



Subject Heading:

Early Years Funding 2024-25

Report Author:

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Eligibility to vote:

Information only

SUMMARY

This report summarises the announcement of indicative DSG Early Years Block funding for financial year 2024-25 and outlines the process for the Local Authority to determine early years funding rates for the next financial year.

RECOMMENDATIONS

The Schools Funding Forum:

- (i) notes the indicative funding allocations for 2024-25
- (ii) notes the process and timeline for determining funding rates for 2024-25

REPORT DETAIL

1 Funding arrangements for 2023-24

The funding rates for 2023-24 for providers in Havering were originally agreed in February 2023. At the meeting of the Schools Funding Forum on 15th June 2023 details were provided of additional funding for Early Years announced in the spring budget. These were:

- An additional £204m for 2023-24
- An additional £288m for 2024-25

At the meeting of the Schools Funding Forum on 21st September 2023, detail was provided on how the additional funding will impact on the rates that was previously agreed for the current financial year. The DfE prescribed that all additional funding is passed on to providers in the form of supplementary rates for the autumn and spring terms.

Funding rates for 2023-24:

Funding Factor	Funded age of the child	2023-24 Funding Rate Apr-23 to Mar-24 SU23/AU23/SP24	2023-24 Early Years Supplementary Grant Funding Rate Sep-23 to Mar-24 AU23/SP24
Factor 1 Base rate	Two year olds (includes an in-built deprivation rate)	£6.46 per hour	£2.12 per hour
	Three and four year olds Universal 15 hours funding Extended 30 hours funding	£5.34 per hour	£0.19 per hour
Factor 2 Deprivation Funding rate	Three and four year olds	IDACI A - £0.77 per hour IDACI B - £0.58 per hour IDACI C - £0.55 per hour IDACI D - £0.50 per hour IDACI E - £0.32 per hour IDACI F - £0.26 per hour	n/a n/a n/a n/a n/a n/a
Factor 3 Early Years Pupil Premium (EYPP)	Three and four year olds	£0.62 per hour	£0.04 per hour
Factor 4 Disability Access Funding (DAF)	Three and four year olds	£828 per annum	£30.92 per annum
Factor 5 Inclusion Fund	Two, Three and Four year olds SENIF/EIF	£5.34 per hour	n/a
	Two year olds Complex Needs/EHCP	£4.70 per hour*	n/a
	Three and Four year olds Complex Needs/EHCP	£5.82 per hour*	n/a

* This is the sum required to bring the total hourly funding for a child to £16.50. This is the hourly rate paid in support of an EHCP for a pupil in Years R -11.

2 Indicative Early Years Block allocation 2024-25

As part of the expansion of funding childcare, announced in the Spring 2023 Budget, under two year olds and two year olds, of working parents, will be funded up to 15 hours at different points from financial year 2024-25.

This funding forms part of the roll-out of the expansion programme, where central government's objective is to provide 30 hours of funded entitlement for children from 9 months to 4 years old of eligible working parents.

The funding rates for Havering for 2024-25 are as follows:

Age	2023-24 total rate £	2024-25 total rate £	Change £	Change %
Under 2 year olds	n/a	12.11	12.11	n/a

Age	2023-24 EYNFF* rate £	2023-24 EYSG** rate £	2023-24 total rate £	2024-25 total rate £	Change £	Change %
2 year olds	6.52	2.12	8.64	8.90	0.26	3.0

Age	2023-24 EYNFF* rate £	2023-24 EYSG** rate £	2022-23 TPPG*** rate £	2023-24 TPPG*** rate £	2023-24 total rate £	2024-25 total rate £	Change £	Change %
3/4 year olds	5.65	0.19	0.07	0.07	5.98	6.16	0.18	3.0

* EYNFF – Early Years National Funding Formula

** EYSG – Early Years Supplementary Grant

*** TPPG – Teachers' Pay and Pension Grants

The 2023-24 total funding rate for 3&4 year olds is £5.98. This incorporates the Early Years Supplementary Grant of 19p and the grants for teachers' pay and pensions from 2022-23 and 2023-24, which was previously paid separately in each of the applicable years to maintained schools with nurseries, totalling 14p. The funding rate for 2024-25, which incorporates the previous grants is £6.16, a rise of 18p (3.0%), which is to support the National Living Wage (NLW) increases.

Indicative allocations for 2024-25 have been calculated by applying the 2024-25 hourly funding rates to January 2023 data.

2.1 The table below shows a comparison between the indicative figures for 2024-25 and the indicative figures for 2023-24 released in December of each of the respective years that the final DSG allocations have been released.

Category	2024-25	2023-24	Change in numbers	Change £	Change %
Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.16	5.72	-	0.44	7.69%
Number for 3 and 4 year old universal entitlement funding (part-time equivalent)	4,096.42	4,207.01	-110.59	-	-2.63%
Indicative funding allocation for universal entitlement (15 hours) for 3 and 4 year olds (£s)	14,383,350	13,716,535	-	666,815	4.86%
Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.16	5.72	-	0.44	7.69%
Number for 3 and 4 year old additional 15 hours entitlement for eligible working parents (part-time equivalent)	1,832.76	1,795.88	36.88	-	2.05%
Indicative funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds (£s)	6,435,187	5,855,287	-	579,900	9.90%
Hourly rate for 2 year old entitlement (£ / hr)	8.90	6.52	-	2.38	36.50%
Number for 2 year old disadvantaged entitlement funding (part-time equivalent)	505.14	533.34	-28.20	-	-5.29%
Indicative funding allocation for 2 year old disadvantaged entitlement (15 hours) (£s)	2,562,576	1,982,105	-	580,471	29.29%
Indicative funding allocation for early years pupil premium for 3 and 4 year olds (£s)	128,602	120,365	-	8,237	6.84%
Funding allocation for disability access fund for 3 and 4 year olds (£s)	138,320	112,608	-	25,712	22.83%
Sub-total Early Years Block (£s) - Existing Entitlements	23,648,035	21,786,900	-	1,861,135	8.54%
Hourly rate for 2 year old entitlement (£ / hr)	8.90	-	-	8.90	NEW
Estimated number for 2 year old entitlement for working parents (part-time equivalent)	1,119.28	-	1,119.28	-	NEW
Indicative funding allocation for 2 year old working parent entitlement (15 hours) (£s)	5,678,108	-	-	5,678,108	-
Hourly rate for under 2s entitlement (£ / hr)	12.11	-	-	12.11	NEW
Estimated number for under 2s entitlement (part-time equivalent)	567.09	-	567.09	-	NEW
Indicative funding allocation for under 2s entitlement (15 hours) (£s)	3,914,453	-	-	3,914,453	-

Indicative funding allocation for early years pupil premium for 2 year olds (£s)	71,160.00	-	-	71,160.00	NEW
Indicative funding allocation for early years pupil premium for under 2s (£s)	3,559.00	-	-	3,559.00	NEW
Funding allocation for disability access fund for 2 year olds (£s)	39,130.00	-	-	39,130.00	NEW
Funding allocation for disability access fund for under 2s (£s)	15,470.00	-	-	15,470.00	NEW

Sub-total early years block (£s) - NEW Entitlements	9,721,880	-	-	9,721,880	NEW
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Total early years block (£s)	33,369,915	21,786,900	-	11,583,015	53.17%
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The indicative figures for 2024-25 include the funding added into the hourly rate to replace the EYSG Grant and the teachers' pay and pension grants.

2.2 The table below shows a comparison between the indicative figures for 2024-25 and the indicative figures for 2023-24 adjusted to include funding for the additional grants.

Category	2024-25	2023-24 inc Grants	Change in numbers	Change £	Change %
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Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.16	5.98	-	0.18	3.01%
Number for 3 and 4 year old universal entitlement funding (part-time equivalent)	4,096.42	4,207.01	-110.59	-	-2.63%
Indicative funding allocation for universal entitlement (15 hours) for 3 and 4 year olds (£s)	14,383,350	14,340,014	-	43,336	0.30%

Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.16	5.98	-	0.18	3.01%
Number for 3 and 4 year old additional 15 hours entitlement for eligible working parents (part-time equivalent)	1,832.76	1,795.88	36.88	-	2.05%
Indicative funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds (£s)	6,435,187	6,121,437	-	313,750	5.13%

Hourly rate for 2 year old entitlement (£ / hr)	8.90	8.64	-	0.26	3.01%
Number for 2 year old disadvantaged entitlement funding (part-time equivalent)	505.14	533.34	-28.2	-	-5.29%
Indicative funding allocation for 2 year old disadvantaged entitlement (15 hours) (£s)	2,562,576	2,626,593	-	-64,017	-2.44%

Indicative funding allocation for early years pupil premium for 3 and 4 year olds (£s)	128,602	124,778	-	3,824	3.06%
Funding allocation for disability access fund for 3 and 4 year olds (£s)	138,320	116,814	-	21,506	18.41%

Sub-total Early Years Block (£s) - Existing Entitlements	23,648,035	23,329,636	-	318,399	1.36%
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Hourly rate for 2 year old entitlement (£ / hr)	8.9	-	-	8.9	NEW
Estimated number for 2 year old entitlement for working parents (part-time equivalent)	1,119.28	-	1,119.28	-	NEW
Indicative funding allocation for 2 year old working parent entitlement (15 hours) (£s)	5,678,108	-	-	5,678,108	-

Hourly rate for under 2s entitlement (£ / hr)	12.11	-	-	12.11	NEW
Estimated number for under 2s entitlement (part-time equivalent)	567.09	-	567.09	-	NEW
Indicative funding allocation for under 2s entitlement (15 hours) (£s)	3,914,453	-	-	3,914,453	-

Indicative funding allocation for early years pupil premium for 2 year olds (£s)	71,160.00	-	-	71,160.00	NEW
Indicative funding allocation for early years pupil premium for under 2s (£s)	3,559.00	-	-	3,559.00	NEW
Funding allocation for disability access fund for 2 year olds (£s)	39,130.00	-	-	39,130.00	NEW
Funding allocation for disability access fund for under 2s (£s)	15,470.00	-	-	15,470.00	NEW

Sub-total early years block (£s) - NEW Entitlements	9,721,880	-	-	9,721,880	NEW
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Total early years block (£s)	33,369,915	23,329,636	-	10,040,279	43.04%
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The indicative allocations for the **existing entitlements** for 2024-25 will be updated as follows:

- July 2024 - updated based on January 2024 census numbers
- July 2025 - updated based on five-twelfths of the January 2024 census numbers (to cover the period April 2024 to August 2024 period), and seven-twelfths of the January 2025 census numbers (to cover September 2024 to March 2025)

The indicative allocations for the **new entitlements** for 2024-25 will be updated on the basis of actual take-up for each term, collected through 2 additional headcounts. Every local authority will have to provide the DfE with these additional headcounts for 2024 summer and 2024 autumn terms. This is in addition to the yearly spring census (January 2025) that LAs provide as part of the current arrangements.

Further information about the termly collections will be released in early 2024 by the DfE. Provisional dates that the DfE have advised that the headcounts will occur are as follows:

- June 2024
- November 2024

3 Determining funding rates for providers 2024-25

For 2024 to 2025, the 95% pass-through requirement will apply separately to each individual entitlement for:

- 9 months old, up to 2-year-olds of working parents (under two year olds)
- 2 year old children of working parents
- 2 year-old children from disadvantaged families
- 3 and 4 year olds (universal and additional hours)

For 3 and 4 year olds, there is no change to current arrangements, and the pass-through requirement will apply to the universal and additional hours in combination.

Whereas, for 2 year olds and under two year olds, the requirement will apply to each of the entitlements individually.

If a local authority intends on having a single funding formula for both of the 2 year old entitlement funding streams (children of working parents and children from disadvantaged families), the pass through will have to be calculated separately for each of these. The DfE have set these arrangements to prevent cross-subsidisation between the working parent formula and the disadvantaged formula.

The Local Authority is planning to meet with the Early Years Provider Reference Group (EYPRG) to discuss funding for 2024-25 and to agree the content of the consultation with providers.

The outcome of the consultation will be shared with EYPRG and the resulting proposals brought to the meeting of the Schools Funding Forum on 8^h February 2024 for approval.

4 Teachers Pay and Pension Grants (TPPG)

Following a higher than anticipated pay rise for teachers in September 2018 and an increase of 7.2% in the employers' contribution rate for teachers' pensions in September 2019, the DfE introduced a pay and a pension grant to support schools with the additional costs. These were calculated on a per pupil basis with nursery pupil numbers included. In the 2021-22 financial year, funding for Year R – Year 11 was rolled into the national funding formula basic per pupil rate.

Funding for nursery aged pupils, however, continued to be funded as separate grants paid to maintained schools with nursery classes.

For 2023-24, the 2022-23 pay and pension grant funding allocated to maintained schools for nursery pupils has been rolled into the overall three and four year old entitlement, resulting in a 7p uplift in the overall rate.

During 2023-24, the School Teachers' Review Body (STRB) recommended a pay award of 6.5% across all teaching pay scales, which has been accepted in full by the Education Secretary, and that was to take effect from 1st September 2023. The DfE released an additional Teachers Pay Grant to maintained schools, to support schools with the additional cost as a result of the pay award and the costs of employer contributions to the teachers' pension scheme. The grant has been rolled into the three and four year old rate for the forthcoming financial year (2024-25), in line with the previous grant allocation. For 2024-25, the 2023-24 additional Teachers Pay Grant funding allocated to maintained schools for nursery pupils has been rolled into the overall three and four year old entitlement, resulting in a 7p uplift in the overall rate. This uplift is to support with the costs of the additional pay award and the costs of employer contributions to the teachers' pension scheme which are due to increase from April 2024.

If the additional funding resulting from this rolling in is distributed as part of the basic hourly rate then all providers would receive a proportion, rather than just the maintained schools that formerly received the separate grants. As part of the current year (2023-24) arrangements for funding Early Years providers, the quality supplement is used to support the schools with this additional cost.

The Early Years Funding Operational Guide 2024 to 2025 released by the DfE states the following:

'We encourage local authorities to consider using the quality supplement [one of the supplements for funding that LAs are allowed to include in local Early Years formula] to distribute the additional funding they receive in respect of teachers' pay and pensions.'

'As with all other supplements, it is for local authorities to determine the appropriate metric for allocating funding, so long as their approach is in line with the principles set out above.'

'We continue to encourage local authorities to consider the purpose for which this funding has been provided when designing their approach to local distribution. They could continue to target the funding to take account of additional pressures that some providers might face, from, for example, the need to pay employer contributions to the teachers' pension scheme.'

In the three and four year old indicative allocations for 2024-25, the additional hourly rate of funding received as a result of the rolling in of the pay and pension grants is 14p. The equivalent amount for 2023-24 was 7p.