

18 December 2023

## **Consultation on the Early Years Single Funding Formulae for the Funded Entitlements to Early Education and Childcare**

The early years national funding formulae (EYNFF) are used to determine the hourly funding rates to fund individual local authorities (LAs) for the early years entitlements.

Under the early years entitlements funding system, the Department for Education (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.

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.

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.

### **Funding Streams from 1<sup>st</sup> April 2024**

From 1<sup>st</sup> April 2024, the DfE will be providing each local authority with three separate hourly funding rates:

- an hourly funding rate for 9-months-olds up to 2-years for the new working parent entitlement (from 1 September 2024)
- an hourly funding rate for 2-year-olds which will be the same for both the disadvantaged and the working parent entitlements (from 1 April 2024)
- an hourly funding rate for 3&4-year-olds for the universal and additional hours entitlements.

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.

## 95% Pass-Through Requirement

Current regulations require 95% of the total funding received from the DfE for the 3&4-year-old funded entitlement to be passed through to providers via the funding formula. This pass-through requirement ensures that most of the government funding reaches providers so that they can deliver the government's entitlement offers.

For 2024/25, the 95% pass-through requirement will apply separately to all of the entitlements for:

- 9-months-old children up to 2-year-olds of working parents
- 2-year-old children of working parents
- 2-year-old children from disadvantaged families
- 3&4-year-olds (universal and additional hours)

The remaining 5% expenditure can include:

- centrally retained funding (for central early years services or services in-kind, including special educational needs and disability (SEND) services)
- transfer of funding to any of the other early years entitlements
- any extra hours that LAs choose to fund in addition to the government's entitlement hours
- any funding movement out of the early years block

## Key Features of the 2 & Under Funding Formula

1. Must ensure that the total funding rate (that is the base rate, plus supplements if applicable) paid to providers for the disadvantaged 2-year-old entitlement is **at least** equivalent to the total funding rate for the 2-year-old working parent entitlement.

This could be achieved by:

- setting a single local funding formula for both the 2-year-old disadvantaged and working parent entitlements. This would mean the same base rate for both the 2-year-old entitlements with additional supplements, if deemed necessary locally  
or
- setting 2 separate local funding formulae for the 2-year-old entitlements.

2. A Universal Base Rate – i.e., the same hourly base rate for all providers
3. May have the following optional supplements (the total planned value of funding supplements must not be more than 12% of the total value of planned formula funding to providers):

**Deprivation** - recognises deprivation in LA areas and supports children in those areas in taking up the early years entitlements.

**Rurality or sparsity** - to enable LAs to support providers serving rural areas less likely to benefit from economies of scale.

**Flexibility** - to enable LAs to support providers in offering flexible provision for parents.

**Quality** - to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area).

**English as an additional language (EAL)** - to recognise differences in attainment in the early years foundation stage between children whose first language is English and those who have EAL.

### **Proposal for York’s Funding Formulae for 2024/25**

Following an early discussion with York’s Schools Forum, the LA is proposing that York adopts setting a single local funding formula for the 2-year-old and under entitlements with an additional 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.

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 child’s home address postcode and the existing IDACI indicator (postcodes in top 30% most deprived areas).

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.

### Early Years Single Funding Formula for the Entitlements for 3&4-year-olds Funding Rates

Description	Hourly Rate / Annual Budget			Proportion Of DfE Funding Rate 2024/25
	2023/24 Original Amounts From 1st April 2023	2023/24 Uplifted Amounts From 1st September 2023	2024/25 Proposed Amounts From 1st April 2024	
Amount paid to York by DfE – Per Hour	£4.87	£5.20	£5.47	100.00%
<b>Base Rate – Per Hour</b>	£4.53	£4.85	<b>£5.09</b>	93.00%
<b>Deprivation Supplement – Per Hour</b>	£0.45	£0.49	<b>£0.55</b>	1.25%
SEND Inclusion Fund – Annual Budget	£125,000	£125,000	£138,710	1.25%
Pass Through Rate				95.50%
Centrally Retained Fund – Annual Budget	£509,180	£509,180	£499,350	4.50%
<b>Early Years Pupil Premium – Per Hour</b>	£0.62	£0.66	<b>£0.68</b>	N/A
<b>Disability Access Fund – Annual Sum</b>	£828	£881	<b>£910</b>	N/A

## 2-Year-Old Disadvantaged (15 Hours) and Working Parents (15 Hours) Funding Rates

Description	Hourly Rate / Annual Budget			Proportion Of DfE Funding Rate 2024/25
	2023/24 Original Amounts From 1st April 2023	2023/24 Uplifted Amounts From 1st September 2023	2024/25 Proposed Amounts From 1st April 2024	
Amount paid to York by DfE – Per Hour	£5.77	£7.65	£7.59	100.00%
<b>Base Rate – Per Hour</b>	£5.77	£7.65	<b>£7.06</b>	93.00%
<b>Deprivation Supplement – Per Hour</b>	-	-	<b>£0.76</b>	1.25%
SEND Inclusion Fund – Annual Budget	-	-	£57,600	1.25%
Pass Through Rate				95.50%
Centrally Retained Fund – Annual Budget	-	-	£207,350	4.50%
<b>Early Years Pupil Premium – Per Hour</b>	-	-	<b>£0.68</b>	N/A
<b>Disability Access Fund – Annual Sum</b>	-	-	<b>£910</b>	N/A

## 9 Months to 2-Year-Old Working Parents (15 Hours) Funding Rates

Description	Hourly Rate / Annual Budget			Proportion Of DfE Funding Rate 2024/25
	2023/24 Original Amounts From 1st April 2023	2023/24 Uplifted Amounts From 1st September 2023	2024/25 Proposed Amounts From 1st April 2024	
Amount paid to York by DfE – Per Hour	-	-	£10.30	100.00%
<b>Base Rate – Per Hour</b>	-	-	<b>£9.58</b>	93.00%
<b>Deprivation Supplement – Per Hour</b>	-	-	<b>£1.04</b>	1.25%
SEND Inclusion Fund – Annual Budget	-	-	£29,280	1.25%
Pass Through Rate				95.50%
Centrally Retained Fund – Annual Budget	-	-	£105,400	4.50%
<b>Early Years Pupil Premium – Per Hour</b>	-	-	<b>£0.68</b>	N/A
<b>Disability Access Fund – Annual Sum</b>	-	-	<b>£910</b>	N/A

## Consultation Questions

**The deadline for submitting your response to the Consultation Questions is Wednesday 17<sup>th</sup> January 2024.**

If you have any queries or require further information prior to submitting your response, please contact Nicola Sawyer at [Nicola.sawyer@york.gov.uk](mailto:Nicola.sawyer@york.gov.uk)

To submit your response,

*Follow the link below to complete a Response Form on Microsoft Forms; or  
Email a copy of this form containing your responses to Need email address setting up*

### Link to Response Form

Question 1. Overall, do you agree with our proposed approach of following the same structure as in the existing 3&4-year-old Early Years Single Funding Formula for the new formulae for 2-year-olds and 9 months to 2-year-olds?

Yes  No

Comments:

Question 2. Do you agree to the same eligibility criteria and funding proportions for the deprivation supplement being applied across all of the entitlements?

Yes  No

Comments:

Question 3. Do you agree to the level of funding we are proposing for the SEND Inclusion Funding across the funding formulae for 2-year-olds and Under 2-year-olds?

Yes  No

Comments:

Question 4. Do you agree to our proposal to allocate the centrally retained costs across all of the entitlements, based on the level of funding in each funding stream.

Yes  No

Comments:

Question 5. Do you have any other comments regarding the local funding arrangements?

Comments:

**Thank You for submitting your responses.**

## **Timescale for Setting Budgets and Funding Rates for 2024/25**

- Nov 2023 Autumn Statement
- Nov 2023 DfE publish report on Consultation on funding of extension to entitlements
- Dec 2023 Confirmation of York's Hourly Funding Rates and Provisional Grant Allocations for the Early Years DSG for 2024/25
- Now to 17 Jan 2024 Consultation with early years providers on the EYFF for 2024/25
- 1 Feb 2024 Report on local consultation and York's proposed funding rates for 2024/25 discussed at the Schools Forum
- Feb 2024 Confirm Schools Indicative Budgets and Funding Rates for 2024/25
- 28 Feb 2024 Deadline for setting early years budgets
- Mar 2024 Confirm PVI & Childminder Indicative Budgets and Funding Rates for 2024/25