



NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 18 th January 2024
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information & decision.
Executive summary: Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> • An update on the 2024/25 Early Years DSG allocation and requests approval of the associated planned expenditure. • Notification of a consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early years entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds and 3 & 4-year-olds and the universal entitlement for 3 & 4-year-olds for the 2024/25 financial year • An update on the allocation of the supplementary funding provided for Maintained Nursery Schools for the 2024/25 financial year
Budget / Risk implications:	<p>The levels of funding delivered by the Early Years National Funding Formula via the Early Years DSG impact on the sustainability of providers of early years education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. The funding 'pass through' requirements impact on the services provided by the council.</p>
Recommendations:	<p>The North Yorkshire Schools Forum is asked:</p> <ul style="list-style-type: none"> • To note the funding consultation to be undertaken with early years' providers within North Yorkshire. The views of the Schools Forum are requested on the proposed funding rates for the 2024/25 financial year. • To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2024/25 financial year. • To note the 2024/25 Early Years DSG allocation and to approve the associated planned expenditure.
Voting Requirements	All Schools Forum Voting Members
Appendices:	N/A
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1.0 PURPOSE OF THE REPORT**1.1. This report considers the following areas:**

- An update on the 2024/25 Early Years DSG Allocation and requests approval of the associated planned expenditure.
- Notification of a consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early education and childcare entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds and 3 & 4-year-olds and the universal entitlement for 3 & 4-year-olds for the 2024/25 financial year.
- An update on the allocation of the supplementary funding provided for Maintained Nursery Schools for the 2024/25 financial year

2.0 BACKGROUND**2.1 In the 2023 Spring Budget, the Government announced the expansion of free early education and childcare entitlements for working parents and additional investment to support the expansion programme from 2024/25. Free education and childcare entitlement for working parents will be expanded as follows:**

- From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 weeks a year).
- From September 2024 this will be extended to parents of 9 month to 3-year-olds.
- From September 2025 working parents of 9 month to 3-year-olds will be able to access 30 free hours per week (38 weeks a year).

2.2 A consultation was carried out by the Department for Education (DfE) between 21st July and 8th September 2023, on the proposed approach to distributing entitlements funding for two-year olds and under from 2024/25 regarding the expansion of the government childcare entitlements. The outcome of the consultation and Local Authority early years funding rates were published on 29th November 2023.

The key changes are as follows:

- introduction of a new national funding formula (NFF) covering both the existing 2-year-old entitlement for disadvantaged children and new working parent entitlements to be introduced in 2024 to 2025 for 2-year-olds and children aged 9 months to 2 years
- new methodology for funding allocations for the new working parent entitlements for 2-year-old children and children aged 9 months to 2 years old for 2024 to 2025
- extending the 95% pass-through requirement to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- extending local funding rules to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- a requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents
- new deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements

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- confirming the expectation that local authorities have special educational needs inclusion funds (SENIFs) for all children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken
- extending eligibility for EYPP and DAF to eligible children aged 2 years old and under accessing the entitlements from 2024 to 2025, and increases to the value of both funding streams
- extending the facility to apply for a disapplication from the 95% pass through rule to the disadvantaged 2-year-old entitlement and the new working parent entitlements, and changes to the criteria against which a disapplication will be considered

The DfE consultation response can be found at: [Early years funding – extension of the entitlements - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/early-years-funding-extension)

- 2.3 The DfE have confirmed the early years local authority funding rates for North Yorkshire for the 2024/25 financial year as follows:

Early Years Phase	2024/25 Local Authority Hourly Funding Rate	<i>2024/25 National Average Hourly Funding Rate</i>	<i>2023/24 Local Authority Hourly Funding Rate (April 2023)</i>	<i>2023/24 Local Authority Hourly Funding Rate (September 2023)</i>
Three and four-year olds	£5.47	£5.88	£4.87	£5.20
Two-year olds	£7.45	£7.95	£5.70	£7.55
Nine months – two years old	£10.11	£11.22	N/A	N/A
Maintained nursery school supplement (three and four-year old universal hours only)	£4.64	£5.27	£3.80	£4.01

The national comparison in respect of the 2024/25 early years funding rates for North Yorkshire is as follows:

3 & 4-year-olds:	national floor level (46 local authorities)
2-year-olds:	143 rd lowest out of 151 local authorities
Under 2-year-olds	142 nd lowest out of 151 local authorities

- 2.4 The DfE have confirmed that the local authorities' hourly funding rate for 3 and 4-year-olds in 2024/25 includes funding for teachers' pay and pensions in respect of the additional funding being provided for the September 2023 teachers' pay award, as well as the additional funding to support providers with the costs of employer contributions to the teachers' pension scheme which are due to increase from April 2024.
- 2.5 The DfE allows the local authority early years funding to be used to cover the costs of early years provider funding (including funding supplements), any central services related to early years' provision that are provided by the Local Authority free at the point of delivery, and the provision of the SENIF.

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- 2.6 Additionally, the DfE has confirmed that Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) will be provided for eligible children for all funded entitlements. The national funding rates are:

	2024/25 Funding Rate	2023/24 Funding Rate (April 2023)	2023/24 Funding Rate (September 2023)
Early Years Pupil Premium hourly funding rate for eligible children (maximum of 15 hours per week)	£0.68	£0.62	£0.66
Disability Access Funding (annual rate)	£910	£828	£881

- 2.7 The regulations accompanying the Early Years National Funding Formula require local authorities to pass through at least 95% of the funding for each of the funded early years entitlements individually. The 95% includes the following for each of the entitlements separately:

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS (only applicable to 3 and 4-year-olds, and excluding any funding from DfE's MNS supplementary allocation)
- the funding paid directly to providers from the special educational needs inclusion fund (SENIF)
- contingency funding

The maximum level of funding allowed to be retained by the local authority for the delivery of centrally managed services associated with early years' provision is 5% for each of the funded early years entitlements.

- 2.8 The early years SENIF provided by North Yorkshire Council is currently funded from the High Needs Block DSG.
- 2.9 The 2023/24 provider base funding rates for North Yorkshire are as follows:

	2023/24 NYC Early Years Provider Funding Rate April 2023	Effective Combined NYC Early Years Provider Funding Rate (Incl. Early Years Supplementary Grant) September 2023
Disadvantaged 2-Year-Olds	£5.64 / hour	£7.49 / hour
3 & 4-Year Olds (Universal Extended Entitlement)	£4.57 / hour	£4.90 / hour
Maintained Nursery School Supplementary Grant (3 & 4-year-old universal hours only)	£3.80 / hour	£4.01 / hour

3.0 2024/25 EARLY YEARS FUNDING CONSULTATION

3.1 A funding consultation will be undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2024/25 financial year:

- The provider base funding rates for 3 & 4-year-old universal and working parent entitlements, the 2-year-old entitlements for disadvantaged children and working parents, the under 2-year-old entitlement for working parents.
- The operation of a deprivation funding supplement for all funded entitlements
- The use of the Early Years DSG to fund the provision of the Early Years SENIF.

In addition, the funding consultation will also seek the views of early years providers on the DfE additional grant funding to recognise the increased costs for teachers' pay for the period September 2023 to March 2024. The value of the additional grant funding is 3p per hour based on the universal and extended hours for three and four-year-olds.

3.2 2024/25 Provider Base Funding Rates

Consultation proposals have been developed in respect of the 2024/25 provider base funding rates based on the following principles:

- The local authority funding retention rate for the provision of centrally managed service provision for early years is approx. 3% for all funded entitlements.
- The funding from the Early Years SENIF is provided from the Early Years DSG Block
- There is a single provider base funding rate for the 2-year-old entitlements for disadvantaged children and working parents.
- The new DfE early years 2024/25 NFF for 2-year-olds provides a 10p per hour reduction in the North Yorkshire local authority funding rate when compared to the effective combined funding rate received by the local authority in September 2023 for the 2023/24 financial year.

The following provider base funding rates are proposed for the 2024/25 financial year:

Entitlement	2024/25 Proposed Base Provider Funding Rate Per Hour
3 & 4-Year-Olds – Universal & Working Parent Entitlements	£5.13
2 Year-Olds – Disadvantaged & Working Parent Entitlements	£7.01
Under 2-Year-Olds – Working Parent Entitlement	£9.55

The proposed funding rates provide a 4.69% (23p / hour) increase on the 3 & 4-year-old funding rate for 2024/25 compared to the September 2023 base provider funding rate. The introduction by the DfE of the new early years NFF for 2-year-olds and under for 2024/25 results in an effective funding reduction of 48p / hour on the base provider

funding rate for 2-year-olds compared to the September 2023 base provider funding rate. This funding impact will be partially mitigated for those 2-year-old children eligible for the deprivation supplement funding (see 3.3 below) and those eligible for early years pupil premium; these funding streams have not previously been provided for 2-year-old funded entitlements.

3.3 Deprivation Funding Supplement

The DfE place a mandatory requirement on local authorities to include a deprivation funding supplement in their local early years funding formula for 3 & 4-year-olds. The DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for all new entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. The deprivation supplement for children aged two and under is discretionary.

Within North Yorkshire, the deprivation funding supplement is currently paid for 3 & 4-year-olds based on the hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

It is proposed to extend the current deprivation funding methodology used for 3 & 4-year-olds to all early years' funded entitlements for the 2024/25 financial year.

The deprivation funding rates for the 2024/25 financial year will be unchanged as follows:

<i>Band</i>	<i>2024/25 Deprivation Hourly Funding Rate</i>	<i>IMD Score</i>
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

3.4 Early Years Special Educational Needs Inclusion Fund

The Local Authority is required to provide a Special Educational Needs Inclusion Fund (SENIF) which is intended to support providers in addressing the needs of children with lower or emerging levels of SEND. The SENIF funding covers early years children of all age groups accessing free entitlements. Currently, the North Yorkshire early years SENIF is funded from the High Needs Block DSG. The DSG funding regulations allow for the early years SENIF to be funded from either the High Needs or the Early Years Blocks of the DSG. It is proposed that the funding for the SENIF is provided from the Early Years Block DSG for the 2024/25 financial year. This proposal has regard to:

- The on-going significant financial pressures on the High Needs budget within North Yorkshire

- The achievement of parity between the schools and early years sectors in respect of funding the support for the children with lower or emerging levels of SEND. Within the school's sector, the funding for this support is provided through individual school budgets by the Schools Block DSG.

The budget requirement from the Early Years Funding for the SENIF is £1.05m; this equates to approximately 2% of the 2024/25 Early Years allocation for funded entitlements.

3.5 2023/24 Teachers Pay and Pension Grant (September 2023 – March 2024)

In 2023/24 additional funding of 5p per hour for 3 & 4-year-olds was paid to the local authority relating to the teachers' pay and pension grant for the 2023/24 financial year; previously this funding was paid as a separate grant to schools and academies operating early years' provision where the early years' children are on the school roll. Following the outcome of the 2023/24 North Yorkshire funding consultation with early years providers, this funding was included within the provider base rate funding for 3 & 4-year-olds.

The DfE have provided further additional grant funding to recognise the increased costs for teachers' pay for the period September 2023 to March 2024. The value of the additional grant funding is 3p per hour based on the universal and extended hours for 3 & 4-year-olds. It is proposed to pass this grant on to providers, based on the same methodology as previously used, and pay 3p per hour on the universal and extended hours for 3 & 4-year-olds for the Autumn 2023 and Spring 2024 terms.

- 3.6 It is proposed to undertake a consultation with the early years sector within North Yorkshire on the 2024/25 funding proposals outlined in sections 3.2 to 3.5 above. The consultation is scheduled to run between 15 January 2024 and 16 February 2024.

4.0 2024/25 OTHER EARLY YEARS FUNDING ELEMENTS & LOCAL AUTHORITY EARLY YEARS DSG FUNDING ARRANGEMENTS

- 4.1 The national funding levels received from the DfE for the other early years funding elements for 2024/25 are as follows:

Funding Element	2024/25 Funding Level	<i>2024/25 increase in funding rate</i>	<i>2023/24 funding rate (September 2023)</i>
Early Years Pupil Premium	£0.68 / Per Hour (3 & 4-Year-Old Universal Hours, Disadvantaged & Working Parent 2-Year-Old entitlements, Under 2-Year-Old	£0.02 / Per Hour (Universal Hours)	£0.66 / Per Hour (Universal Hours)

	Working Parent entitlement)		
Disability Access Funding	£910 per annum per eligible child	<i>£29 per annum per eligible child</i>	<i>£881 per annum per eligible child</i>

Maintained Nursery Schools

- 4.2 The DfE have previously provided specific supplementary funding for maintained nursery schools (MNS) to enable their 2016/17 funding levels (pre the early years 3 & 4-year-old NFF) related to the delivery of universal provision to continue to be maintained. This has enabled a higher level of funding to continue to be paid to maintained nursery schools during the period which the supplementary funding is in place. The DfE have confirmed the following MNS supplementary funding arrangements for 2024/25:

- A minimum funding rate £4.64 per MNS 3 & 4-year-old universal entitlement hour and a cap set at £10 per MNS hour, in order to distribute the supplementary funding more evenly between LAs with MNSs. North Yorkshire is receiving the floor level funding rate of £4.64 per MNS hour for three- and four-year old universal provision.
- MNS supplementary funding rates include a notional allocation to acknowledge the additional pressures that their MNSs may face in respect of increases to teachers pay and employer pension contributions.

- 4.3 The indicative MNS supplementary funding value for North Yorkshire is £459k. The indicative supplementary funding allocation is subject to adjustment at the end of the financial year to reflect the actual three- and four-year old universal hours delivered within the year by the MNS. A review of the methodology for the distribution of the MNS supplementary funding was undertaken with the three MNS in North Yorkshire for the 2023/24 financial year. The MNS expressed a view for the allocation methodology to be widened to recognise deprivation and high needs factors; this view was reflected in the updated funding allocation methodology. The three MNS also supported a broadly equal split of the funding across the three establishments; the agreed updated methodology sought to achieve an equitable allocation of the funding that recognises both the individual operating characteristics of the individual establishment and the need for financial viability for each establishment. The funding allocation methodology for the MNS Supplementary Funding Grant is based on:

- £50,000 lump sum per MNS
- The remainder of the funding distributed by:
 - 80% universal 3 & 4-year-old funded hours (termly headcount data)
 - 10% 3 & 4-year-old post code deprivation Band A level (highest level – IMD score >34.17) (January headcount data)
 - 10% 3 & 4-year-olds eligible for Disability Access Funding (DAF) (3 year average)

The 2024/25 MNS Supplementary Funding Grant will be distributed based on this allocation methodology.

- 4.4 The final Early Years DSG funding allocation for the 2024/25 financial year will be based on five-twelfths January 2024 early years census numbers + seven-twelfths January 2025 early years census numbers for 3 & 4-year-olds (universal hours and working parent entitlement), disadvantaged 2-year-old entitlement and the MNS supplementary funding allocation. The final funding allocations for the working parent entitlement for 2-year-olds will be based on termly headcount data for summer and autumn 2024 and the January 2025 early years census numbers. The under 2-year-old working parent entitlement final funding allocation will be based on a termly headcount for autumn 2024 and the January 2025 early years census data.

5.0 **2024/25 EARLY YEARS DSG ALLOCATION – PLANNED EXPENDITURE**

- 5.1 A summary of the 2024/25 Early Years DSG allocation is detailed below:

	£'000
Funding Direct To Providers	
Universal entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	21,791
Working Families entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	11,915
Disadvantaged 2-year-old places (incl. proposed Funding Supplement provision)	3,525
Working Families entitlement 2-year-old places (incl. proposed Funding Supplement provision)	9,903
Working Families entitlement under 2-year-old places (incl. proposed Funding Supplement provision)	6,801
Early Years SENIF – Proposed (all entitlements)	1,054
Early Years Pupil Premium (all entitlements)	447
EY Disability Access Fund (all entitlements)	291
Maintained Nursery Schools Transition	459
Sub Total	56,186
Centrally Managed Services – funded by 3 & 4-Year-Old DSG Funding	1,035
Centrally Managed Services – funded by Disadvantaged 2-Year-Old DSG Funding	109
Centrally Managed Services – funded by Working Families 2-Year-Old DSG Funding	307
Centrally Managed Services – funded by Working Families Under 2-Year-Old DSG Funding	212
	57,849
Funded By:	
2023-24 baseline	36,249
EYNFF Funding Rate Increase	4,968
Reduction in 3 & 4-year-old universal entitlement take up	-811
Increase in 3 & 4-year-old working families entitlement take up	171

Reduction in disadvantaged 2-year-old entitlement take up	-620
Introduction of working families 2-year-old entitlement	10,405
Introduction of working families under 2-year-old entitlement	7,154
Early Years Pupil Premium (all entitlements)	156
EY Disability Access Fund (all entitlements)	131
Maintained Nursery Schools (MNS) Supplementary Grant rate increase	46
Total Early Years DSG	57,849

- 5.2 The final figures in relation to the funding to Early Years Providers and the DSG allocation are subject to in-year adjustments to reflect actual hours delivered during the year. In respect of the 3 & 4-year-old universal and working parent entitlements and the disadvantaged 2-year-old entitlement, the final funding allocations for 2024/2025 will continue to be based on five-twelfths of January 2024 child numbers (to cover the April 2024 to August 2024 period) and seven-twelfths of the January 2025 child numbers (to cover the September 2024 to March 2025 period), to acknowledge any in-year change in child numbers. In respect of the two new working parent entitlements, the basis for funding allocations for these new working parent entitlements in 2024/2025 will be an initial indicative allocation based on DfE's estimated take-up numbers for the new working parent entitlements; final allocations will be adjusted on the basis of actual take-up for each term, collected through 2 additional headcounts that the DfE are requiring local authorities to undertake in the 2024 summer and autumn terms and through the January 2025 census
- 5.3 The early years' provider funding rates for all funded entitlements for the 2024/25 financial year are subject to the outcome of the provider funding consultation. The 2024/25 rates for the other funding elements are proposed, based on the DfE funding rates, as follows:

Funding Element	Proposed Funding Level
Early Years Pupil Premium	£0.68 / Per Hour (3 & 4-year-old Universal Hours, 15 hours disadvantaged 2-year-old entitlement, 15 hours working parents 2-year-old and under 2-year-old entitlements)
Disability Access Funding	£910 per annum per eligible child (all entitlements)

6.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 6.1 As stated above, the local authority is allowed to retain no more than 5% of the funded entitlements Early Years DSG funding allocation for early years centrally managed service provision in 2024/25. As the funding allocation will vary dependent on demand for the provision of funded childcare, the centrally managed service budget which can be retained is also subject to some fluctuation.

- 6.2 In respect of the 2024/25 financial year, the local authority is proposing to retain 3.02% of the funded entitlements Early Years DSG funding for the provision of centrally managed early years services. This proposal has regard to:
- Seeking to ensure provider base rate funding is maximised as far as possible
 - The proposal to transfer the funding of the early years SENIF from the High Needs DSG to the Early Years DSG for the 2024/25 financial year
 - The increased overall funding quantum of the Early Years DSG entitlement funding as a result of the new funded entitlements for working parents.

The final level of funding retained remains subject to the outcome of the 2024/25 early years funding consultation.

- 6.3 A breakdown of the centrally retained service provision planned expenditure to be funded from the early years DSG funded entitlements is shown:

	2024/25
	£000's
Early Help	328.5
Early Years Sufficiency	90.0
School Improvement (includes Family Information Service)	332.2
Portage	326.8
Financial support (EY payments team, funding formula review etc)	210.9
Provider Email System	6.0
Other (e.g. data and performance, corporate overheads)	359.4
Early Years Strategy Development	9.2
Total Early Years Centrally Retained Service Provision Funded Early Years DSG	1,663.0

7.0 RECOMMENDATIONS

- 7.1 The North Yorkshire Schools Forum is asked:

- To note the funding consultation to be undertaken with early years' providers within North Yorkshire. The views of the Schools Forum are requested on the proposed funding rates for the 2024/25 financial year.
- To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2024/25 financial year.
- To note the 2024/25 Early Years DSG allocation and to approve the associated planned expenditure.

STUART CARLTON

Corporate Director – Children and Young People's Service