

CUMBERLAND COUNCIL SCHOOLS FORUM

Report Title: Early Years Funding Formula 2024/25

Meeting date: 15 January 2024

Report of: Heather Loveridge, Interim Assistant Director, SEND, Education & Inclusion

1.0 Executive Summary

- 1.1 This paper sets out the proposed arrangements for early years funding in 2024/25 and updates Schools Forum members on the outcome of the recent consultation with early years providers.
- 1.2 It is proposed that the new funding formulae comprises of an hourly base rate and the mandatory deprivation supplement. No changes are proposed to the existing 3-4 year old funding formula except that a new methodology is proposed for calculating the deprivation supplement which will reach more disadvantaged children than the current methodology.
- 1.3 It is proposed that £0.072m of the new 2 year-old and Under 2s funding is centrally retained to support the roll out of the new entitlements.
- 1.4 Early Years providers were consulted on the proposed formula and were broadly in agreement with the proposals. Schools Forum will be asked to make a recommendation to Executive who will decide on the final new funding formulae at its meeting on 13 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 Based on the consultation responses the Schools Forum is recommended to support the proposed:
- centrally retained budget of £0.072m;

and recommend to the Executive that:

- allocation of the new 2 year olds and Under 2s funding by using a case rate of £7.12 per hour for 2 year olds and £9.77 per hour for Under 2s;
- deprivation supplement of £0.21 per hour for 2 year olds and Under 2s based on children living in IDACI bands A – F;
- adoption of the same methodology for allocating a deprivation supplement in the existing 3 -4 year old funding as that proposed for 2 year olds and Under 2s.

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 government are extending the eligibility to free entitlement so that all eligible 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 eligible working parents of 2-year olds can access 15 hours per week
- From September 2024 all eligible 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 The DfE has consulted local authorities and early years providers on its proposals for funding local authorities for the new early years free entitlement and in July 2023 published illustrative local authority level hourly funding rates for 2 year olds and Under 2s.

4.3 The DfE proposed to apply the same funding rules to the new 2 year old and Under 2s funding which currently apply to the 3-4 year old funding which are as follows:

- LAs must use a universal base rate of funding for all providers regardless of type;
- LAs must plan to pass-through at least 95% of the funding that it receives in 2024/25 to early years providers (rising to 97% from 2025/26).
- LAs 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.

- LAs can set aside contingency funding as part of their local budgetary process to help manage fluctuations in take-up.
- 4.4 All 2 year-olds and Under 2s meeting the existing criteria for Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) for 3-4 year olds will be eligible for additional funding.
- 4.5 The DfE did not propose 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.
- 4.6 The outcome of the DfE consultation was published in early December. DfE has decided to apply the majority of its proposals set out in paragraph 4.3 except that the deprivation supplement will not be mandatory in the 2 Year Olds and Under 2s funding formulae. It also published updated LA level funding rates for each local authority which for Cumberland are as follows:

Phase	Illustrative LA Hourly Funding Rate	Final LA Hourly Funding Rate
2 Year Olds	£7.25	£7.37
Under 2s	£9.84	£10.02

- 4.7 Despite the final LA funding rates being slightly higher than the illustrative rates published in the DfE's consultation, Cumberland is the 6th lowest funded LA in the country due to the impact of the area cost adjustment in the formula at LA level which diverts more funding to urban based authorities.

LA Consultation

- 4.8 At its meeting on 2 November 2023 Schools Forum agreed to consult early years providers on the proposed funding formulae to distribute the new 2 year olds and Under 2s free entitlement funding as below:
- A centrally retained budget of £0.072m for the early years team to support the roll out of the new entitlements;
 - A SEN Inclusion Fund budget of £0.174m;
 - A 2 Year Olds hourly funding rate and a deprivation supplement;
 - An Under 2s hourly funding base rate and a deprivation supplement
- 4.9 Although local authorities can retain up to 5% of the new funding for central services supporting early years providers it was proposed to keep this to a minimum to maximise the funding available to pass onto early years providers through the funding formula due to cost pressures they are facing. However, the centrally retained element may need to be reviewed in future years depending on the impact of the extended free entitlement on the Early Years team.

- 4.10 It was proposed that the deprivation supplement in both the 2 year Olds and Under 2s funding formula would be £0.21 per hour of take-up of provision, which is the same as the current rate used in the existing 3-4 Year Olds funding formula, and to base it on children living in IDACI bandings A and F to target more disadvantaged children than the current 3-4 year old methodology which uses a combination of IDACI, ACORN and IMD. It was also proposed that this new methodology for calculating the deprivation supplement be adopted in the existing 3-4 Year Olds funding formula.
- 4.11 The indicative hourly base rates for early years providers in Cumberland in the consultation were £7.00 for 2 year olds and £9.59 for the Under 2s, however, these rates were subject to confirmation of the final LA level hourly funding rates being announced. Subsequent to the local consultation with providers being launched the DfE published the final LA level funding rates in December and therefore the proposed rates at provider level have been updated and are now £7.12 for 2 Year Olds and £9.77 for Under 2s. The rates for providers are lower than the LA funding rates to allow for provision of a SEN Inclusion Fund, deprivation supplement and funding of central services supporting early years providers.

Consultation Outcomes

- 4.12 In total 29 early years providers responded to the consultation and:
- 26 (90%) agreeing with the Schools Forum recommendation that centrally retained funding should be kept to a minimum to maximise the amount of funding available to distribute to early years providers.
 - A total of 22 (76%) agreed that the funding formulae should comprise of a base rate and deprivation supplement only and not to use any optional supplements.
 - A total of 25 (86%) agreed that the deprivation supplement should be allocated to providers based on children living in IDACI bandings A to F instead of the current methodology.
 - 23 (79%) agreed that the deprivation supplement should be fixed at £0.21 to maximise the amount of funding available for base rate paid to providers.

5.0 Options

5.1 Schools Forum can:

- support the proposed centrally retained budget of £0.072m;

and recommend to the Executive that:

- the new funding formulae for 2 year olds and Under 2s comprises of a base rate and a deprivation supplement;
- the proposed new methodology for calculating the deprivation supplement is applied.

6.0 Financial and Other Relevant Implications

6.1 Resource and value for money implications are considered throughout this report. No equality/legal/ implications have been identified.

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