



Subject Heading:

Early Years Funding 2024-25

Report Author:

**Hany Moussa – Principal Education
Finance Officer**

Eligibility to vote:

**All school and academy members and
the PVI representative**

SUMMARY

This report provides details of the consultation with early years providers on funding for financial year 2024-25, the outcome of which will be reported at the meeting.

RECOMMENDATIONS

The Schools Funding Forum agrees funding rates for 2024-25. Recommended rates will be determined following the closure of the funding consultation with providers. To be agreed:

1. The base hourly rate for:
 - a. 9 months to two year olds (under twos) entitlement
 - b. two year olds – working parents' entitlement
 - c. two year olds – disadvantaged families' entitlement
 - d. three/four year olds (universal and extended) entitlement
2. The level of a quality supplement to allocate funds to schools replacing the teachers' pay and pension grants (TPPG).
3. Whether deprivation rates of funding continue to be aligned with the rates that are used for schools in the National Funding Formula.
4. The level of the SEN Inclusion Fund (SENIF) to support providers.
5. The level of the centrally retained budget for LA support and commissioning.

6. That the use of any underspend in the Early Years Block continues to be discussed with the Early Years Provider Reference Group before any proposals are brought to the Schools Funding Forum and before any decisions are made on its use.
7. Whether the LA to review the timetable for the budget cycle for setting Early Years funding rates for future years.

REPORT DETAIL

Background

Early Years education is funded through the Early Years Block of the Dedicated Schools Grant (DSG). The DfE announcement of funding rates and indicative allocations for 2024-25 was issued to local authorities on 19th December 2023, along with the final allocations for the other DSG blocks.

For 2024-25, there will be five entitlements that are to be funded during the course of the year, and the DfE have provided the indicative allocations to reflect that. The entitlements are:

New Entitlements

- 1) 15 hours for 9 months to 2 year olds (Under Twos) from September 2024
- 2) 15 hours for 2 year olds of working parents from April 2024

Existing Entitlements

- 3) 15 hours for 2 year olds from disadvantaged families
- 4) 15 hours for all 3/4 year olds (universal offer) and
- 5) 15 hours for 3/ 4 year olds of working parents

The Under Twos and 2 year olds working parents entitlements are new for 2024-25 and Havering's LA level hourly rate is £12.11 and £8.90 respectively.

For the two existing entitlements, the 2024-25 LA level hourly rate for the 2 year old (disadvantaged families) and 3/4 year old are £8.90 and £6.16 respectively.

Rates payable to the Local Authority in 2023-24 and 2024-25 are shown in the table below:

	9 months to 2 year olds (Under Twos)	2 year olds (working parents)	2 year olds (disadvantaged families)	3/4 year olds (universal and extended)
2023-24	n/a	n/a	£6.52	£5.72
2024-25	£12.11	£8.90	£8.90	£6.16
Change	£12.11	£8.90	£2.38	£0.44

The year on year change is broken down as follows:

	9 months to 2 year olds (Under Twos)	2 year olds (working parents)	2 year olds (disadvantaged families)	3/4 year olds (universal and extended)
New Entitlement	£12.11	£8.90		
EYSG increase			£2.12	£0.19
TPAG/TPPG increase				£0.07
NLW increase			£0.26	£0.18

It is important to note that all early years providers, both those in the private, voluntary and independent sector and schools, continue to face considerable cost pressures. The most significant pressure is staffing. The National Living Wage (NLW) rose by 6.6% in 2022, 9.7% in 2023 and is set to rise by a further 9.8% in April 2024 with the age lowered from 23 to 21 years olds being eligible for this level, whilst pay for most support staff in schools rose by 9.8% in 2022-23 and 9.4% in the current financial year.

The cost of living crisis is continuing with interest rates at their highest point since early 2008, high energy costs and food costs due to inflation and global events.

Against this background, a rise of just 3.0% in the funding rate received from central government is extremely disappointing and Havering along with its partners and other Local Authorities will continue to lobby for alternative and fairer funding settlement than the current arrangements. Havering continues to be underfunded by the central government's formula for education and central core services. The local authority will continue to make representations to the Department for Education and the appropriate authorities, on the level of funding for early years at every opportunity.

Funding Consultation

The Schools Funding Forum was advised on 11th January 2024 of the budget cycle process for Early Years. Thereafter, the Local Authority produced proposals for the 2024-25 expansion of the entitlement. The proposals that were reviewed were the rates for providers and other Early Years budgetary requirements, for SENIF and Central Retention.

The proposals were discussed with the Early Years Provider Reference Group (EYPRG) on the 18th and 23rd January 2024 and the consultation reflects the feedback from the group, as well as other stakeholders.

The consultation was held on-line with details sent to all private, voluntary and independent early years providers, and to schools with nurseries. The contents of the consultation are shown at Appendix A.

The consultation ran until 2nd February 2024, so was still open when this agenda item was prepared. The intention is for the outcome of the consultation to be shared with EYPRG at the scheduled meeting on Tuesday 6th February 2024, due to be held before the full School Funding Forum meeting. The proposed funding rates following discussion at the EYPRG meeting, will then be forwarded to members of the Schools Funding Forum for discussion and approval at this meeting.