

Schools Forum

11 January 2024

Early Years National Funding Formula 2024-25

This report relates to all early years providers and is for decision by all school and PVI members of Schools Forum.

1. Recommendations

- 1.1. The Schools Forum is asked to approve increasing the deprivation rate for 3 & 4-year-olds to 63p per eligible child, in line with the changes to the Early Years Per Pupil Premium (EYPPP) rate and allocating the remaining available funding to the universal base rate bringing it to £5.22 per hour per child for 2024-25 as recommended in paragraph 7.3 and table 4.
- 1.2. The Schools Forum is asked to approve the new basis for the deprivation supplement rate for 2-year-old and under 2s. This deprivation rate mirrors the rates used by the DfE within the Early Years Funding rates (FSM, EAL, DLA and IDACI) as recommended in paragraphs 5.3 and 6.3.
- 1.3. The Schools Forum is asked to approve the retention of 5% of funding from each of the following entitlement funding streams. Under 2s, 2-year-old disadvantage offer, 2-year-old working parents and 3&4 years old entitlements as recommended in paragraph 3.9.
- 1.4. The Schools Forum is asked to note the extension in special education needs inclusion funds (SENIF) to children ages 9 months to 2 years with SEND who are taking up the early years entitlements as noted in paragraph 3.6.

2. Introduction

- 2.1. In previous years all children in England and Wales have been entitled to 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up in a maintained school, nursery or in a private, voluntary, or independent sector (PVI) early year setting or with a childminder.
- 2.2. From April 2024 this will be extended working parents of 2-year-old and from September 2024 from children over 9 months (Under 2s).

- 2.3. Schools and settings are funded based on participation over the whole year and not just the highest count, this ensures that funding is realistic and adjustments for over/under occupancy at the end of the year are more manageable. This will not change in line with the changes proposed above.

3. Early Years Consultation Summer 2023

- 3.1. The Spring budget announced an expansion of the early years' entitlements, which will be rolled out in phased from April 2024. The delivery of the existing entitlements would also benefit from significant new investments nationwide, including £204m from Sept 2023 and £288m from April 2024. This is in addition to £4.1billion that is expected to be provided by 2027-28 for the expansion of the early years' entitlements.
- 3.2. In July, details were published by the ESFA on the £204m of additional funding which was distributed to local authorities via a standalone Early Years Supplementary Grant (EYSG) in September 2023
- 3.3. Over the Summer, a consultation was released (it ran from 21st July – 8th September) on the proposed approach to the funding entitlements for 2-year-olds and under in 2024-25. As part of the consultation illustrative funding rates were published for 2024-25.
- 3.4. On 29th November, the ESFA published the government's response to the consultation, alongside the final 2024-25 local authority hourly funding rates for the existing and new early years entitlements. This included an easy explainer document which set out how the funding rates are calculated and distributed.
- 3.5. The proposals that were consulted on were:
- To introduce a new funding formula for distributing entitlements funding for local authorities for 2-year-olds and under from 2024-25 and use the formula to determine the local authority funding rates.
 - To extend eligibility for the Early years pupil premium (EYPP) and the disability access fund (DAF) to eligible children aged 2 and under accessing the entitlements from 2024-25
 - To extend all local funding rules to the existing offer for disadvantages 2-year-olds and the new working parent entitlements, including the pass-through rate, the list of allowable supplements, and the requirement to have a SENIF.
- 3.6. Local authorities will be expected to extend their special educational needs inclusion funds (SENIF) to children aged 9 months to 2 years with SEND who are taking up the early years' entitlements.
- 3.7. For 2024-25, local authorities will be required to pass through at least 95% of funding for each of the following entitlement funding streams individually:

- Under 2s
 - 2-year-old disadvantage offer
 - 2-year-old working parents
 - 3 & 4-year-old entitlements
- 3.8. The remaining 5% can be retained centrally to be spent on activity such as central SEND support and eligibility checking and sufficiency. The pass-through rate will be increased from 95% to 97% once the roll out of the new entitlements has sufficiently progressed.
- 3.9. To help with increased support (including Early Years SEND) and eligibility checking for the increased entitlement it is proposed that the local authority pass through the 95% of funding for 2024-25 and utilise the full 5% of centrally retained funding.

4. 2024-25 Allocations and rates summary

4.1. The ESFA announced in December 2023 early years allocations for 2024-25. These allocations cover the following areas:

1. Under 2s
2. 2-year-olds
3. 3- and 4-year-olds
4. Early Years Per Pupil Premium (EYPPP)
5. Disability Access Fund (DAF)
6. Supplementary Funding for Maintained Nursery Schools

4.2. Rates for 2024-25 and a comparison to 2023-24 rates are as follows:

Factor	2023-24 Rates (After supplementary grant)	2024-25 Rates	% Change
Under 2s	£0.00	£10.69	New
2-Year-olds	£7.81	£7.87	0.76%
3- and 4-year-olds	£4.98	£5.58	10.75%
TPPG	£0.03	£0.03	No Change
EYPP	£0.62	£0.63	1.59%
DAF	£828	£910	9.90%
MNS	£3.80	£4.64	

Table1: Early Years allocations rates 2023-24 and 2024-25

4.3. The Early Years Working Group met on Monday 8th January 2024 to discuss the allocation of funding for under 2s, 2-year-olds and 3- & 4-year-olds and to make a recommendation to schools forum.

5. Allocations for Under 2s

5.1. The hourly allocation for under 2s is £10.69 per hour for 2024-25.

- 5.2. As per the new guidance up to 5% of the allocation can be retained by the Local Authority to fund central services which support all early year’s providers.
- 5.3. The main issues for the Early Years Working Group are how the funding is allocated to providers through the universal rate and deprivation rate. We currently use a deprivation rate that mirrors EYPP for 3- & 4-year-olds. We also wanted to consider the deprivation rates proposed by the ESFA in the consultation of Free School Meals (FSM), Income Deprivation Affecting Children Index (IDACI), English as additional Language (EAL) and Disability Living Allowance (DLA). The Early Years Working Group therefore considered these 2 options, subject to the 5% retention:
 - (Option 1) Setting the deprivation rate to mirror the EYPP.
 - (Option 2) Setting the deprivation rate using the 4 rates used by the ESFA.

Factor	Option 1 2024-25 Allocation Per Hour (Dep 0.63p) £	Option 2 2024-25 Allocation Per Hour (Dep 0.84p) £
Total for Under 2s	10.69	10.69
Universal rate allocated to all providers	10.07	10.03
Deprivation Supplement*	0.09	0.13
Central Provided Services (5%)	0.53	0.53

Table 2: options for under 2s allocations 2024-25

*Note: it is estimated that 15% of children are eligible for the deprivation supplement so when apportioning the 63p per hour it equates to 9p per hour (63p * 15%)

- 5.4. The Early Years Working Group unanimously agreed to recommend to schools’ forum Option 1 and mirroring the EYPP as per the 3&4 year old formula.

6. Allocations for 2-year-olds

- 6.1. The hourly allocation for 2-year-olds is £7.87 per hour for 2024-25.
- 6.2. As per the new guidance up to 5% of the allocation can be retained by the Local Authority to fund central services which support all early year’s providers.
- 6.3. The main issues for the Early Years Working Group are how the funding is allocated to providers through the universal rate and deprivation rate. As per the 2-year-olds above the Early Years Working Group considered these 2 options, subject to the 5% retention:
 - (Option 1) Setting the deprivation rate to mirror the EYPP.
 - (Option 2) Setting the deprivation rate using the 4 rates used by the ESFA.

Factor	Option 1 2024-25 Allocation Per Hour (Dep 0.63p) £	Option 2 2024-25 Allocation Per Hour (Dep 0.59p) £
Total for 2-year-olds	7.87	7.87
Universal rate allocated to all providers	7.39	7.39
Deprivation Supplement*	0.09	0.09
Central Provided Services (5%)	0.39	0.39

Table 3: options for 2-year-old allocations 2024-25

*Note: it is estimated that 15% of children are eligible for the deprivation supplement so when apportioning the 63p per hour it equates to 9p per hour (63p * 15%)

- 6.4. The Early Years Working Group unanimously agreed to recommend to schools' forum Option 1 and mirroring the EYPP as per the 3&4 year old formula.

7. Allocations for 3- and 4-year-olds

- 7.1. The hourly allocation for 3- and 4-year-olds has increased by 63p per hour from £4.98 per hour in 2023-24 to £5.61 per hour in 2024-25, this includes £0.03 for TPPG. This represents a 10.75% increase above the 2023-24 funding allocation.
- 7.2. As schools' forum are aware up to 5% of the allocation for 3- and 4-year-olds can be retained by the Local Authority to fund central services which support all early year's providers.
- 7.3. The deprivation rate currently mirrors the EYPP which is 62p per hour in 2023-24. The ESFA have announced that this rate will increase to 63p in 2024-25. This change in rate does not affect the deprivation supplement as it is less than 1p change. Therefore, the rates for 2024-25 are as follows:

Factor	2023-24 Allocation Per Hour (Dep 0.62P) £	2024-25 Allocation Per Hour (Dep 0.63p) £
Total for 3- and 4-Year Olds	4.87	5.61
Universal rate allocated to all providers	4.51	5.22
TPPG	0.03	0.03
Deprivation Supplement*	0.09	0.09
Central Provided Services (5%)	0.24	0.27

Table 4: rates for 3- & 4-year-olds allocations 2024-25

*Note: it is estimated that 15% of children are eligible for the deprivation supplement so when apportioning the 63p per hour it equates to 9p per hour (63p * 15%)

8. Early Years Per Pupil Premium and Disability Access Fund

- 8.1. From 2024-25 eligibility for Early Years Per Pupil Premium (EYPP) and Disability access fund (DAF) will be extended to include eligible children aged 2 years old and under.
- 8.2. The Early Years Per Pupil Premium (EYPP) will continue to be paid as an hourly rate per child, up to a maximum of 570 hours per year. This means that, for the new working parent entitlements for 2-year-olds and under 2s EYPP will be payable on a maximum of 15 hours per week.
- 8.3. There are no other changes to the eligibility criteria for EYPP and the rate will be the same across all age groups.
- 8.4. The EYPP rate has been increased this year to 63p per hour for eligible children.
- 8.5. Disability access fund (DAF) will continue to be paid as a rate per child, per year. Children do not have to take up all of the early education that they are entitled to in order to receive DAF.
- 8.6. There are no other changes to the eligibility criteria for DAF and the rate will be the same across all age groups.
- 8.7. The Disability Access Fund allocation rate for 2024-25 is £910 per eligible child, an increase of 9.90%.

9. Supplementary Funding for Maintained Nursery School (MNS)

- 9.1. From 2023 to 2024 ESFA reformed the distribution of supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs.
- 9.2. The only change that has been made to the MNS Funding for 2024-25 is the hourly rate, this has increased from £3.80 to £4.64. In 2023-24 the ESFA mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so as per last year this is included within each local authority's supplementary funding allocation.
- 9.3. Supplementary funding rate for Warwickshire is £4.64 and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.

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Appendix 1

Table 1: Early Years Block	Provisional Budget
	2024/25 £
Nursery Funding 3- & 4-year-olds (Universal funding - Independent Providers & Nursery Classes)	25,563,080
Nursery Funding 3- & 4-year Olds (Additional 15 hours)	12,094,783
Maintained Nursery Supplement	1,046,415
DSG Pupil Premium	436,284
Funded 2-year-olds - Disadvantaged	3,757,960
Funded 2-year-olds – Working Parent	10,346,478
Funded under 2s	7,120,281
Disability Access Fund	417,690
IDS TL Early Years	1,136,484
Early Years - Sufficiency & Business Support	294,411
Early Years Quality & Development	99,464
Early Years SEND Inclusion Fund	700,000
EYB Central Establishment Charges	144,067
Early Years Allocations	
DSG EYB Grant Allocation	63,794,899
Balance	637,502