

Early Years Funding Formula 2024-25

To: Schools Forum

Meeting Date: 12 January 2024

From: Jonathan Lewis, Service Director, Education
Graham Arnold, Early Years Sector Development and Funding Manager

Recommendations: Schools Forum is asked to

- a) comment on the proposed approach to funding early years places in 2024-25; and
- b) approve the centrally retained budget elements totalling £1,585,000 set out in table 1.

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 This report relates to the following Council ambitions:

- Ambition 7: Children and young people have opportunities to thrive
- Ambition 6: Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised.
- Ambition 5: People are helped out of poverty and income inequality.

2. Background

2.1 Government has announced a major expansion in funded childcare and learning for children of working parents from April 2024. In addition to the universal and extended entitlements for three- and four-year-olds, the following provision will be offered:

- From April 2024: 570 hours a year (equivalent to 15 hours per week, term time) for children from two years old.
- From September 2024: 570 hours a year (equivalent to 15 hours per week, term time) for children from 9 months old to two years old.

These entitlements will increase again in September 2025 when all working parents of children 9 months up, will be able to access up to 30 hours of funded childcare per week.

2.2 The local authority is required to establish a funding approach to the new entitlements in consultation with the sector and agree funding rates with its providers. These must be presented to Schools Forum for comment and approved by Children and Young People's Committee. In addition, Schools Forum must agree any sums to be centrally retained to support the early years and childcare sector.

3. Main Issues

3.1 DFE has published overall funding rates for the new entitlements alongside the updated rates for the existing entitlements. These rates allow for deductions for:

- Local authority centrally retained funding;
- Supplements, including deprivation related;
- Funding to support the inclusion of children with special educational needs (SENIF).

The headline rates per hour are:

3- and 4-year-olds (existing entitlements):	£5.80 (+30p)
2-year-olds (expanded to include working families):	£8.15 (+3p)
9-months-2 years (new for working families - from Sep 24):	£11.07 (new)
Early Years Pupil Premium	additional £0.68 (+6p)
Disability Access Fund (for children in receipt of disability living allowance)	additional £910 per year (+£82)

In addition, the local authority receives supplementary funding in respect of Maintained Nursery Schools. The indicative allocation for 2024-25 is £1.37m.

3.2 Government requires a minimum 95% of funding for each entitlement to be passed to providers through the base rate and supplements. The intention is to increase this to 97% in around 2 years. As a result of the challenging funding context locally, Cambridgeshire providers have historically preferred a funding approach which maximises the base rate and minimises supplements. Cambridgeshire has one of the highest pass-through rates of its statistical neighbours, well above the England average. Combined with the low percentage of funding paid through supplements, this means Cambridgeshire passes on a higher proportion of funding through its base rate directly to providers.

3.3 Cambridgeshire's Early Years Provider Reference Group has been engaged in discussions around the funding rates and the approach to the new entitlements since the rates were published in late November. The group's stated priorities were:

- To agree and publish local rates as soon as possible, to allow the sector to plan for the expansion;
- To maximise the rate payable for two-year-olds, as the DFE hourly rate is close to the recognised break-even point for many providers;
- To enhance funding to support the inclusion of children with Special Educational Needs and Disabilities where possible.

3.4 The proposals for funding rates for 2024-25 are:

Age	April 2023 Cambs rate/hour	Current Cambs rate/hour	Proposed Cambs rate/hour
3- and 4-year-olds	£4.63	£5.14	£5.40
2-year-olds	£6.12	£8.12*	£8.00
9-months – 2 years	-	-	£10.70

*The current 2-year-old rate applies to families in receipt of certain benefits and children in care, but will apply to all funded two-year-olds from April. It has been top-sliced to create an SEN Inclusion Fund for funded two-year-olds with additional needs. This is a new requirement of the funding formula with monies distributed to the sector for children that meet SENIF criteria. In addition to the £8.00 hourly rate, funded two-year-olds can now receive Early Years Pupil Premium, which is paid at an extra 68p per hour for eligible children.

These rates were shared with the Early Years Provider Reference Group on 20 December 2023 following a discussion on the principles in 3.3. Feedback indicates that the proposals are in line with the priorities of the group.

- 3.5 The rates above accommodate local authority retained spending to support the delivery of statutory responsibilities relating to the existing and new entitlements as follows:

Centrally retained budget elements	2023/24 budget (£)	2024/25 proposed budget (£)
<p>Early years statutory duties linked to:</p> <ul style="list-style-type: none"> • Childcare Act 2006 • Equalities Act 2010 • The Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2014 • Children and Families Act 2014 • SEND Code of Practice 2014 <p>And underpinned by Early Education and Childcare – statutory guidance for local authorities.</p> <p>These activities include safeguarding training and advice, statutory intervention and enhanced support, practice and pedagogical development, SEND training and support, business/governance and leadership support, continued professional development and quality improvement, provider sustainability, sector recruitment and staff retention, families information service (FIS), equality and closing the attainment gap for vulnerable groups.</p>	959,000	1,331,500
Early Years and Childcare Qualifications	170,000	179,000
Early Years Pupil Premium (EYPP) eligibility	11,000	11,500
SENIF Coordination and administration	60,000	63,000
Two-year-old SENIF (LA discretionary allocation in 2023-24, now permitted within the 2-year-old DSG)	150,000	-
Total Early Years Centrally Retained Funding (counting towards 5% centrally retained limit)	1,350,000	1,585,000

The amount proposed for central retention in 2024-25 is 17% higher than in 2023-24 (against an increase in EY DSG of nearly 48%). The reasons for this are:

- Expanded responsibilities in respect of funded entitlements, creating new demand from providers, and 5,000 or more additional funded children.
- Pressures on local authority budgets across the entire Council including a significant pay award, requiring a higher proportion of service costs to be met from centrally retained funding.

- 3.6 From 2024-25, local authorities need to calculate pass-through rates for each of the

entitlements – 3/4-year-olds, 2-year-olds and 9 month-2 years. Officers project that the funding rates at 3.4 and the centrally retained spending at 3.5 are likely to result in levels of funding of between 97.4% and 98.7% being passed through to providers, once deprivation supplements and SEN Inclusion Fund payments are taken into account. These percentages are well within the 5% permitted central retention, and would meet the reduced 3% proposed for (potentially) 2026-27. Cambridgeshire had the 3rd lowest centrally retained percentage of its statistical neighbours on most recent calculations.

4. Alternative Options Considered

- 4.1 Alternative options were not considered as funding and work are driven by statutory responsibilities, which are expanding, requiring the local authority team to lead changes.

5. Conclusion and reasons for recommendations

- 5.1 Schools Forum is asked to comment on the proposed funding rates at 3.4 and approve the proposed centrally retained expenditure at 3.5.

6. Significant Implications

- 6.1 Not required.

7. Source Documents

- 7.1 Department for Education:
Local Authority Early Years funding rates 2024-25
[Early years funding: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-funding-2024-to-2025)
[Local Authority Early Years Funding benchmarking tool](#)
[Early years funding benchmarking tool - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-funding-benchmarking-tool).