

Schools Forum

Subject: Early years funding 2024/25: Outcome of provider consultation and recommendations.

Report of:

Director of Education Skills and Early Years and Director of Finance

Date:

18 March 2024

1. Purpose of the Report

- 1.1 The purpose of the report is to summarise responses to the 2024/25 Early Years Funding Consultation and update Schools Forum on the recommended Early Years funding rates for 2024/25.

2. Background

- 2.1 The Early Years National Funding Formula (EYNFF) was introduced in 2017/18. Since then, the Council has been responsible for setting the hourly funding rates paid to providers to deliver the free entitlements for 2, 3 and 4-year-olds.
- 2.2 Local authorities are required to consult providers on annual changes to their local Early Years Funding Formula.
- 2.3 Early Years Statutory guidance (1) states that a minimum of 95% of funding must be passed to providers. This means that centrally retained funding (for central services or services in-kind) combined with any funding movement out of the Early Years Block is limited to a maximum of 5%.

3. DfE Funding rates from April 2024

- 3.1 Following a national consultation in summer 2023 with regards to introducing the working parent entitlement and the formula to be used, in December 2023 the DfE announced funding rates payable to local authorities from April 2024, as shown in the table below:

¹ Early Education and Childcare Statutory guidance for local authorities – Jan 24 (Department for Education)

Table 1: Oldham’s EYNFF Funding Rates from Government

	2024/25
Under 2-year-olds (9 month upwards)	£11.03
2-year-olds	£8.08
3 and 4-year-olds	£5.65

4. The Local Funding Formula

- 4.1 The locally applied formula for 2023/24 (for 3 and 4-year-olds) needed to adhere to the following:
- 95% of funding must be passed to providers (This includes the base rate, supplements, and the SEN Inclusion Fund).
 - There must be a universal base rate for all providers.
 - There must be a deprivation supplement.
 - There must be a SEN Inclusion Fund (for 3-and 4-year-olds).

The table below summarises the rates paid to providers in 2023/24

Table 2: Hourly rates paid to providers in Oldham 2023/24

	Base rate	Deprivation supplement	Maximum hourly rate	SEN Inclusion Fund
2-year-olds	£7.13	N/A	£7.13	N/A
3 and 4-year-olds*	£4.98	20p	£5.18	£190,000

5. Consultation

- 5.1 The Authority (LA) consulted providers on proposals for the funding rates for 2024/25 which included the new working parents’ entitlement to be introduced in April 2024 and September 2024 and also the requirement that the SEND Inclusion Fund (SENIF) must now be applied to all entitlements.
- 5.2 The Consultation was launched by way of an online survey on Wednesday 31st January 2024 and closed on Wednesday 14th February 2024.

6. Consultation proposals

6.1 Funding for 3 and 4 -year-old children.

- 6.1.1 The LA consulted on two options for the 3 and 4-year-old funding rates. This included the mandatory deprivation supplement, as shown in the table below. The main variant between the two options was the amount that would be retained in the SEN Inclusion Fund with a resultant impact on the proposed base rate, in both cases the Deprivation Supplement was 20p.

Table 3: 3 and 4 -year-old funding options

	Proposed Base rate 2024/25	Deprivation supplement	Proposed Maximum hourly rate 2024/25	Proposed SEN Inclusion Fund 2024/25
Option 1	£5.29	20p	£5.49	£171,000
Option 2	£5.31	20p	£5.51	£86,000

Consultation question 1: Which option for 3 and 4-year-olds funding do you prefer?

6.2 Funding for 2-year-old working families and disadvantaged families.

6.2.1 The LA consulted on two options for the 2-year-old funding rates. Whereas there is a compulsory deprivation supplement in the formula for 3 and 4-year-old funding, this is not mandatory for the 2-year-olds.

6.2.2 As the working families entitlement will be introduced for the first time in April 2024, and the true uptake of children and information on their level of deprivation is unknown it was proposed that a deprivation supplement should not be applied for 2024/25. For this reason, the proposal was simply to calculate an hourly rate based on the indicative figure of eligible children provided by the DfE thus maximizing pass through of the base rate to the sector.

6.2.3 The LA was given the flexibility to have different local formulas for the two cohorts of 2-year-old entitlement to ensure it meets local need. There was, however, a requirement that LA’s must have a SENIF fund for the for the 2-year-old-entitlement and this should form part of the pass through to providers under the same guidance as that for the 3 and 4 – year-old children. The two funding options are shown in the table below:

Table 4: 2-year-old funding options

	Option 1		Option 2	
	Proposed Base Rate 2024/25	SEN Inclusion Fund	Proposed Base Rate 2024/25	SEN Inclusion Fund
Disadvantaged Family	£7.76	£90,000	£7.89	£90,000
Working Family	£7.76		£7.60	

Consultation Question 2: Which option for 2-year-old funding do you prefer?

6.3 Funding for working families with under 2’s (from the term after the child turns 9-month-old)

6.3.1 Whereas there is a compulsory deprivation supplement in the formula for 3 and 4-year-old funding, this is not mandatory for the under 2-year-olds, in order to provide the LA with flexibility. As this entitlement will be introduced for the first time in Sept 2024, and the true uptake of children and information to their deprivation status is unknown it was agreed that a deprivation supplement should not be applied for 2024/25, it was for this reason, the proposal was simply to calculate an hourly rate based on the indicative figure of eligible children provided by the DfE thus maximizing pass through of the base rate to the sector.

6.3.2 There was, however, a requirement that LA’s must have a SENIF fund for the under 2’s and this should form part of the pass through to providers under the same guidance as the 3 & 4 year-old funding. The main variant between the two options was a higher base rate for the disadvantaged family’s cohort in line with LA priorities to not displace vulnerable children.

Table 5: Funding proposal for under 2's

	Hourly Rate 2024/25	Proposed Hourly rate 2023-24	SEN Inclusion Fund 2023-24
Option 1	NA	£10.59	£28,000
Option 2	NA	£10.65	£14,000

Consultation Question 3: Which option for under 2's working families funding do you prefer?**7. Consultation Response**

- 7.1 In total 40.2% of eligible providers responded to the survey. The table below summarises the responses by provider type.

Table 6: Overall response rates by provider type

	Schools	PVI Group settings	Child-minders	Total
Number of settings eligible to complete survey.	63	79	77	219
Number of responses received	18	41	29	88
Response rate by provider type	28.6%	51.9%	37.7%	40.2%

- 7.2 The table below analysis the responses to the three consultation questions form the 88 respondents who participated.

Table 7: Analysis of Consultation Responses

	Question 1 (3 to 4- year olds)		Question 2 (2- year olds)		Question 3 (Under 2's)	
	Responses	%	Responses	%	Responses	%
Option 1	50	57%	36	41%	28	32%
Option 2	38	43%	41	47%	38	43%
Not Applicable	0	0%	11	13%	22	25%
Total	88	100%	88	100%	88	100%

8. Preferred Options

- 8.1 In responses to **Consultation question 1: Which option for 3 and 4-year-olds funding do you prefer?** The highest response; 57% was for option 1.
- 8.2 This option adds 31p onto the base rate of 23/24
- 8.3 In responses to **Consultation question 2: Which option for 2-year-old funding do you prefer?** The highest response; 47% was for option 2.
- 8.4 This option adds 76p onto the disadvantaged families base rate compared with 2023/24 and introduces a working family rate. The working families rate is lower than the disadvantaged rate to ensure that disadvantaged children were not displaced, this was in line with the LA priorities.

8.5 In responses to **Consultation question 3**: *Which option for under 2's working families funding do you prefer?* The highest response; 43% was for option 2.

8.6 This entitlement will come into place from September 2024

- 8.5 Further comments were received from the EY sector as part of the consultation:
- The funding rates are not representative of the costs of offering childcare and the increased costs of running a business.
 - Statutory paperwork is a burden on time and resources.
 - Having two rates for the 2-year-old's cohorts will be confusing.

9. Conclusion

9.1 That based on the outcome of the consultation, the following early years funding rates for 2024/25 are approved.

Table 8: Early Years Recommended Funding Rates for 2024/25

Question		Preferred Option	Base rate	Deprivation supplement	Maximum hourly rate	SENIF
1	3 and 4-year-olds	1	£5.29	20p	£5.49	£171,000
2	2-year-olds disadvantaged families	2	£7.89	N/A	£7.89	£90,000
2	2-year-olds working families	2	£7.60	N/A	£7.60	
3	Under 2 -year- old's	1	£10.65	N/A	£10.65	£14,000

9.2 The SENIF will now be consulted on separately and the total that will be allocated for 24/25 is £275,000.

10. Recommendation

10.1 That Schools Forum note the outcome of the provider Early Years funding consultation for 2024/25, as summarized in section 9 above.