

CUMBERLAND COUNCIL SCHOOLS FORUM

Report Title: Early Years Funding – DfE Extension of Entitlements Consultation

Meeting date: 18 September 2023

Report of: Dan Barton, Assistant Director, SEND, Education & Inclusion

1.0 Executive Summary

- 1.1 In Spring 2023 the government announced that they will be extending the early years free entitlements meaning that all working parents in England will be able to access 30 hours of free childcare per week for 38 weeks of the year from the term after their child turns 9 months old to when they start school. The extension of free entitlement will be rolled out in stages starting from April 2024.
- 1.2 The DfE launched a consultation seeking views on their proposal to introduce a new funding formula from April 2024 for distributing funding to local authorities for 2-year olds and under free entitlements. They also propose to extend the eligibility for the early years pupil premium (EYPP) and the disability access fund (DAF) and introduce changes to the local funding rules.
- 1.3 The DfE have published illustrative modelling which indicates that the hourly funding rate for Cumberland is significantly below the average national rate. The final funding rates for 2024/25 will be published in the autumn. Appended to this paper is the LA response to the consultation which closed on 8 September.
- 1.4 The extension of the early years entitlements and the changes to the local funding rules means that consideration needs to be given to how early years providers are funded at a local level. From 1 April 2024 LAs must pass-through at least 95% of the new 2-year old and under funding its receives to early years providers. It is recommended to Schools Forum that an element of this funding is centrally retained to support the delivery of the roll out of the new entitlements.
- 1.5 Modelling of the proposed new local funding formulae for 2-year olds and under and draft consultation with Cumberland early years providers and schools will brought to the next Schools Forum meeting in November for consideration. The consultation outcome will be presented at the 16 January 2024 meeting when the Schools forum will be asked to make a

recommendation to Cabinet who will decide on the final new funding formulae at its meeting in February 2024.

2.0 Link to Council Plan Priorities

2.1 Ensuring that early years providers are appropriately funded is supportive of the Council Plan “to improve the health and wellbeing of its residents” and the priority to “address inequalities and enable its residents to access opportunities that will empower them to achieve their goals.”

3.0 Recommendation

3.1 The Schools Forum are asked to:

- note the extension of early years entitlements for 2-year olds and under and the changes to the local funding rules and the LA’s response to the DfE’s consultation;
- note the recommendation that a portion of the new funding is centrally retained to support the rollout of the new free entitlements;
- note the requirement to consult early years providers and maintained schools on the new local funding formula and timeline for doing this.

4.0 Rationale & Evidence for the Recommendation

Background

4.1 Currently all parents of 3-4 year olds can access 15 hours of free early education for 38 weeks of the year and working parents can access an additional 15 hours of free entitlement. Parents of disadvantaged 2-year olds can access 15 hours of free entitlement. The extension of the free entitlement means that all working parents will be able to access 30 hours of free entitlement for 38 weeks of the year from the term after their child turns 9 months old. This will be rolled out in stages:

- From April 2024 all working parents of 2-year olds can access 15 hours per week
- From September 2024 all working parents of children aged 9 months up to 3-years old can access 15 hours per work extending to 30 hours from September 2025

4.2 Funding for free entitlement is allocated to local authorities through a separate funding formula for 2-year olds and 3-4 year olds through the Early Years Block of the Dedicated Schools Grant. The DfE are not proposing to make any changes to way funding is allocated to local authorities for 3-4 year olds or the maintained nursery school (MNS) supplementary funding. However, the current funding formula for 2-year olds, which comprises of an hourly base rate multiplied by an area cost adjustment, is designed to fund disadvantaged 2-year olds only and the DfE are proposing new funding formulae that is

suitable for a 2-year old and under cohort which includes working parent families.

Proposed New 2-Year Olds and Under Funding Formulae

- 4.3 The DfE's proposal is to allocate funding at local authority level using the same shape of their existing 3-4 year old funding formula for both the new 2-year olds and the under 2-year olds funding formulae which will comprise of:

(base rate + additional needs) x area cost adjustment (ACA) = LA hourly funding rate

- 4.4 The funding rates will vary by age, with higher rates for under 2-year olds reflecting the difference in costs due to higher staffing ratios. The proposed new additional needs factor is to reflect the relative differences in general levels of disadvantage between areas. This factor is weighted at 10.5% of the total funding available at a national level of which 8% is targeted to deprivation with the remaining 89.5% of funding through the base rate. However, in a difference to the 3-4 year old funding formula, which only uses FSM eligibility as measure of deprivation, it is proposed to use a combination of both FSM and IDACI in the new 2-year olds and under funding formulae as follows:

- 4% Free School Meals eligibility (FSM)*
- 4% Income Deprivation Affecting Children Index (IDACI)
- 1.5% English as an additional language (EAL)
- 1% Disability Living Allowance

*a proxy measure is used based on FSMs in nursery and primary schools

- 4.5 The DfE believe that the introduction IDACI, which measures the proportion of children in an area living in income-deprived families, would target more funding towards more densely deprived areas as it looks at smaller geographical areas. This means that areas with generally low levels of deprivation will still receive deprivation funding if they have 'pockets' of deprivation. They also believe that taking a 'basket of measures' approach more accurately reflects relative differences between local authority areas.

- 4.6 Although the DfE are not proposing to make changes to the current 3-4 year old funding formula at this stage they have committed to review the additional needs factor and consider whether to also introduce IDACI there.

- 4.7 As with the 3-4 year old funding formula the ACA cost adjustment will comprise of:

- 80% General Labour Market (GLM)
- 10% Nursery & Infant Primary Rates Cost Adjustment (premises costs)
- 10% Costs assumed not to vary from authority to authority

Early Years Pupil Premium (EYPP) % Disability Access Fund (DAF)

- 4.8 Currently only 3-4 year olds are eligible for EYPP and DAF funding. The proposal is to extend eligibility so that from 2024/25 children accessing any of the free entitlements who met the existing criteria for EYPP and DAF funding will be eligible.

Impact on Funding Rates

- 4.9 The current funding rate, for disadvantaged 2-year olds in Cumberland is £5.63. The DfE have published illustrative hourly funding rates at LA level for 2024/25 as summarised in the table below:

	Cumberland	National Average	National Range
Under 2-year olds	£9.84	£11.06	£9.33 - £16.17
2-year olds	£7.25	£8.17	£6.89 - £11.86

- 4.10 Cumberland has the sixth lowest funding rates out of 151 authorities. The following table shows the composition of the hourly rates for Cumberland:

	Under 2-year olds	2-year olds
Basic	£8.98	£6.64
FSM	£0.35	£0.25
IDACI	£0.36	£0.25
EAL	£0.03	£0.02
DLA	£0.12	£0.09
Total	£9.84	£7.25

- 4.11 Final rates will be published in autumn along with the rates for 3-4 year old funding. The illustrative figures demonstrate that the proposed introduction of the new IDACI measure into the 2-year olds and under funding formulae has had a very limited positive impact on Cumberland's under 2-year olds rate. The illustrative rates for Cumberland are also significantly below the national average.

Proposed Changes to Rules for Local Funding Formulae

- 4.12 Currently the following rules apply to the 3-4 year old local funding formula:
- LAs must plan to pass-through at least 95% of the funding that it receives to early years providers.
 - LAs local authorities are required to establish a SEN Inclusion Fund to support children who are taking up the 3-4 year old free entitlements, targeted at children with lower level and emerging SEN.
 - LAs can use a restricted number of supplements in their 3-4 year old funding formula to channel additional funding (up to a cap of 12% of planned formula funding to providers) meeting criteria set by the LA.
- 4.13 The DfE are proposing to apply these same rules to the 2-year old and under funding formulae. The pass-through rate will continue to be 95% for 2024/25 but they intend to increase the pass-through rate to 97% as the quantum of funding into the early years block will increase when the fall roll out of the new entitlements has been reached. Local authorities can continue to apply for a

disapplication within defined purposes to disapply the pass-through rate which will be considered by the DfE on a case-by-case basis.

- 4.14 This change in the local funding rules should not have an impact on Westmorland & Furness as currently 99.14% of the 3-4 year old funding is planned to be passed to 3-4 year old early providers in 2023/24 and historically, Cumberland (and previously Cumbria) has not retained any of the disadvantaged 2-year old funding centrally and the full hourly rate has been planned to be passed onto providers. Going forward, there will be central costs associated with the delivery of the new childcare offers and it's recommended to Schools Forum that a portion of the new entitlement funding is centrally retained. Further details will be available at the next Schools Forum meeting.
- 4.15 Cumberland currently only uses the mandatory supplementary Deprivation factor and a Quality factor to distribute the former teacher pay and pension grants to school-based providers in its 3-4 year old funding formula. Other allowable factors include:
- Flexibility: to support providers offering flexible provision for parents – e.g. out of hours / wraparound;
 - Rurality / Sparsity: to enable local authorities to support providers serving rural areas less likely to benefit from economies of scale;
 - English as an additional language: to recognise differences in attainment in the Early Years Foundation Stage between children whose first language is English, and those who have English as an additional language (EAL).

DfE Consultation

- 4.16 The DfE sought views on their proposed changes in how local authorities are funded for the new entitlements and launched a consultation on 21 July with a closing date for responses of 8 September. Appended to this paper is a copy of the Cumberland responses to the consultation questions (in blue). The LA broadly agrees the proposals but the formula does not take into account rurality and this may impact on viability of early years providers as they will have fewer paying parents to subsidise free entitlement.

Local Consultation

- 4.17 The LA is obliged to consult with Schools Forum, schools and early years providers on any changes to the existing local funding formulae for 3-4 year olds, and the new 2-year olds and under 2-year olds local funding formulae.
- 4.18 Consideration will need to be given as to whether the same supplementary factors are introduced for the 2-year olds and under local funding formulae as for the current 3-4 year old funding formula or if new supplementary factors should be introduced. It is not yet known when the outcome of the DfE consultation will be published however the timescales for consulting and finalising the shape of the funding formula will be tight as the 2024/25 Dedicated Schools Grant budget, which will include the proposed centrally retained Early Years budget for which the authority must receive Schools

Forum approval for, is due to be presented on 16 January 2024 to meet with DfE deadlines.

4.19 The timeline for this is as follows:

Date	Task
2 November 2023	Schools Forum consulted on the proposed new 2-year olds and under early years funding formulae for 2024/25 and the format of the consultation
9 November 2023	Launch consultation with early years providers and schools (incorporating any changes following the schools forum meeting)
30 November 2023	Consultation ends
16 January 2024	Schools Forum Meeting to agree 2024/25 DSG budget including Early Years centrally retained funding and make recommendation to Cabinet on new 2-year old and under funding formulae for 2024/25
tbc February 2024	Cabinet – to decide on new 2-year old and under funding formulae for 2024/25
29 February 2024	Confirm school budget shares for maintained schools including early years funding
tbc April 2024	1 st funding payment to early years providers

5.0 Options

5.1 Schools Forum are asked to:

- note the extension of early years entitlements for 2-year olds and under and the changes to the local funding rules and the LA;s response to the DfE’s consultation;
- note the recommendation that a portion of the new funding is centrally retained to support the rollout of the new free entitlements;
- note the requirement to consult early years providers and maintained schools on the new local funding formula and timeline for doing this.

6.0 Financial & Other Relevant Implications

6.1 Financial implications are considered throughout this report. No equality/legal/ implications have been identified.

6 September 2023

Appendices:

1. Cumberland Response to the DfE Early Years Funding – Extensions of Entitlements Consultation

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