



**Consultation with Early Years  
Providers on  
Funding for Financial Year  
2024-25**

## **Introduction**

This consultation document proposes options for the allocation of funding to early years providers for the financial year 2024-25. Providers are asked to consider the proposals and respond back to the Local Authority for further consideration by the Early Years Provider Reference Group (EYPRG) and Schools Funding Forum.

## **Process**

The consultation period will run from Thursday 25th January to Friday 2nd February 2024.

A summary of responses to the consultation will be reported to EYPRG and the Schools Funding Forum in week commencing 5th February 2024 and final decisions taken by the Local Authority before funding statements are issued for the 2024-25 financial year.

## **Responding to the Consultation**

The online link to consultation is sent to all private, voluntary and independent early years providers and head teachers of schools with nurseries.

You can contribute your views to the consultation in the online link below:

<https://consultation.havering.gov.uk/education/def8a268>

If you require clarification on any point please email:

Education Finance at: [education.finance@havering.gov.uk](mailto:education.finance@havering.gov.uk)

## **Referenced DfE document links:**

<https://www.gov.uk/government/news/funding-plan-revealed-for-free-childcare-from-nine-months-old>

<https://www.gov.uk/government/publications/early-education-entitlements-and-funding>

<https://www.gov.uk/government/publications/early-years-foundation-stage-framework--2>

<https://www.gov.uk/government/publications/early-years-funding-2024-to-2025>

## **Early Years Funding 2024-25**

### **1. Early Years Funding 2024-25**

Early Years education is funded through the Early Years Block of the Dedicated Schools Grant (DSG). The DfE 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.

As part of the Spring Budget 2023, for the existing entitlements, there was a national increase of £204 million from this September 2023 via the Early Years Supplementary Grant (EYFSG), and a further £288 million in financial year 2024-25 via the Early Years Block. This is in addition to the an additional £4.1 billion anticipated to be provided by 2027 to 2028, to fund 30 hours of free childcare as part of the expansion of the entitlement.

For 2024-25, there will be four 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:

- 1) 9 months to 2 year olds (Under Twos)
- 2) 2 year olds (working parents)
- 3) 2 year olds (disadvantaged families)
- 4) 3/4 year olds (universal and extended)

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

For the existing entitlement for the 2 year old (disadvantaged families), this has increased by 36.5% in comparison to the rate as at the start of the financial year 2023-24, which is an increase of £2.38 in comparison to the 2023-24 rate. The increase is composed of the previous year's EYSG of £2.12, therefore the increase is 26p in comparison to the overall 2023-24 2 year old funding received (inclusive of EYSG), a 3.0% increase which is to support the National Living Wage (NLW) increases.

For the existing entitlement for the 3/4 year old, this has increased by 7.7% in comparison to the rate as at the start of the financial year 2023-24, which is an increase of 44p in comparison to the 2023-24 rate. The increase is composed of the previous year's EYSG of 19p, Teachers Pay Additional Grant (TPAG/TPPG) of 7p, therefore the increase is 18p in comparison to the overall 2023-24 3/4 year old funding received (inclusive of EYSG and TPPG), a 3.0% increase which is to support the National Living Wage (NLW) increases.

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)
<b>2023-24</b>	n/a	n/a	£6.52	£5.72 <sup>(ii)</sup>
<b>2024-25</b>	£12.11	£8.90	£8.90 <sup>(i)</sup>	£6.16 <sup>(iii)</sup>
<b>Increase</b>	£12.11	£8.90	£2.38 <sup>(i)</sup>	£0.44 <sup>(iii)</sup>

- (i) Please note that the 2 year old rate for 2024-25 includes £2.12 for the Early Years Supplementary Grant (EYSG) previously paid for all Early Years funding claims. The additional funding for 2 year old is therefore 26p.
- (ii) Please note that the 3/4 year old rate for 2023-24 includes 7p for the Teachers Pension and Pay Grants (TPPG 2022-23) previously paid exclusively for mainstream schools with nurseries.
- (iii) Please note that the 3/4 year old rate for 2024-25 includes 7p for the Teachers Pension and Pay Grants (TPPG 2023-24) previously paid exclusively for mainstream schools with nurseries, and the in-year Early Years Supplementary Grant of 19p. The additional funding for 3/4 year old is therefore 18p.

It is to note that early years providers in the private, voluntary and independent sector, and schools, continue to face considerable cost pressures. The National Living Wage 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 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 it's highest point since early 2008, high energy costs, and providers have also seen the cost of resources rising at unprecedented levels 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 seeks an alternative and fairer funding 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.

## 1.1 The expansion of funded childcare

The expansion of funding childcare, as part of the Spring 2023 budget announcement are as per the following timetable:

Autumn 2023	<ul style="list-style-type: none"> <li>Childminder grants become available</li> <li>Staff : child ratio change from 1:4 to 1:5</li> </ul>
April 2024	<ul style="list-style-type: none"> <li>15 funded hours for working parents of 2 year olds introduced</li> </ul>
September 2024	<ul style="list-style-type: none"> <li>National wraparound support begins</li> <li>15 hours for working parents of children 9 months plus introduced</li> </ul>
September 2025	<ul style="list-style-type: none"> <li>30 hours for all working parents of children from 9 months to primary school age introduced</li> </ul>
September 2026	<ul style="list-style-type: none"> <li>All schools to offer 8am – 6pm wraparound care on their own or in partnership</li> </ul>

## **2. Teachers Pay and Pension Grants (TPPG) transfer to Early Years Block**

### **2.1 TPPG 2022-23**

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 with the initial final year of this targeted grant in financial year 2022-23.

For 2023-24, the 2022-23 pay and pension grant funding allocated for nursery pupils has been rolled (transferred) into the overall 3/4 year old entitlement allocated to the LA, identified separately in the initial allocations.

Following last year's consultation, some of the additional funding from this rolling-in was distributed as part of the basic hourly rate in 2023-24, which all providers received a proportion, rather than just the maintained schools that formerly received the separate grants. Maintained schools received the Quality supplement in 2023-24 that reflected the additional costs for teaching staff.

### **2.2 TPPG 2023-24**

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 1<sup>st</sup> September 2023.

The DfE released an additional Teachers Pay Grant to maintained schools in financial year 2023-24, 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.

For 2024-25, the 2023-24 additional Teachers Pay Grant funding allocated to maintained schools for nursery pupils has been rolled into the overall 3/4 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.

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 3/4 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. The additional sum received as a result of the rolling in of the pay and pension grants for the two years is £473,149, in comparison to the rolling in that took place in 2023-24 which was £239,515.

### 3. Indicative DfE funding of Havering's Early Years Block funding 2024-25

Local authorities receive an initial allocation of Early Years funding for financial year 2024-25 based on the latest data available which was from the January 2023 Census for the existing entitlements and DfE projected data for the new entitlements.

Based on the updated indicative data, Havering's initial allocation for 2024-25 is as below.

Under Twos (New)	Cohort (PTE)	670.20
	Unit of funding	£12.11
	Allocation	£4,626,171
2 Year Olds - Working Parents (New)	Cohort (PTE)	1,119.28
	Unit of funding	£8.90
	Allocation	£5,678,108
2 Year Olds – Disadvantaged	Cohort (PTE)	505.14
	Unit of funding	£8.90
	Allocation	£2,562,576
3/4 Year Olds	Cohort (PTE)	5,929.18
	Unit of funding	£6.16
	Allocation	£20,818,537
Total Funding for distribution		£33,685,392

For the existing entitlements, this will be updated from the January 2024 Early Years census although the funding that a local authority's grant allocation based on that census is not adjusted until June/July. 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.

A local authority's initial allocation could, therefore, either increase for higher numbers of participation or reduce if lower.

#### **4. Additional Funding 2023-24**

At the start of the 2023-24 financial year the funding rates for providers were set at £6.46 for 2 year olds and £5.34 for 3/4 year olds.

Following the introduction of the Early Years Supplementary Grant (EYSG), there was additional funding as a result of the expansion which took effect from September 2023. The increase for 2 year olds was £2.12 and for 3/4 year olds, this was £0.19.

The new EYSG additional supplement was additional funding for 2023-24, and was to be included as part of the funding rates for Local Authorities for 2024-25. Local authorities have to review the overall rates and allocations, and ensure that the overall funding levels support the different elements of the entitlement. The increase as part of the EYSG was not guaranteed for inclusion in the base rate of 2024-25.

During the Summer term, as part of the monitoring of the SENIF budget, it was identified that there has been an increase to the number of applications and support required as part of SENIF. The previous year carry-forward of £177k was added to the previous year agreed budget £420,044, giving rise to £597k. The revised has mitigated the pressure to that fund, and arrangements are under review of the operation for the fund for 2024-25. Section 6 has further details on the proposals for 2024-25.



## 5. Distribution to Providers

5.1 The DfE's "**Early Years Entitlements: local authority funding operational guide 2024 to 2025**" advises Local Authorities as follows in determining the rates for the forthcoming year:

*"Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the funding formulae it used during the previous financial year that will affect early years providers, it must first consult its schools forum, maintained schools, and early years providers. **It must also first consult its schools forum, maintained schools and early years providers on its formulae for the new working parent entitlements.** The final decision on the funding formulae, following any consultation, rests with the local authority."*

In determining the proposals, the 95% pass-through requirement will apply separately to the entitlements for:

- 9 months old children to up to 2 year olds of working parents (Under Twos)
- 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, and the pass through requirement will apply to the universal and additional hours in combination. But for 2 year olds and under, the requirement will apply to each of the entitlements individually.

In line with Havering's annual budget cycle for the Early Years budget setting, complying to the DfE guidance that has been in place for a number of years, please see below for the process the Local Authority undertook in determining the funding options and rates to be considered as part of consultation for the funding arrangements for 2024-25.

### 5.2 Local Authority projected numbers used for Funding Options for 2024-25

The cohort size used in projections is in line with previous years' modelling, updated to reflect the indicative PTE that the DfE have based on the indicative funding on.

Numbers for the summer term 2024, autumn term 2024 and spring term 2025 have been calculated by looking at the average change in numbers from the January base in previous years.

### 5.3 95% Pass-through rate to providers

Local authorities are required to allocate at least 95% of the grant to providers for all the entitlements for 2024-25, which is a change from the current year requirements for this to be exclusively be for the three/four year old entitlement.

Local authorities are also required to set the level of a SEN Inclusion Fund to meet low level or emerging special needs.

The remaining grant is to be allocated to providers through a formula. At least 87.5% of the funding must be distributed through a basic hourly rate with up to 12.5% through supplementary factors.

## 5.4 Principles for the base rate minimum funding levels

The Local Authority models on a sustainable and long term model of funding. This is evident with the annual increases that has been in place for the base rates for the current entitlements via annual increases, as well as updating the model to calculate the proposals annually.

Base Rate Factor	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
2 year old	£5.35	£5.60	£5.68	£5.76	£5.97	£6.46
3/4 year old	£4.53	£4.80	£4.90	£5.09	£5.29	£5.34

In the updated Spring 2023 budget announcement of the expansion of the early years entitlement, the average rate made payable to Local Authorities was quoted to be an average of £11.06 for under twos and £8.17 for two year old – working parents. (<https://www.gov.uk/government/news/funding-plan-revealed-for-free-childcare-from-nine-months-old>)

In line with the 95% pass-through requirements, the £11.06 is in fact £10.50 for under twos and £7.76 for two year olds – working parents. The 95% pass-through amounts of £10.50 and £7.76, provided as examples, then needs to include a base rate, provision for SENIF and any additional supplements, therefore the applicable base rate is reduced further to take into account those other provisions.

The DfE's **Easy explainer: early years funding rates** advises the following:

*“The majority of the local authority hourly rate announced by DfE is to support providers with the core costs of providing entitlement hours and must be passed on to providers. A small proportion can be used to support local authorities to administer the entitlements locally.*

*Local authorities are best placed to determine how to use their total funding allocation to meet the needs of their communities. So, using the DfE rates as a starting point, local authorities set their own provider hourly rates using their own local formulae. These formulae and the provider hourly rates are different to the rates announced by DfE and are decided at a local level.”*

However, Havering has engaged with stakeholders following central government's announcement of the expansion, and has undertaken reviews via sector feedback, current and future local and DfE Early Years funding rates, providers' current and previous private charges for the entitlements which form part of the expansion.

Following the review, Havering adopted a higher baseline, in comparison to the baseline from the DfE recommended approach, and was committed to providing the minimum funding rates and the basis for the rates for 2024-25 as follows:

- Under twos - £11.00  
*based on benchmarking and DfE guide of level of funding they have tried to reach*
- Two year old (working parents) - £8.00  
*based on benchmarking and DfE guide of level of funding they have tried to reach*
- Two year old (disadvantaged) - £8.58  
*based on 2023-24 base rate plus EYSG*
- Three/Four year old - £5.53  
*based on 2023-24 base rate plus EYSG*

These rates were prior to the overall review and formation of the formula, to be in compliance with the DfE guidance and regulations, which is undertaken as part of this consultation process.

## 5.5 Under Twos (9 months old to up to 2 years old – working parents)

This is a new grant that will be in effect from 1<sup>st</sup> September 2024, and is part of the roll-out of the expansion in the Early Years funding. This is to fund 15 hours for eligible working parents.

After making a provision for SENIF, and no proposed supplement which is optional, the proposed rate to be paid to providers for this new entitlement is £11.05 per hour, which is above the indicative rate that was initially advised for this new entitlement.

### Proposal

- (i) It is proposed to set the hourly rate for providers for this new entitlement to be £11.05, to take effect from 1<sup>st</sup> September 2024.

Q.1	<i>Do you agree for the new under two entitlement that the rate paid to providers to be £11.05?</i>
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## 5.6 2 Year Olds – Working Parents

This is a new grant that will be in effect from 1<sup>st</sup> April 2024, and is part of the roll-out of the expansion in the Early Years funding. This is to fund 15 hours for eligible working parents.

After making a provision for SENIF, and no proposed supplement which is optional, the proposed rate to be paid to providers for this new entitlement is £8.05 per hour, which is above the indicative rate that was initially advised for this new entitlement.

### Proposal

- (i) It is proposed to set the hourly rate for providers for this new entitlement to be £8.05, to take effect from 1<sup>st</sup> April 2024.

Q.2	<i>Do you agree for the new two year old – working parents entitlement that the rate paid to providers to be £8.05?</i>
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## 5.7 2 Year Olds Funding – Disadvantaged

This entitlement has been in place for a number of years and this is to support children from disadvantage families. This funds 15 hours for those applicable families.

As part of the revised DfE funding arrangements for this entitlement to providers, LAs have to make a provision for SENIF and prospectively a supplement for this entitlement.

The DfE guidance and regulations for this entitlement is as follows:

- 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

DfE states “*Supporting children from disadvantaged backgrounds remains a priority. For this reason, we will require local authorities, through regulations, to ensure that the total funding rate (that is the base rate, plus supplements if applicable) they pay to providers for the disadvantaged 2-year-old*

entitlement is at least equivalent to the total funding rate for the 2-year-old working parent entitlement.”

Proposal

- (i) It is proposed to set the hourly rate for providers for this new entitlement to be £8.59, to take effect from 1<sup>st</sup> April 2024, with no additional supplements. This is in line with the DfE requirements for the overall funding for two year old - disadvantaged families to be higher than the two year old – working parent entitlement.

Q.3	Do you agree for the existing two year old – disadvantaged entitlement rate paid to providers to be £8.59?
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**5.8 3 & 4 Year Olds Funding**

The hourly funding rate is dependent on the approach taken in addressing the consolidation of the teachers’ pay and pension grants into the Early Years block in 2024-25. This is to fund 15 hours for as part of the universal entitlement for all 3/4 year olds, and up to an additional 15 hours for eligible working parents (providing 30 hours in total for working parents for the universal and extended offer).

In line with the steer from the DfE, shown in section 2 of this document, the LA is proposing to continue with the quality supplement to distribute the additional funding. This would serve as protection (transition) for maintained schools who are losing the separate grant funding. When grant funding is removed it is usual to have a period of transition.

Two options for the allocation of funding have been considered, and we are seeking your views on them.

The first option (Option A) directs 50.3% (£238,215) of the overall transfer (£473,149) over the two years of the mainstream schools’ TPPG back to those eligible schools via the Quality Supplement only, which is an increase from the current level of £141,280. This more closely matches the additional costs incurred by schools that the grants are intended to meet over the two years. The remaining balance of the transfer of £136,699 is allocated via the base rate, therefore leaving the base rate to be £5.55 for applicable claims by all provisions delivering the 3/4 year old entitlement.

The second option (Option B) provides the protection for the TPPG to schools via the Quality and base rate factors. This will be split as 40.5% (£191,693) of the overall transfer (£473,149) over the two years of the mainstream schools’ TPPG, back to those eligible schools via the Quality Supplement, which is an increase from the current level of £141,280. The remaining balance of the transfer of £176,691 is allocated via the base rate, therefore leaving the base rate to be £5.56 to be applicable for claims by all provisions delivering the 3/4 year old entitlement. The overall amount via the Quality and base rate factors matches the additional costs that schools will incur will.

**Further details on the options are as follows:**

- **Option A – Base Rate increased to £5.55, and transfer of £96,935 of the TPPG grant from 2023-24 to increase the mainstream schools’ Quality factor**

In Option A, funding is allocated to more closely match the additional costs incurred by schools that the grants are intended to meet.

Using a teacher in the nursery who is paid on point 3 of the Upper Pay Spine and has a TLR of £5,039 (TLR2b), the additional costs that the TPPG is intended to meet, come to £9,252, an increase of £3,748.

The Quality factor therefore increases to £238,215 to support the transition of this grant into the Early Years block, with £136,698 being made available to increase the base rate by 4p per hour.

The hourly rate for 3/4 year olds base rate could then rise to £5.55, an increase from 2023-24 current base rate level and the 2024-25 indicative base rate.

This option splits the additional funding received for TPPG between direct funding for TPPG costs and an increase in the basic hourly rate via the Quality supplement only. It also means that the protection/transition for schools in 2024/25 is tapered.

Option A proposal is as follows:

Proposed Base Rate	SEN Inclusion Fund	Quality factor (TPPG)
£5.55	£789,450	£238,215

- **Option B – Base Rate increased to £5.56, and transfer of £50,413 of the TPPG grant from 2023-24 to increase the mainstream schools’ Quality factor**

Similar to Option A above, this funding is allocated to match the additional costs incurred by schools that the grants are intended to meet.

For this option, the overall level of funding remains the same to support for the additional costs that schools will incur. This will be provided by a reduced amount via the Quality factor of £191,693 and £46,552 via an increase of the base rate of 1p.

Therefore a total of £183,250 will lead to the hourly rate for 3/4 year olds base rate rising to £5.36, an increase of 1p an hour in comparison to Option A base rate proposal, which is an increase of 2023-24 current base rate level and the 2024-25 indicative base rate.

This option splits the additional funding received for TPPG between direct funding for TPPG costs and an increase in the basic hourly rate. It also means that the protection/transition for schools in 2024/25 is tapered.

Option B proposal is as follows:

Proposed Base Rate	SEN Inclusion Fund	Quality factor (TPPG)
£5.56	£789,450	£191,693

Q.4	<i>For 3/4 year olds, which option do you favour?</i>
	<b>Option A</b> – Base Rate of £5.55, and Quality factor budget of £238,215
	<b>Option B</b> – Base Rate of £5.56, and Quality factor budget of £191,693

## 5.9 Supplementary factors

As well as the basic hourly rate, local authorities can also allocate funding through a limited range of supplementary factors. Up to 12.5% of the formula funding can be allocated through supplementary factors which can include:

- deprivation (mandatory supplement); local authorities must use this supplement to recognise deprivation in their areas,
- rurality or sparsity (discretionary supplement); to support providers serving rural areas less likely to benefit from economies of scale,
- flexibility (discretionary supplement); to support providers in offering flexible provision for parents; this could, for example, childcare wraparound care, out-of-hours provision, or to encourage a particular type of provider in an area (such as to meet a need for childminders in an area),
- quality (discretionary supplement); to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area), and
- English as an additional language (EAL) (discretionary supplement).

In Havering, following past consultations, only the mandatory deprivation factor is used. The LA has reviewed the feasibility and reliability of using other optional supplements and recommends, with the exception of a supplement for TPPG, that they are not adopted in 2024-25. A further review will be carried out for 2025-26.

It has been agreed previously that the funding rates allocated for deprivation align with those of schools, using the Income Deprivation Affecting Children Index (IDACI).

In Havering, funding for IDACI is currently allocated at the same rate for schools and early years providers. If this were to continue for 2024-25, funding rates would be as follows:

Band	Hourly rate		Annual rate (38 weeks x 15 hours)		% change
	2023-24	2024-25	2023-24	2024-25	
A	£0.77	£0.78	£438.90	£444.60	1.3%
B	£0.58	£0.59	£330.60	£336.30	1.7%
C	£0.55	£0.55	£313.50	£313.50	0.0%
D	£0.50	£0.51	£285.00	£290.70	2.0%
E	£0.32	£0.33	£182.40	£188.10	3.1%
F	£0.26	£0.27	£148.20	£153.90	3.9%
G	£0.00	£0.00	£0.00	£0.00	0.0%

Using the revised rates and methodology with October 2023 pupil data, the required budget for 2023-24 would be £447,200.

Q.5	<i>Do you agree that deprivation remains the only supplementary factor used in Havering's formula and the rates of funding continue to be aligned with the rates used in the schools' national funding formula?</i>
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## 6. Special Educational Needs Inclusion Fund (SENIF)

### 6.1 Funding Proposal 2024-25

For 2024-25, Local Authorities have to extend the SENIF to be funded from all of the Early Years entitlements.

SENIF is in place to support children with additional needs and ensure that they have the resources and aids to thrive within their setting.

SENIF is separated into two parts:

- Complex needs, which is for children that are on the EHCP pathway and require regular adult support or 1:1, and
- the Early Intervention and support part of the fund is for children with lower level or emerging SEN, and is primarily for equipment, adjustments and support for adjustments within the setting.

Training is a core part of the CAD 0-5 offer, there is no requirement for settings to pay or apply for this as it is free to all provisions (childminders, PVI and maintained schools) at the point of delivery.

With an overall 40% growth in SEND in Havering, the SENIF budget is currently overspending in comparison to the original budgets that were set at the start of the year, as stated earlier in Section 4 of this consultation document, see table below for previous and current year expenditure.

Category	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 projected
EIF	100,000	105,688	203,596	338,088	544,793	887,247
EIF – HN	39,536	50,000	56,428	58,521	67,227	234,334
<b>Total</b>	<b>139,536</b>	<b>155,688</b>	<b>260,023</b>	<b>396,609</b>	<b>612,020</b>	<b>1,121,581</b>
<i>EIF hourly rate</i>	£3.50	£3.50	£4.90	£5.09	£5.29	£5.34
<i>EIF - HN hourly rate</i>	£2.61	£2.61	£3.20	£3.20	£3.20	£5.82
PTE (EIF) based on spend (15 hours x 38 weeks)	50.13	52.98	72.90	116.53	180.68	291.49
PTE (EIF - HN) based on spend (15 hours x 38 weeks)	26.58	33.61	30.94	32.08	36.86	70.64
year on year expenditure % increase		12%	67%	53%	54%	83%

In order to ensure that the SENIF has the appropriate level of budget, it is proposed that all eligible funding streams contribute to the overall SENIF budget, with the split worked out on pro-rata of the current demand to the new entitlements. This will be an increase from £420k to £1.114m for 2024-25. This is broken down as follows:

	Under Two	Two Year Old - Working Parent	Two Year Old - Disadvantaged	Three/Four Year Old (Universal/Extended)	Total
SENIF	£123,377	£167,666	£31,635	£790,875	£1,113,552

Q.6	<i>Do you agree that the SENIF budget is increased to £1.113m to meet the additional demand for support?</i>
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## 6.2 **SENIF arrangements**

Funding applications have increased exponentially and the fund is finite. This should be reserved for the most complex cases and many needs can be met through the support of your Area SENCo/Advisory Teacher, as well as guidance from the Ordinarily Available Provision, therefore not requiring any applications for SENIF support.

The Local Authority will be reviewing arrangements for SENIF as it is anticipated that once the roll-out for all the entitlements takes place, the overall eligible cohort will increase significantly and will lead to the number of applications under the current arrangements, to exceed the current number of applications that are being reviewed at each SENIF Panel.

There currently is no data field currently available from the Census collection exercises that differentiates on SEN Need, as per the Schools Census, and the Local Authority is reviewing a number of options to provide a targeted and more responsive approach in providing the support required to those learners.

One of the modes that may be explored further is the introduction of a matrix band, with early years providers to map all children at setting to the matrix bands. This is hoped to be brought to work in tandem with the existing progress monitoring that the setting does currently. The LA SENCOs then reviews and moderate, and then final bands will be issued and the CAD 0-5 team will maintain a register of the bands and level of need. This will support the Local Authority to put in place support and take action to reduce the need for additional support once the child transitions to reception. Each band level will provide a level of funding for each term, therefore reducing the need for application for low/mid level support. Children in higher bands and cases for higher level support are to be reviewed by Panel, therefore reducing the number of cases that is being referred for consideration by the SENIF Panel.

This is one of the possible arrangements that will be reviewed between now and the next financial year, and the timetable for any change would be as follows:

- Summer 2024 – continue with current arrangements / revised or transition arrangements
- Autumn 2024 – roll-out of bands for funding or alternative methodology



## 7. Central Retention

Local authorities are able to centrally retain funding to lead and support the Early Years sector to deliver excellent quality provision, and to administer the distribution of Early Years Funded Entitlement and related supplements system.

The centrally retained funding supports the Local Authority to deliver their various statutory duties relating to early years, and to ensure sufficient, sustainable, high quality, accessible early education and childcare.

Any reductions to the central retention which funds a range of services, may result in a reduction in the range and amount of advice and support (including financial support) to providers. It is through these central services that we are able to take actions to mitigate any changes brought about by the DfE.

The centrally retained funding is used to fund a number of services and activities across all sectors including mainstream, private, voluntary, independent sectors, and childminders to promote quality and improve outcomes for children in Havering, including;

- Provide support and advice to settings in relation to quality of early education and childcare, Ofsted and statutory requirements, with a focus on settings at requires improvement or inadequate, as well as providing targeted support around work with vulnerable groups.
- Support and advice to settings in relation to support for children with SEND, with a particular focus on inclusion, quality and early identification of need.
- Meeting the Council's statutory duties to ensure a sufficiency of places for funded 2, 3 and 4 year olds across Havering.
- Monitoring and delivering sufficiency.
- Providing support, advice and to promote business sustainability.
- Individual commissioning of provision for the most disadvantaged families.
- Delivering census, compliance with DfE statutory guidance and requirements.
- Brokerage of places for vulnerable children and children identified as disadvantaged.
- Managing the funded entitlement by advising providers, processing, administering and making payments, including support for the Provider Portal.
- Delivering census.
- Maintenance and development of the Provider Portal and linked systems.
- Supporting communications and publicity, including promotional activities to support take-up of funded places, 30 hours, EYPP, Inclusion Fund, and DAF uptake.
- Implement a number of eligibility assessments, including the eligibility for free school meals of a pupil who is being provided with early years provision, the eligibility of a child for prescribed early years provision, or the eligibility of a child for the early years pupil premium.
- Audit functions to ensure funding has been allocated and spent in line with the regulations and policies in place.
- Strategic and operational leadership and management of the early years system and its finances.

The distribution set by the DfE for central retention means that an LA can only use a maximum of 5% for central support, and the remaining 95% is paid direct to providers. Havering actually retains less than the 5% maximum allowed by the DfE in order to make the most amount of funding available to providers.

In financial year 2022-23, the central retention in Havering was reduced from £820k to £790k, and this level has been in place for the last two years under the current arrangements of funding.

With the expanded entitlement roll-out due to take effect from 1<sup>st</sup> April 2024 and be fully operational from 1<sup>st</sup> September 2025, Local Authorities need to lay the infrastructure in order to support the additional demands as a result of the roll-out.

In order to support the Local Authority, it is proposing at applying the current central retention level of 4.04% for all eligible funding streams, in order to support with the roll-out. This will be an increase from £790k to £1.361m for 2024-25. This is broken down as follows:

	Under Two	Two Year Old - Working Parent	Two Year Old - Disadvantaged	Three/Four Year Old (Universal/Extended)	Total
<b>2023-24</b>	£0	£0	£0	£790,000	<b>£790,000</b>
<b>2024-25</b>	£186,897	£229,396	£103,528	£841,069	<b>£1,360,890</b>
<b>%</b>	4.04%	4.04%	4.04%	4.04%	<b>4.04%</b>
<b>Change</b>	£186,897	£229,396	£103,528	£51,069	<b>£570,890</b>

This will enable to support the structure for the current year recruitment of specialist SENCOs for future years, recruitment for staff in order to undertake the additional workload as part of the expansion (e.g. Admissions, Finance, etc.), commissioning of audit to undertake assurance checks in the income and expenditure and the continuation of training courses and support for providers. This list is not exhaustive and the LA is reviewing the central support arrangements and will put in place a service that fulfils its obligations to the sector.

The breakdown of services currently and to be funded from this are as follows:

Service	2023-24 (£,000)	2024-25 (£,000)	Change (£,000)	
Early Years Quality and Assurance Team	351	433	82	Additional staff and increased costs year on year
Early Years Admissions	196	311	115	Additional staff
CAD Support	79	293	214	Maintain new structure
Finance	53	124	71	Additional staff
Early Years Commissioning and Organisation	61	83	21	Increased costs year on year
Central Database Software – EYAM	50	82	33	Licensing and software updates
Audit	0	35	35	New provision
<b>Grand Total</b>	<b>790</b>	<b>1,361</b>	<b>571</b>	

Q.7	<i>Do you agree that the central retained budget for LA support is increased to support the additional resources to be invested as part of the expansion of the childcare entitlement, with a budget of £1.361m?</i>
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