 4 - Projected expenditure using the current allocation method to primary schools, 2015–2035



We also began to analyse projected changes to nursery and non-maintained settings. However, due to the small size of the eFSM population in those settings, changes to the allocation total were not of a sizeable proportion, even at a national level, and therefore we did not continue with further analyses of those settings.

Annex 3: Data analysis – ‘threshold allocation approach’

Threshold allocation

The first alternate approach we considered was the ‘threshold allocation approach’. In this allocation methodology, we applied a number of threshold levels to the data to identify whether a suitable allocation method could be identified. The premise of this approach is the assumption that for settings with high percentages or total numbers of eFSM learners aged 3 and 4 there is a greater need for resources to contribute towards assisting in the support and development of those learners.

We have explored three different variations of the threshold approach, one based on a:

- minimum number of estimated eFSM learners in a setting;
- minimum percentage of estimated eFSM learners in a setting; and
- combination of the two.

By introducing a threshold, the number of pupils who attract funding reduces and it is likely the number of settings receiving funding would also decline. Depending on whether the total grant available remained the same, this would introduce the possibility of a higher rate per eFSM learner in settings which fall above the threshold.

After exploring several iterations, we have used a ‘per learner’ rate of £400 for our analysis, an increase of a third on the current grant rate of £300 per learner.

Threshold based on number of eFSM learners

Firstly, we ran the model using a threshold based on a minimum number of eFSM learners aged 3 and 4 in a setting. Our choice of threshold number was based on using the per learner rate of £400 and constraining the total grant to around the current level. We used a threshold of 12, meaning only those settings where there were 12 or more eFSM learners aged 3 and 4 would receive EYPDG funding.

Using this threshold, around 60% of maintained settings currently funded would receive no funding. This would equate to around 20% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

Threshold based on the percentage of eFSM learners

Secondly we ran the model using a percentage threshold of 21%, meaning only those settings where the percentage of eFSM learners aged 3 and 4 is estimated to be 21% or higher would receive EYPDG funding. The choice of percentage threshold is somewhat arbitrary, we chose this level as it corresponds with the current all Wales percentage of age 5 eFSM learners. With a per learner rate of £400, this level results in total grant funding similar to the current quantum.

Using this threshold would result in around 50% of maintained settings currently funded would receive no funding. This would equate to around 25% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

Threshold based on both the number and percentage of eFSM learners

Finally, we ran the model using two threshold values, a minimum number of estimated eFSM learners aged 3 and 4 in a setting and the estimated percentage of eFSM learners aged 3 and 4. Our choice of thresholds was again based on using a per learner rate of £400 and constraining the total grant to around the current quantum.

Finally, we ran the model using two threshold values, a minimum number of estimated eFSM learners aged 3 or 4 in a setting and an estimated percentage of eFSM learners aged 3 or 4. The thresholds were determined using an optimisation process and constrained to the current grant total quantum. The optimal thresholds were 7 and 20%.

Applying these thresholds combined, around 60% of maintained settings currently funded would receive no funding. This would equate to around 25% of estimated eFSM learners aged 3 or 4 not attracting grant funding.

Observations and conclusions

We have been able to demonstrate that an allocation approach based on threshold levels of eFSM pupils would be possible to introduce. Also, it would be relatively simple and transparent.

Such an approach offers the opportunity to increase the rate per learner payable to settings who reach the threshold. What this rate per learner should be is somewhat arbitrary. However, the choice of rate per learner impacts on the threshold levels that can be used, if the quantum is to remain largely unchanged.

The results of our modelling show that a relatively low threshold removes a substantial number of learning settings from the funding stream. This is due to the distribution of eFSM learners in primary schools and nursery setting, where the number of eFSM learners aged 3 and 4 tend to be small in number, with more than 550 of the total primary and nursery settings having less than 5 estimated eFSM learners.

One of the obvious issues with a threshold approach is that it can result in significant changes year on year for some settings. While we are not advocating that funding needs to remain stable year on year, the potential level of change may be regarded as too high. As an example, using the threshold number of 12 eFSM learners and the £400 per learner rate we exemplified above, a setting which experiences a minimal year on year reduction in its estimate of eFSM learners, from 12 to 11, would see its grant of £4,800 reduce to zero.

A fundamental question is would this approach to allocation improve outcomes for learners? This is not straightforward and we were not able to provide any robust evidence either way. It is possible that a higher rate per learner would mean that those settings who are above any threshold would have increased resources to support interventions. These may improve outcomes for the learners concerned. However, it is less clear what the impact would be on those settings who would lose their funding. Would they be in a position to continue to fund interventions? Would they feel encouraged to do so?

Annex 4: Data analysis – area based approach

Area based analysis

In our desk based research we considered New Zealand’s Equity Index rating (EQI) method of distributing grants aimed at removing inequalities of deprivation for learners at risk of experiencing deprivation based on not just the number of eligible learners but also the overall level of deprivation in the school’s area based on an index of deprivation.

Method

The method we used was based on us constructing an example ‘quasi early years index’ containing ranked Lower Super Output Areas (LSOAs) using the Area Analysis of Child Deprivation (AACD) data released on 1 December 2015¹⁹. It is important to stress that while we believe the index constructed to be sufficiently robust for our analysis, we are not putting it forward as an ‘ideal’ index or one suitable for use in an area based methodology.

We were able to use our quasi early years index to apply an allocation method which took into account the level of overall deprivation in a setting’s area as well as the total number of learners estimated to be eFSM. We were only able to apply this approach to maintained settings.

We identified four indicators in the AACD release to include in our early years index. These were selected due to the age groups at which they were broken down by. The indicators are:

1. Income deprivation (0 to 4 year olds);
2. Limiting long-term illness per 100,000 population (0 to 4 year olds);
3. Population living in overcrowded households (0 to 4 year olds); and
4. Pupils who were repeat absentees (primary schools).

To construct the index we used a four step methodology:

1. Rank all indicator data individually;
2. Apply an ‘exponential transformation’ to the ranked values to create scores for each LSOA in each indicator between 0 and 1;
3. Combine the scores into a single score, weighting each indicator evenly (a weight of 0.25 in our index, as we used four indicators); and
4. Rank the overall score to identify the rank of the individual LSOA (between 1 and 1909, with 1 being the most deprived and 1909 being the least deprived).

This corresponds closely to the methodology used by Welsh Government in creating the overall WIMD index²⁰. The main difference being that we do not use a factor analysis to identify indicator weightings, as, for simplicity, we’ve only used single indicators per domain and used an equal weighting method for defining the overall domain score.

We use the same exponential transformation in step 2 as denoted in the WIMD technical guidance, which is:

$$-23 \times \log\{1 - R \times [1 - \exp(-100/23)]\}$$

where log denotes a natural logarithm and exp is the exponential transformation.

¹⁹ <https://stats.wales.gov.uk/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation/WIMD-Indicator-Data-By-Age>.

²⁰ <http://gov.wales/docs/statistics/2014/141218-wimd-2014-technical-en.pdf>.

We assigned each LSOA to a quintile (numbered 1-5 with 1 being the most deprived quintile and 5 being the least deprived quintile) based on its overall position in the index.

We then used the latitude and longitude of all schools held on the MyLocalSchool website²¹ to assign them to an LSOA and the relevant quintile number. We used the establishment number and the local education authority number to then match these schools to those in the dataset of allocation provided to us by Welsh Government. This gave us a dataset comprising of a unique school, the number of learners aged 3 and 4 estimated to be eligible for EYPDG funding in each school, the LSOA code of the school, the LSOA rank and the quintile of deprivation for the LSOA the school is located in.

We assigned a level of funding per learner to each school based on the quintile of deprivation for the area it is in. The allocation per learner for the quintiles we used was as follows:

- Quintile 1: £600 per eligible learner;
- Quintile 2: £400 per eligible learner;
- Quintile 3: £100 per eligible learner;
- Quintile 4: No funding; and
- Quintile 5: No funding.

We ran a number of iterations using this method, and settled on the above quintile distributions as they appeared sensible in terms of demonstrating an approach which recognised the potential additional burdens placed on schools in areas of significant deprivation while maintaining the total grant at around the current level.

Allocations

We found that there were a number of significant implications for maintained settings when using the allocation method described here. Applying this approach, around 30% of maintained settings currently funded would receive no funding. Around half of the currently funded maintained settings would lose some funding under this approach. Around a third of the currently funded maintained settings would see their funding increase.

Using the above levels of funding for this approach two primary schools, one in Cardiff and one in Newport, would see their grant funding increase by more than £20,000. Similarly a primary school in Newport would lose more than £12,000 in grant funding. In total, using our area based approach, the total level of grant funding would remain around £4.5 million.

Observations and conclusions

We have been able to demonstrate that an area based allocation approach for EYPDG would be possible to introduce.

While we have been able to construct a 'quasi early years index' to use to demonstrate the potential of such an approach, considerable further work would be needed to develop a robust methodology. This would include reviewing what indicator data is available and appropriate. Developing, maintaining and 'running' such a method each year would require more Welsh Government resource than the current approach.

One obvious characteristic of this approach is that it is more complex than the current method or the threshold approach we've also considered. As such it would be less transparent.

²¹ <http://mylocalschool.wales.gov.uk/>

One important feature of this approach which distinguishes it from both the current method and the threshold approach is that it takes into account deprivation more broadly than just learners from households experiencing low income.

Like the threshold approach this method would result in significant changes to the distribution of the EYPDG grant across settings and potentially across local authority areas. The level of change could be controlled to some extent by making adjustments to the per learner rate for each quintile.

In order to demonstrate the approach we have used a relatively straightforward way of identifying schools in areas of significant deprivation. This approach has a weakness in that it takes no account of the catchment area of the setting. For example a setting may happen to be located in a community (LSOA) which has a high concentration of deprivation, but its learners could, in the main, come from areas with significantly lower concentrations of deprivation. Similarly a setting located in a less deprived area, as defined by the index, may have many of its learners coming from areas experiencing significant concentrations of deprivation. This could be a potentially significant weakness in the approach.

Again, a fundamental question is whether this approach to allocation would improve outcomes for learners? Because of what we perceive as a significant weakness in this approach, it seems less likely that it could be proved to do so. Once again some settings would have increased resources to support interventions, and again these may improve outcomes for the learners concerned. It is less clear what the impact would be on those settings who lose their funding. As with the threshold approach, would they be in position to continue to funded interventions? Would they feel encouraged to do so?

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