



NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 19 September 2024
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information.
Executive summary: Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> • Notification of a principle-based 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 2025/26 financial year. • Notification of a consultation to be undertaken on the allocation methodology for the Early Years Budget Grant (EYBG) 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 principle-based funding consultation to be undertaken with early years' providers within North Yorkshire. 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 2025/26 financial year. • To note the funding consultation to be undertaken with early years' providers within North Yorkshire on the distribution methodology for the Early Years Budget Grant (EYBG) for the 2024/25 financial year.
Voting Requirements	N/A
Appendices:	N/A
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1.0 PURPOSE OF THE REPORT

1.1. This report considers the following areas:

- Notification of a principle-based 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 2025/26 financial year.
- Notification of a consultation to be undertaken on the funding methodology to be used for the allocation of the Early Years Budget Grant (EYBG) for the 2024/25 financial year.

2.0 BACKGROUND

2.1 In the 2023 Spring Budget, the Government announced the expansion of funded early education and childcare entitlements for working parents and additional investment to support the expansion programme from 2024/25. Funded education and childcare entitlement for working parents was announced to be expanded as follows:

- From April 2024, working parents of 2-year-olds being able to access 15 hours of funded childcare per week (38 weeks a year).
- From September 2024 this being 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 The DfE introduced a number of key changes in response to the childcare expansion, 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
- 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 Early Years Pupil Premium (EYPP) and Disability Access Funding (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.

2.3 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.

2.3 Following consultation with early years providers within North Yorkshire, the local authority implemented a number of changes to the early years funding formula and rates for the 2024/25 financial year, as detailed below:

- The base provider funding rate for 3 & 4-year-olds (both universal and working family entitlement) is £5.13 per hour.
- The base provider funding rate for 2-year-olds (both disadvantaged and working family entitlement) is £7.01 per hour.
- The based provider funding rate for under 2-year-olds (working family entitlement) is £9.55 per hour.
- A continuation of the deprivation funding methodology used for 3 & 4-year-olds based on the IMD score of a child’s home address, with this methodology being extended to all early years’ funded entitlements. The deprivation funding rates being as follows:

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

- The funding for the SENIF is provided from the Early Years Block DSG



- A 3% funding retention rate for the provision of local authority centrally managed services for early years is applied for all funded entitlements.

2.4 In respect of early years funding, section 3.15 of the Government's Spring 2024 Budget of 6 March 2024 stated:

“To support the sector to deliver the expansion of childcare support, the government is confirming that the hourly rate providers are paid to deliver the free hours offers will increase in line with the metric used at Spring Budget 2023 for the next two years. This reflects that workforce costs are the most significant costs for childcare providers and represents an estimated additional £500 million of investment over two years. Along with planned reforms to local funding rules, whereby Local Authorities (LAs) will have an eight-week window to communicate final hourly funding rates to providers and will soon have to pass through at least 97% of funding to providers, this gives providers more certainty on future funding so they invest in expanding their business.”

2.5 In addition to the provision of the Core Schools Budget Grant for mainstream schools, special schools, and AP, the DfE are providing additional funding to the early years sector in the 2024/25 financial year through the Early Years Budget Grant (EYBG). At this stage, limited information has been provided by the DfE on the EYBG; section 6 of the report provides further details.

3.0 2025/26 EARLY YEARS FUNDING CONSULTATION

3.1 At this stage, no details have been provided by the DfE on the 2025/26 Early Years DSG funding position; this information is not currently expected until the second half of the Autumn 2024 term. The local authority is seeking to ensure that providers receive timely notification of early years funding rates for the 2025/26 financial year and that there is compliance with the likely requirement to communicate funding rates to the sector within eight weeks of the funding announcement. In this respect, a principle-based funding consultation will be undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2025/26 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 continued 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 distribution of the Early Years Budget Grant (EYBG) for the 2024/25 financial year.



3.2 2025/26 Provider Base Funding Rates

The consultation proposals will be based on a continuation of the principles adopted in respect of the 2024/25 provider base funding rates for the 2025/26 financial year as follows:

- 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 (approximately 2% of local authority funding rate for all funded entitlements)
- There is a single provider base funding rate for the 2-year-old entitlements for disadvantaged children and working parents.

In undertaking a principle-based consultation it is not possible to provide base funding rates for 2025/26 financial year. However, in agreeing the principles to be applied for the calculation of the base funding rates, it will enable an earlier notification of the actual funding rates to be given to providers once confirmation of the local authority 2025/26 early years funding rates has been received from the DfE.

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 funded 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 all funded entitlements 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 continue the current deprivation funding methodology and funding rates for all early years' funded entitlements for the 2025/26 financial year, as follows:

Band	2025/26 Deprivation Hourly Funding Rate	IMD Score
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 funded entitlements. 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. In the 2024/25 financial year the funding of the SENIF transferred from the High Needs Block DSG to the Early Years Block DSG. It is proposed to continue this funding arrangement for the 2025/26 financial year, having 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 Early Years Funding for the SENIF for the 2025/26 financial year is currently estimated to be approx. £1.4m; this equates to approximately 2% of the forecast 2025/26 Early Years allocation for funded entitlements.

3.5 The planned timescales for the consultation are as follows:

Date	Process
02/07/2024	Approval obtained from CYPS Executive Members in conjunction with Corporate Director – CYPS to consult early years providers
19/09/2024	Early Years Funding Update report to Schools Forum including details of 2025-26 principles based early years funding consultation
20/09/2024 – 25/10/2024	Consultation with early years providers on 2025-26 early years funding arrangements
21/11/2024	Consultation feedback considered by Schools Forum
03/12/2024	Outcome of consultation considered by CYPS Executive Members in conjunction with Corporate Director – CYPS
	2025/26 funding rates confirmed to early years providers within 8 weeks of DfE announcement of the local authority funding rate.

4.0 2025/26 OTHER EARLY YEARS FUNDING ELEMENTS & LOCAL AUTHORITY EARLY YEARS DSG FUNDING ARRANGEMENTS

4.1 At this stage, it is anticipated that the following other elements of early years funding will continue to be received for the 2025/26 financial year:

- Early Years Pupil Premium (EYPP)
- Disability Access Funding (DAF)
- Maintained Nursery School Supplementary Funding

4.2 It is anticipated that the Early Years DSG funding calculation methodology will be similar to the 2024/25 funding arrangement. The final Early Years DSG funding

allocation for the 2025/26 financial year is expected to be based on five-twelfths January 2025 early years census numbers + seven-twelfths January 2026 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 and under 2-year-olds is expected to be based on termly headcount data for summer and autumn 2025 and the January 2026 early years census numbers. In respect of the termly funded weeks, it is expected that the DfE will again use the model of 12 weeks for the summer 2025 term, 14 weeks for the autumn 2025 term and 12 weeks for the spring 2026 term.

5.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 5.1 As previously stated, the early years funding regulations currently allow the local authorities to retain no more than 5% of the funded entitlements Early Years DSG funding allocation for early years centrally managed service provision. As the funding allocation will vary dependent on demand for the provision of funded childcare, the centrally managed service budget which can be retained can be subject to fluctuations.
- 5.2 In respect of the 2025/26 financial year, the local authority is proposing to retain approximately 3% 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 intention to continue to fund the early years SENIF from the Early Years DSG for the 2025/26 financial year.
 - The additional local authority service support and assurance measures required in response to the increase in the number of early years children taking up funded provision and the associated increase in the overall level of the Early Years DSG funding quantum received by the local authority.

6.0 2024/25 EARLY YEARS BUDGET GRANT

- 6.1 The DfE have announced the provision of £1.1 billion to support schools with their overall costs in the 2024/2025 financial year, in particular following confirmation of the 2024 teacher pay award. This funding will be distributed through the Core Schools Budget Grant. The DfE are also providing £97 million in respect of early years and post-16 provision. The additional funding for early years settings will be distributed through the early years budget grant (EYBG). At this stage, the DfE have provided limited detail on the EYBG other than stating that distribution will reflect the methodology used in the 2023/24 early years teachers' pay grant (EY TPAG). On this basis, it is anticipated that the key factors of the EYBG will be as follows:
- The local authority will be allocated the grant funding based on an amount per hour based on the universal and extended hours for 3 & 4-year-olds.
 - A specific grant funding allocation will be provided for Maintained Nursery Schools
 - Local authorities will determine the most appropriate way of allocating the EYBG funding locally.
 - Local authorities will be encouraged to consult with early years providers on the distribution methodology.



- Local authorities must pass on the funding in a clear and transparent way, so that providers can understand how allocations have been determined locally.
- Local authorities must ensure that all of the EYBG funding they receive is distributed to their early years' providers.
- The EYBG must not be used for contingency funding or local authority central or administration costs.

It is intended to consult early years providers with North Yorkshire on the distribution methodology for the EYBG. The proposed distribution methodology will reflect the same methodology as the DfE has used for the national distribution of the grant funding.

7.0 RECOMMENDATIONS

7.1 The North Yorkshire Schools Forum is asked:

- To note the principle-based funding consultation to be undertaken with early years' providers within North Yorkshire 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 2025/26 financial year.
- To note the funding consultation to be undertaken with early years' providers within North Yorkshire on the distribution methodology for the Early Years Budget Grant (EYBG) for the 2024/25 financial year.

STUART CARLTON

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