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| Report Title | Extended Early Years Entitlement funding April 2024 |
| Meeting | Schools Forum |
| Meeting Date | 5 December 2023 |
| Chair | Jenny Sims |
| Report Author(s) | Laura Devereux, Early Intervention Service Manager |
| Open/Exempt | Open |

1. Summary

- 1.1. From April 2024, the Early Years Entitlement will be extended to all working families of 2 years olds, a change from the current arrangements where only 'disadvantaged' children are eligible for 2 year old funding. From September 2024 children from 9 months old, from working families will be eligible.
- 1.2. This report proposes no changes to the EY funding formula against the 2023/24 formula, in the sense that the funding factors will remain the same, with the same eligibility criteria within the formula. These factors will be extended to eligible 2 year olds from April 2024 and 9 month olds from September 2024.
- 1.3. On 29th November, the DfE announced the local authority level hourly funding rates. The proposal is for the uplift to the funding rates to be added to the base rate, such that the LA continues to pass-through 95% of funding to providers, and retain 5% for central administration.
- 1.4. The LA will consult with providers between now and the February 2024 schools forum on these proposals. The outcome of this consultation will be returned to the Forum in February for consideration.

2. Recommendations

- 2.1. To keep the current funding formula in place for 2024/25 while we review uptake of the new entitlements and to ensure stability in the market.
- 2.2. To Consult with the sector on the proposal to maintain the same formula and appetite to expand places to meet the increased demand.

3. Background

- 3.1. The Government announced in the spring statement its commitment to expanding the entitlement for all children in working households to 30 hours by September 2025. The roll out is staggered starting in April 2024 with 2 year olds for 15 hours a week for 38 weeks of the year. In September 2024 9 month olds will be eligible for 15 hours a week for 38 weeks of the year. In September 2025 all children from 9 months will receive 30 hours per week for 38 weeks of the year.
- 3.2. The updated statutory guidance from the Department of Education will be published on the 1st January 2024, outlining the Local Authorities and providers responsibilities to deliver the funding.
- 3.3. On 24th November, the DfE released a Letter of Comfort, that set out some of the considerations that local areas must take into account when setting the 24/25 EY funding formula. A copy of this letter is included in Appendix A.
- 3.4. The funding rates announced by the Department for Education are as follows:

| | 23/24 hourly rate | 24/25 hourly rate | change |
|-----------|-------------------|-------------------|---------------|
| Under 2's | NA | £13.87 | |
| 2 yo | NA | £10.20 | |
| 3&4 yo | £6.62 | £6.93 | £0.31 (+4.7%) |
| EYPP | £0.60 | NA | |
| MNS rate | £5.39 | £4.72 | £0.67 |

- 3.5. With no change proposed to the formula, this indicatively translates to a change in the provider rates as follows:
 - I. **Childcare place funding for disadvantaged 2-year-olds:** There is a requirement for local authorities to ensure that the funding rate local authorities pay to providers for the disadvantaged 2-year-old entitlement is at least equivalent to the rate for the 2-year old working parent entitlement. Local authorities will have the flexibility to either treat the two 2-year-old entitlements (for working parents, and for disadvantaged children) the same, with a single local 2-year-old formula, or to have separate local formulae for the two entitlements. The proposal is for a single 2- year old funding formula across disadvantaged and working parent 2 year olds.
 - II. **Childcare place funding for working parent 2-year-olds:** while the deprivation supplement will continue to be mandatory for 3-and-4 year-olds, it will be optional, not mandatory, for the 2-year-old and under entitlements funding streams. However, the DfE encourage local authorities to include a deprivation supplement in their local working parent formula, or if they have a single 2-year-old formula. Therefore the proposal is to include a deprivation supplement within single two year old funding formula, such that all disadvantaged 2 year olds will be eligible for this supplement.

- III. **Free childcare place funding for the universal and extended entitlement for 3 and 4-year-olds:** Local authorities are required to pass through a minimum of 95% of this allocation to early years providers using a locally established Early Years Funding Formula. The council last consulted on its local funding formula in 2017/18 when the requirement to establish a universal base rate for all early years providers was implemented. Sutton's Early Years funding formula consists of the following:
- Universal base rate £ 5.12 per hour
 - Flexibility Supplement £0.25 per hour
 - Deprivation Supplement £0.53 per hour
 - Inclusion funding administered by the Early Years advisory team
- IV. **Maintained Nursery Supplement:** this allocation is provided to supplement the higher costs incurred by Maintained Nurseries Schools. Sutton has two Maintained Nursery Schools that will receive this supplement based on the number of universal free childcare places they deliver.
- V. **Disability Access Fund:** A fixed annual allocation of £800 is provided to early years providers for children in receipt of Disability Living allowance taking up their free childcare entitlement. The allocation to LAs is based on data the DFE holds on eligible children residing in the borough.
- VI. **Early Years Pupil Premium** is allocated to early years providers as a fixed hourly rate for eligible children accessing their universal free childcare entitlement. This allocation is established based on expected take-up.
- VII. **SEND Inclusion Fund** will apply for children aged 9 months to 2 years.

These indicative rates are subject to further modelling which will be reported to the schools forum in February. However, the basis of the consultation with EY providers will be on the suggested rates above.

- 3.6. The council will continue to monitor the uptake of funded places and increase support to the sector to increase funded places, ensuring we can meet the statutory duty to provide adequate numbers of childcare places. These changes will be reflected in any future consultation on the funding formula
- 3.7. Following robust financial modelling has been undertaken taking into account the announced government funding rates, an update report will be brought to the Schools Forum in February containing the draft Early Years Budget.

4. Influence on the Council's Corporate Core Values and Objective

- 4.1. One of the core values is partnership working. Setting the budget for the Dedicated Schools Grant, and considering related issues, is an important part of the budget process that fully involves schools as partners and particularly recognises the important role of the Schools' Forum.

5. Appendix

| Appendix Letter | Appendix Title |
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| A | DfE Letter of Comfort EY expansion |
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