


Agenda Item 4

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 16th January 2024
EARLY YEARS FUNDING 2024/25	
Open	
Wards Affected: (All Wards); All	
Accountable Director: Jacqui Mc Shannon, Strategic Director of Children's Services	
Report Authors: Peter Haylock Operational Director of Education and SEND Tony Burton Head of Finance for Children's and Education	Contact Details: E-mail: Peter.Haylock@lbhf.gov.uk Tony.burton@lbhf.gov.uk
Purpose of the report <p>This report updates forum on the initial allocation of Early Years Block funding for 2024/25 including the extended entitlements for working parents of two year old children and children from age 9 months. The report covers:</p> <ul style="list-style-type: none">- An update on the National Funding Formula for Early Years- Funding rates and draft budget for April 2024 to March 2025 for the following:<ul style="list-style-type: none">o 3 and 4-year-old universal entitlement and additional hours for working parentso 2-year-old entitlements for disadvantaged families and the entitlement for working parentso Under 2s entitlements for children aged 9 months to 2 years	

1. Introduction and Changes to Early Years Funding 2024/25

- 1.1. The DfE has extended the number of free childcare offers available to working parents in 2024/25. There will be new working parent entitlements introduced for 2 year olds and children aged 9 months to 2 years during the year. The 2 year olds offer will be for a maximum of 15 hours per week from 1st April 2024 and the under 2 year olds offer for a maximum of 15 hours per week from 1st September 2024. It is intended that these offers will be extended further in 2025/26 to a maximum of 30 hours per week.
- 1.2. Local authorities are required to set a local formula for both the 2 year old offers and the under 2s offer in the same way as it has for 3 and 4 year olds over the past 6 years.

- 1.3. Eligibility for EYPP (Early Years Pupil Premium) and DAF (Disability Access Fund) has also been extended to the new offers.
- 1.4. This report will detail all the offers and the corresponding budgets required for approval based on the 2024/25 hourly rates issued by DfE and the activity data from the January 2023 census and DfE estimates for the new offers.

2. Early Years Block funding 2024/25

- 2.1. There are now eight funding streams in the Early Years Block of the DSG, as set out below. The focus of this paper are the 4 offers of free early years entitlements
 - for 3 and 4 year-olds (YO), which constitutes the bulk of the funding and which is also subject to pass through and other requirements.
 - For disadvantaged 2 YO – now requires local formula and subject to pass through and other requirements
 - For Working Parent 2 YO – NEW - requires local formula and pass through requirements
 - For Working Parent 9 months to 2 years – NEW - requires local formula and pass through requirements
- 2.2. The basis of the 3 and 4 YO offer remains unchanged since introduced in April 2017. The requirements are listed below
 - Set a single funding rate (including the same base rate and supplements) for both entitlements for 3 and 4YO
 - Must pass at least 95% of funding received to providers
 - Must use a universal base rate for all types of providers including maintained nursery schools
 - Must use a deprivation supplement in their local 3 and 4YO formula
 - Must not channel more than 12% of funding to providers as supplements – in Hammersmith and Fulham supplements are budgeted for Deprivation and Quality
 - Must provide a SEN Inclusion Fund for 3 and 4YO
 - Monitored compliance through the S251 Budget and Outturn reporting process.
- 2.3. There is a new national funding formula (NFF) which covers both the existing 2 YO entitlement for disadvantaged children and new working parent entitlements for 2 YO and children aged 9 months to 2 years. The requirements for these offers are listed below:
 - Requirement to have a disadvantaged 2 YO rate that is at least equal to the working parent 2 YO rate
 - Must pass at least 95% of funding received for these 3 offers to providers

- Must provide a SEN Inclusion Fund for under 2s and both 2 year old offers
- May use supplements to target funding up to a maximum of 12% of the total hourly rate paid to providers NB This is not mandatory.

2.4 Summary explanations including funding rates applicable in 2024/25 are set out below:

- Universal entitlement for 3- & 4-YO – 15 hours free childcare for all 3- and 4-YO available from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding will be received by LBHF at £8.71 per hour in 2024/25. This is a £0.21 per hour increase or 2.47% increase on the final 2023/24 funded rates at £8.50 per hour inclusive of Teachers Pay and Pension Allowance of £0.17 per hour.
- Additional entitlement working parents 3- & 4-YO – additional 15 hours free childcare for eligible 3- and 4- YO from the term after their 3rd birthday for a maximum of 38 weeks per year. Parents are required to obtain a 30-hour code. Funding will be received by LBHF at £8.71 per hour in 2024/25 financial year.
- Disadvantaged 2-YO – 15 hours free childcare for eligible 2-YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £11.30 per hour. This is a £0.50 per hour increase in funding or circa 4.6% versus final 2023/24 rate of £10.80 per hour. The rate to be paid to providers in 2024/25 will need to be agreed by Schools Forum in line with the requirements for this offer as detailed above in paragraph 2.2.
- Working Parent 2-YO – this is a new offer of 15 hours free childcare for eligible 2-YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £11.30 per hour in line with the Disadvantaged 2-year-old offer. The rate to be paid to providers in 2024/25 will need to be agreed by Schools Forum in line with the requirements for this new offer are as detailed above in paragraph 2.2.
- Working Parent 9 months to 2-YO – this is a new offer of 15 hours free childcare for eligible children from the term after they are 9 months for a maximum of 38 weeks per year. This offer will be introduced in September 2024 so the maximum number of weeks available in 2024/25 is 22 rather than 38. Funding received is £15.41 per hour which reflects the higher level of staffing required for this cohort. The rate to be paid to providers in 2024/25 will need to be agreed by Schools Forum in line with the requirements detailed above in paragraph 2.2.
- Early Years (EY) Pupil Premium – additional funding for disadvantaged children has been extended to all the Early Years offers detailed above. It will be paid as a top up of £0.68 per hour up to a maximum of £378.60 per year (38 weeks). Eligibility relates to benefits received by

the family and must be confirmed by the provider and recorded on the termly head count.

- Disability Access Fund – additional per pupil funding for those receiving DLA to access all EY entitlements. This was previously for 3 and 4 YO only and has been extended to all Early Years offers from 1st April 2024. Funding has increased to £910 per eligible pupil per annum. (2023/24 £828)
- Maintained Nursery School Supplementary Funding – this additional funding for maintained nurseries was initiated as part of the move to the NFF (National Funding Formula) to provide funding protection with respect to historic duties to 3 and 4YO. An estimated initial allocation of £1,014,281 in 2024/25 is based on the January 2023 census for 3 and 4YO accessing the universal entitlement. This figure includes the allowance for MNS share of Teachers Pay and Pension Grant. This allocation is subject to change depending on actual participation and will be adjusted accordingly in July 2024 and finally in July 2025 as a result of the January 2025 census.

2.4. Table 1 below shows the initial Early Years allocations for the 2024/25 financial year, based on January 2023 census figures and DfE estimated activity for new offers and updated funding rates for 2024/25.

Table 1: Breakdown of Initial Early Years Funding Allocations 2024/25 (January 2023 headcount and DfE estimates)

Element	Amount £m
3- and 4-YO universal offer	10.595
3- and 4-YO extended offer	2.206
Sub-total 3- and 4-Year Old Offer	12.801
2-YO Disadvantaged offer	1.461
2-YO Working Parent offer	1.746
Sub-total 2 Year old offers	3.207
9 month to 2 YO Working Parent offer	1.207
EY Pupil Premium (all offers)	0.138
Disability Access Fund (all offers)	0.089
MNS supplementary funding	1.014
TOTAL	18.456

2.5. DfE funding for Early Years is normally based solely on the Spring term headcount i.e., January. For the new offers there will be a termly headcount in 2024/25 to ensure that local authorities are funded for actual take up. The DfE

recognises that their estimates may not be accurate and does not want to disadvantage authorities where take up is higher than expected.

- 2.6. The initial allocation detailed above uses the January 2023 headcount and DfE estimates for new offers. This will be revised in July 2024 to take account of the January 2024 census and again in July 2025 to take account of the January 2025 census. The DfE may continue to require termly head counts for the new offers until they have bedded in.
- 2.7. It should also be noted here that the DfE intends to extend the new offers to working parents to 30 hours per week in future years so we will continue see big changes in these allocations for the foreseeable future. This means that the final allocations for the 3 and 4 YO offer in the financial year 2024/25 (April 2024 to March 2025) and Disadvantaged 2YO offers will be based on (five-twelfths January 2024 PTE census numbers) + (seven-twelfths January 2025 PTE census numbers), whilst the new offers will be based on actual termly head counts for 2024/25 as a minimum (DfE is yet to decide on post 2024/25 requirements)
- 2.8. There are always risks associated with the Early Years budget due to the link with activity measured in the Spring terms of 2 financial years. This is one reason the proposed budget holds a contingency amount.

3. 2024/25 DRAFT budget model – All Entitlements

- 3.1. The 2024/25 draft budget model is based on the initial allocation detailed above and summarised in Table 2 below for the first five elements of funding in Table 2 below.

Table 2: Draft 2024/25 Early Years

	24/25	24/25	24/25
	3 and 4 YO Entitlements (Universal & Extended)	2 YO Entitlements (Working Parents & Disadvantaged Children)	Under 2 YO Entitlements (Working Parents)
	£m	£m	£m
A. Base Rate - Participation based on estimated hours	9.817	2.658	1.054
B. Deprivation Supplement - Participation based on hrs	1.058	0.252	0.060
C. Supplement for Quality	250	0	0
D. SEN Inclusion Fund	0.500	0.097	0.027
E. Lump Sum to MNS - Help & Support Families in Need	0.397	0	0
F. Contingency	0.147	0.040	0.008
G. Central expenditure - 5%	0.632	0.160	0.058

TOTAL Planned Expenditure	12.801	3.207	1.207
----------------------------------	---------------	--------------	--------------

3.2. The proposed breakdown of the use of the new hourly funding rates for each entitlement is shown in the Table 3 below.

Table 3: Factors and Hourly Rates Proposed 2024

	24/25	24/25	24/25
	3 and 4 YO Entitlements (Universal & Extended)	2 YO Entitlements (Working Parents & Disadvantaged Children)	Under 2 YO Entitlements (Working Parents)
	£ per hour	£ per hour	£ per hour
A. Base Rate - Participation based on estimated hours	6.68	9.36	13.45
B. Deprivation Supplement - Participation based on estimated hours	0.72	0.89	0.77
C. Supplement for Quality	0.17	NIL	NIL
D. SEN Inclusion Fund	0.34	0.34	0.34
E. Lump Sum to Maintained Nurseries - Help and Support for Families in Need	0.27	NIL	NIL
F. Contingency	0.10	0.14	0.10
G. Central services expenditure - 5% maximum allowed	0.43	0.57	0.75
TOTAL Funded Rate	8.71	11.30	15.41

4. Key Elements of the Proposed Budget Models 2024/25

All providers, both schools, private & voluntary nursery providers and childminders to be funded according to the DFE regulations. For 3 and 4YO it is mandatory to pay a universal base rate and a supplement for deprivation based on IDACI bandings for individual children. This principle has been extended to both 2YO and under 2YO offers although not mandatory in 2024/25. The value of supplements for each entitlement must not exceed 12% of the total amount of the payments made

- 4.1. Factor A - Universal base rates paid for every hour under the governments early years Entitlements for the financial year starting April 2024.
- Note for 3 and 4 YO – The proposed rate is £6.68 per hour. This is an increase of 12 pence per hour on the September 2023 rate (1.8% increase) and an increase of 20 pence per hour on the March 2023 rate (2.99% increase).

4.2. Factor B - Deprivation.

- This is a mandatory supplement for 3 and 4 YO offer and in order to remain within the overall supplements limit of 12% (including Factor C Quality) modelling of current payments indicates that the current IDACI banding hourly rates pay over this limit. The rates have been amended in 2024/25 to protect the children with the highest levels of deprivation. Details are provided in Appendix A.
- A deprivation supplement has been included for both 2 YO offers and Under 2YO offer on the same basis as the 3 and 4 YO offer. Based on current data we expect the average deprivation supplement for a child within the disadvantaged entitlement cohort to be £1.03 per hour

4.3. Factor C - Quality. This supplement is for 3 and 4 YO offer only and relates solely to the Teachers Pay and Pension grant which was rolled into the EY funding in 2023/24 and continues to be applicable in 2024/25.

- This funding also now includes the Teachers Pay Additional Grant paid to schools in 2023/24 which has been mainstreamed for 2024/25 plus an allowance for the proposed Teachers Pension Employer contribution increase from April 2024.
- This funding will be used for mainstream primaries with nurseries as prescribed by the DfE guidance. Maintained Nursery Schools are not eligible for this funding as pay grants have been added to the Maintained Nursery School supplement.

4.4. Factor D - SEN Inclusion Fund. All providers at some stage may require additional funding to help them support the needs of individual children with lower level or emerging SEN in their settings. The 2024/25 budget is proposed across all entitlements is based on actual funding passed to providers in 2022/23 with an allowance for the new entitlements.

- The Early Years Inclusion Fund has been expanded to include all children covered by the extended entitlements who have a low level or emerging SEN from April 2024 as required by regulation.
- The funding is for use in the setting and is allocated to the provider on an individual basis.

4.5. Factor E – Help and Support for Families in Need. Paid as a lump sum to maintained nursery schools to support the enhanced offer available to families and children requiring additional support.

4.6. Factor F – contingency funding. The contingency is available to manage volatility in funding versus activity between terms.

- The contingency is also intended to manage the risk with respect to deprivation for the new entitlements where average IDACI is based on estimates using past data for disadvantaged children and the 3&4 year old targeted offer.
- Contingency is included for the new extended entitlements.
- 2022/23 closed with a small final deficit after retrospective funding adjustments for the January 2023 census. The contingency amounts have been increased slightly to accommodate the increased volatility

and will be kept under review. In addition, there is volatility around activity and potential clawback of funding for 2023/24.

- 4.7. Factor G - Central Services Expenditure. The model assumes a budget for central services of £0.850m which is the maximum amount allowed across the entitlements under regulations. The proposed allocation of the central items is detailed in Table 4 below.

Details of Proposed Early Years Central Budget 2024/25

Table 4: Proposed Central Services Budget 2024/25

Item of Central Expenditure	24/25	24/25	24/25	24/25
	3 and 4 YO Offers	2 YO Offers	Under 2 YO Offer	Total
	£m	£m	£m	£m
i. Education Early Years Services	0.444	0	0	0.444
ii. Help and Support for Families in Need	0.071	0.160	0.058	0.289
iii. Finance	0.106	0	0	0.106
iv. Business Intelligence census and Assessments	0.011	0	0	0.011
Total Central Spend	0.632	0.160	0.058	0.850

5. Recommendations and next steps

- 5.1. Schools Forum to note draft 2024/25 Early Year budget across all entitlements for consultation, including the revised base rates, deprivation and local formula for 2 year old and Under 2 year old offers.
- 5.2. Budget Consultation to Maintained Nursery Schools, Primary Schools with Nurseries, PVI providers and Childminders in late January and early February.
- 5.3. Final proposals will be presented to March Schools Forum following provider consultation. The key budget decision will be progressed by the LA at March Cabinet. Providers will be given estimates of Summer term funding by 31st March 2024.

Report ends

Appendix A – IDACI Sliding Scale of Rates 2024/25 – Early Years Deprivation Participation Rate Proposed

IDACI Bandings used for Deprivation Supplement to universal hourly rate across all entitlements from April 2024.

IDACI banding	2024/25 Hourly Rate Proposed (All Entitlements)	2023/24 Hourly Rate (3 and 4 YO Only)	Change on 3 and 4 YO
	£	£	£
1	1.33	1.33	0
2	1.23	1.23	0
3	1.12	1.12	0
4	1.02	1.02	0
5	0.92	0.92	0
6	0.40	0.71	Minus 0.31
7	0.20	0.51	Minus 0.31
8	0.05	0.31	Minus 0.26
9	0.00	0.10	Minus 0.10
10	0.00	0.00	0

DFE Regulations state that the total amount paid as supplements to the universal hourly rate must not exceed 12% of the total amount payable. For the 3 and 4 YO offer this includes both deprivation and quality. In order to remain within the limit modelling indicates the total amount paid as deprivation based on the 23/24 rates is in excess of this. The proposed rates are expected to bring spend on supplements back to within the 12% limit without affecting the hourly rate paid for children within the highest IDACI bands.

Average Deprivation Modelled by Cohort for 2024/25 Budget

Entitlement	2024/25 Average Deprivation Rate Per Hour £
3&4 Year Olds	0.72
Disadvantaged 2 Year Olds	1.03
Working Parent 2 Year Olds	0.77
Under 2's	0.77