

York Schools Forum

1 February 2024

Report of the Head of Children & Education Finance

EARLY YEARS SINGLE FUNDING FORMULAE FOR 2024/25

Purpose of Report

- 1 This report provides the Schools Forum with details of the consultation undertaken by the Local Authority (LA) on its proposals for new Early Years Single Funding Formulae to be implemented from 1 April 2024. The report presents the original consultation document, consultation responses from providers and the LA's final proposals for consideration by the forum.

Background

- 2 Last year the DfE announced a significant phased expansion of the entitlement to funded childcare, along with an in-year uplift in funding for the 2023/24 2, 3 and 4 year old provision. In addition, increased support for Maintained Nursery Schools (MNS) has been announced through the MNS supplementary factor.
- 3 The hourly rates received by York for 2023/24 for 2 year olds and 3/4 year olds allocation, plus the new 2024/25 hourly rates following the DfE's review and expansion, are set out in the table below:

	2023/24 Apr- -Aug £/hr	2023/24 Sep- -Mar £/hr	New 2024/25 £/hr	Increase £/hr %
3 & 4 Year Olds Universal & Working Parents	4.87	5.20	5.47	0.27 5.2%
2 Year Old Disadvantaged	5.77	7.65	7.59	-0.06 -0.8%
2 Year Old Working Parents	-	-	7.59	NA
9 Month to 2 Years Old Working Parents	-	-	10.30	NA
MNS Supplement	3.80	4.01	4.64	0.63 15.7%

- 4 Under the early years entitlements funding system, the DfE distributes funding to LAs who in turn distribute this funding to their providers using their own local funding formulae. In setting their local formulae, LAs must adhere to regulations and should comply with guidance set by the DfE stipulating how funding for the entitlements should be spent.
- 5 The current EYNFF for the existing 2-year-old offer is not subject to regulations regarding the arrangements for the local funding formula, in the same way as for 3&4-year-old funding.
- 6 The introduction of the new working parent entitlements for 2-year-old children and children aged 9 months up to 2 years old in 2024/25 means that, for the first time, there will be two separate 2-year-old entitlements. With the introduction of the new entitlement for 2-year-olds of working parents and the significant growth in funding levels, the government have decided that the same regulatory framework will be extended across all funding streams.

- 7 For 2024/25, the majority of the existing local funding rules are extended to the two new working parent entitlements for 2-year-olds and under. This means that LAs must determine a funding formula for the 2-year-olds and under funding and consult its schools forum, maintained schools, and early years providers when developing the formula.

York Funding Formulae Development

- 8 Following discussion at its last meeting in October, the forum agreed that York's proposals for the new formulae should be developed following the same principles as our existing EYSFF.
- 9 Therefore, the LA has developed single local funding formulae for the 2-year-old and under entitlements, including a supplement for deprivation. This would provide a consistent approach by using the same structure as the local funding formula for the 3&4-year-old entitlements, whilst also supporting disadvantaged 2-year-olds accessing a funded place.
- 10 The eligibility criteria and proportion of funding for deprivation will be the same as that currently used for the 3&4-year-old entitlement, i.e. based on each child's home address postcode and the existing IDACI indicator (postcodes in the 30% most deprived areas nationally).
- 11 As the total level of funding is expected to increase over the next few years, the amount of funding generated by the 5% LA top-slice will also increase. In light of this, it has been possible to propose a reduced top-slice of 4.5% in 2024/25 and redirect funding into the base rate and SEND Inclusion Fund. It is then expected that, over time, the DfE will mandate a reduction in the allowed top-slice to a maximum of 3% as further expansion of the entitlement is introduced.
- 12 This would all mean that for 2024/25 each individual formula (under 2s, 2 year olds and 3/4 year olds) would utilise the respective hourly rates provided by the DfE in the following way:
- 93% allocated to the base rate
 - 1.25% allocated to the deprivation rate
 - 1.25% allocated to the SEND Inclusion Fund
 - 4.5% allocated to fund LA Early Years services (centrally retained fund)

Consultation with Providers

- 13 The consultation ran from 18 December until 17 January and was shared with early years providers in all sectors in the city. A copy of the consultation document is attached at Annex 1.
- 14 Responses were received from 33 providers; 6 day nurseries, 4 pre-school playgroups, 21 childminders and 2 school nurseries. This is a response rate of 17.5% across all setting types. A summary of the consultation responses is attached at Annex 2.
- 15 Overall, 91% of respondents supported the proposed approach of following our existing structure for 3/4 year olds to allocating funding, including the current deprivation factor. 97% agreed to the level of SEND Inclusion Funding being proposed and 85% agreed to the proposals for the centrally retained funding top-slice.
- 16 In addition, 28 individual comments were made on various aspects of the proposals and other issues. The following paragraphs summarise the main themes within the various comments made.

- 17 A number of providers commented on the current termly payment process and expressed a preference for monthly payments. While this is outside the scope of this consultation; in view of the new childcare entitlements, the early years funding team are currently reviewing the existing funding process with a view to introducing monthly payments from Autumn 2024. With the introduction of the extended entitlements for working families, it likely that a higher proportion of a provider's income will come from the LA funding payments rather than fee paying parents/carers. Therefore, a move to regular monthly payments would support providers cash flow and help overcome some of the issues currently experienced with providers, including claiming universal credit and paying other monthly outgoings.
- 18 Some providers felt that the proposed formulae were too complicated, and it would be better to have a flat funding rate across all age ranges. The LA's view is that, as the costs of provision between age ranges vary materially, it would not make sense to have one funding rate. For example; one rate could mean that a setting that only provided for 3/4 year olds (possibly a school nursery) may be overfunded, and a childminder with only under twos may be underfunded. In addition, the DfE regulations mean that the LA has to account separately for the funding they provide for each age range, meaning it is difficult to cross subsidise funding between age groups.
- 19 A few respondents felt that there should be no deprivation supplement and more funding should be allocated to the base rate. Alternatively, other comments suggested more deprivation funding was required in some settings. The DfE have made it compulsory to have a deprivation supplement within the 3/4 year old formula, and strongly recommend one in the other formulae. No changes are proposed to the deprivation supplement.
- 20 There were some comments suggesting that the SEND Inclusion Fund was too small. The current fund is set at £125k per year but is estimated to increase by c£100k in 2024/25 due to the expanding programme. Demand on the fund will be monitored during the year and can be considered again prior to 2025/26.
- 21 A couple of comments suggested that there should be no centrally retained top-slice, whereas others commented on the need for a continuation of the top-slice to maintain the high quality support received from the early years team. In the proposed formulae the top-slice percentage has been reduced from the current 5% to 4.5% in 2024/25 and will, under DfE proposals, be required to reduce to 3% in the coming years.
- 22 A number of providers commented that York's proposed rates were lower than other LA areas. This is a consequence of the relative levels of funding received by each LA from the DfE. York is historically a low funded LA in many areas, including early years. The LA will continue to lobby for a fairer funding allocation for York both individually and as part of the f40 campaign group.
- 23 One provider asked if there will be a separate category in the formulae for providers that employ teachers to account for the recent increase in teachers' pension costs that have been previously funded by a separate DfE grant. LA officers feel that it would be difficult to identify these settings through the formulae, although some LAs have attempted to use a quality supplement to try and direct some additional funding. The LA's view is that all settings have experienced significant cost pressures over recent years and it would not be sensible to try and differentiate in this way.

Proposed Formulae for 2024/25

- 24 Given the strong support for the proposals from providers within the consultation, the LA does not propose making any further changes to the formulae. Therefore, subject to the views of the forum, the following early years funding rates for all York providers are proposed for 2024/25:

	Base Rate £/hour	Deprivation Rate £/hour	Nursery School Lump Sum £
3 & 4 Year Olds Universal & Working Parents	5.09	0.55	175,853
2 Year Old Disadvantaged	7.06	0.76	NA
2 Year Old Working Parents	7.06	0.76	NA
9 Month to 2 Years Old Working Parents	9.58	1.04	NA

Recommendations

- 25 Members of the forum are asked to consider the results of the consultation exercise, and give their views on the proposed Early Years Single Funding Formulae for 2024/25 set out in paragraph 24 above.

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Annex 1 – EYSFF Consultation Document

Annex 2 – Consultation Responses