

Report subject	<b>Early Years Single Funding Formula 2024-25</b>
Meeting date	6 March 2024
Status	Public Report
Executive summary	<p>The Council receives the ring-fenced Dedicated Schools Grant (DSG) to fund several education blocks, including the Early Years block which must be developed into a local Early Years Single Funding Formula (EYSFF). The contents of the formula are highly regulated by the Department for Education (DfE).</p> <p>A new EYSFF for BCP is required for April 2024. Consultation with the early years sector has taken place and Schools Forum considered the outcome at an extraordinary meeting on 6 February 2024, at which they agreed to recommend the proposed EYSFF to the Council, with no changes.</p> <p>The DfE notified local authorities of their funding agreement on 29 November 2023, with substantial changes from 2023-24. A group of provider representatives helped to shape the proposal and indicated that their preference was to avoid consulting with the sector during or just before the Christmas break, which Children's Services agreed to.</p> <p>The governments biggest expansion of childcare entitlements begins this year and the proposed EYSFF includes funding rates for the children of working parents aged 9-36 months for the first time. These changes, along with a revision to the way children with SEND are funded, introducing a Deprivation Supplement to support our most disadvantaged 9–36-month-old children, a significant uplift in the Council's central functions and the introduction of a contingency fund formed the proposed EYSFF.</p> <p>31% of providers engaged with the consultation and were, overall, supportive of the proposed EYSFF. The consultation response may be seen in Appendix A.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Cabinet approve the new EYSFF for 2024-25</b></p>
Reason for recommendations	The recommendation demonstrates a balanced position of the funding available for distribution to the early years sector, support for disadvantaged children and those with additional needs and

	funding required for central council functions.
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People
Corporate Director	Cathi Hadley, Corporate Director Children's Services
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Wards	Council-wide
Classification	For Decision

## Background

1. The 2024-25 DSG early years block funding rates have increased by 4.7% for 3- and 4-year-olds, with two brand new funding rates introduced for eligible children aged 9-36 months old.
2. Early years funding for 2024-25 has been estimated by the DfE based on the January 2023 census with the prior year comparative in table 1. Funding is to be finalised in summer 2024 and 2025 for each year, respectively. There is a significant increase year on year due to the largest ever expansion of childcare entitlements taking effect from 2024-25.
3. From April 2024 working parents of 2-year-olds will have an entitlement to 15 hours per week childcare funding, increasing to 30 hours from September 2025. This is a brand-new entitlement aimed specifically at working families that fulfil eligibility criteria.
4. From September 2024 working parents of 9-month-old children will have an entitlement to 15 hours per week of childcare funding, increasing to 30 hours per week from September 2025
5. Disadvantaged 2-year-olds will continue to be eligible for 15 hours per week in 2024-25, with no change to the entitlement criteria.
6. A summary of the early years settlement for 2024-25 is provided in table 1 below:

**Table 1: Early years funding settlement 2024-25**

DSG Funding	2023-24 Forecast	2024-25 Forecast	Annual Change		Reason for Change
	£000's	£000's	£000's	%	
Early Years	21,093	35,054	13,961	66%	Increase in funding and introduction of new age group entitlements

7. The early years block is distributed according to a national funding formula (NFF) with funding allocated to the local authority in accordance with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024. The regulations impose some restrictions on how the funding can be allocated to early years providers, as well as detailing the central expenditure that can be charged to the grant within the block.
8. Included within the DSG, but outside the early years funding formula, there are prescriptive amounts included in the total early years funding in table 1:
  - a. early years pupil premium (EYPP) for eligible children with an estimated increase of 3.0%.
  - b. disability access fund for one off payments to settings for eligible children with an increase estimated at 3.2%.

### **Early Years Single Funding Formula (EYSFF)**

9. The Council is required to operate an EYSFF for all providers. The formula is applicable for 9-month, 2-, 3- and 4-year-old entitlements to childcare places delivered in pre-schools, day nurseries, independent schools, childminders, and in nursery classes within a small number of academies.
10. The formula for 3- and 4-year-olds is to include a universal base rate for all providers and a mandatory deprivation supplement to differentiate funding.
11. The formula for 2-year-olds includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a disadvantaged 2-year-old and a working parent 2-year-old.
12. The formula for under 2's includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a working parent and a working parent eligible for EYPP.
13. The formula must include a SEND Inclusion Fund (SENIF). The SENIF provides additional funding to support children with additional needs. Previously SENIF applied only for 3- and 4-year-olds, but from April 2024 this funding must be applied across all age groups.
14. SENIF is not provided under the statutory framework for EHCPs. Any EHCPs for children in the early years age groups are funded by the high needs block following statutory processes in addition to the inclusion fund within the EYSFF.

### **Consultation for 2024-25**

15. Initial consultation took place with provider representatives in a sub-group of the Schools Forum to help shape the wider consultation with the sector. In partnership with this group the Council recommended the following to the sector:
  - To include the discretionary deprivation supplement as part of the formula for 9–36-month-old children.
  - To evolve the way children with SEND are assessed and funded across all age groups.
16. The Early Years Single Funding Formula consultation paper was distributed via email to 287 childcare providers within BCP on 9 January 2024 with responses requested by 22 January. 4 virtual consultation briefing events were held over a two-

week period attended by 51 providers. 31% of the sector provided consultation feedback (88 responses of a possible 287).

17. The consultation responses (see Appendix A) shows an overall approval for both proposals mentioned in 15.
18. The final hourly rates were confirmed by government on the 29 November 2023 and are summarised as follows:
  - 3 and 4-year-olds: funding rates to increase by 25p from £4.87\* to £5.60  
 \*DfE enhanced the funding rate for this age group in September 2023 to £5.35
  - 2-year-olds a new funding rate set at £7.92
  - Under 2's a new funding rate set at £10.77
19. Councils are permitted to retain up to 5% of the EYSFF for central services such as administering the entitlement and providing support to providers and systems to operate the funding claims. Due to the financial pressures faced by the Council it was agreed that an increase in the Central Functions was required for 2024-25.
20. For 2024-25 it is proposed that that 2.5% of the EYSFF is retained for central an approximate 400% increase year on year (previously 0.5%). Providers were informed of this proposed change during the consultation and while some did question the level, providers overall did not disagree with the change.
21. As there are new early education entitlements being introduced this year and a change in census collections (three as opposed to one), it is proposed to hold approximately 1% of the EYSFF from the under 2's and 3- and 4-year-old formula as a contingency fund. This funding will be reserved to mitigate against any overspends in either age group (including any change to forecast SEND pressures).
22. This means that from the EYSFF an overall 3% of funding is not immediately available for providers.

### Proposed EYSFF 2024-25 for Cabinet Decision

23. On 6 February 2024 School's Forum were presented with the outcome of the consultation and unanimously recommend the proposed EYSFF to the Council. The table below shows the impact of adopting the proposal for 2024-25, per age group.

**Table 2: Proposed EYSFF – Hourly Funding Rates 2024-25**

3 and 4 year olds Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£5.10	£5.10	Every child
Deprivation	£0.08	£0.33	Per eligible child
Inclusion Fund	£0.22	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.14		
Contingency	£0.06		
<b>DSG Funding per hour</b>	<b>£5.60</b>		

*\* the shaded grey allocations from the DSG funding levels are shown for context, some rounding may occur*

2 Year Old Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£7.25	£7.25	Every child
Deprivation	£0.16	£0.65	Per eligible child
Inclusion Fund	£0.32	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.20		
Contingency	£0.00		
<b>DSG Funding per hour</b>	<b>£7.92</b>		

\* the shaded grey allocations from the DSG funding levels are shown  
for context, some rounding may occur

Under 2's Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£9.88	£9.88	Every child
Deprivation	£0.08	£0.33	Per eligible child
Inclusion Fund	£0.43	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.27		
Contingency	£0.11		
<b>DSG Funding per hour</b>	<b>£10.77</b>		

\* the shaded grey allocations from the DSG funding levels are shown  
for context, some rounding may occur

Deprivation eligibility is determined as follows:

**3- and 4-year-olds** the supplement is added for those children that had formerly accessed disadvantaged 2 year old funding or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.

**2-year-olds** the supplement is added for those children that qualify as a disadvantaged 2 year old, or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.

**Under 2-year-olds** the supplement is added for those children that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.

SEND inclusion is funded as follows:

**(All age groups)** Providers are funded per hour for all early entitlement hours accessed, based on three levels of need which is determined by a weekly panel of special education needs officers. Tier 1 at £2.43, Tier 2 at £4.86, tier 3 at £7.49.

## **Options Appraisal**

24. Options were considered in the consultation processes with the early years sector, and with Schools Forum.

## **Summary of financial implications**

25. The early years formulae are set within the funding envelope of the DSG and therefore have no impact on the general fund.

## **Summary of legal implications**

26. The consultations undertaken and the formulae recommendations are compliant with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024.
27. Funding rates for early years in 2024-25 must be provided to the sector by 31 March 2024.

## **Summary of human resources implications**

28. There are no human resources implications for the Council. Any implications from funding levels are for early years providers.

## **Summary of sustainability impact**

29. None.

## **Summary of public health implications**

30. Should appropriate funding not be allocated to meet the needs of pupils with SEND within BCP, there may be health and well-being implications for this group of the population leading to reduced health equalities locally.

## **Summary of equality implications**

31. An equalities impact assessment has not been undertaken. The DfE have undertaken equality impact assessments in determining the structure of the funding formulae and how funding is to be allocated. The local formulae are aligned with the national schemes.

## **Summary of risk assessment**

32. There are no risks to the Council from the implementation of the funding formula within the Regulations and published guidance.

## **Background papers**

None.

## **Appendices**

Appendix A: Proposed Changes to the Early Years Single Funding Formula for the Free Early Entitlement for 2, 3 and 4 Year Olds for April 2024 – March 2025 Outcomes of the Consultation.