

Report to: Schools Forum

Date of Meeting(s): 18th January 2024

Subject: Early Years Funding Formula 2024/25

Report of: Colette Dutton – Director Children and Families

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Summary: To update Schools Forum on the Early Years DSG allocation for 2024/25

Recommendation(s): For Schools Forum to note the contents of the report and agree the proposed rates and level of central spend.

Implications:

*What are the **financial** implications?* Contained within the report

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description

1. Introduction

- 1.1 As part of the Spring Budget in March 2023 the Government announced plans for reforms to childcare to support parents to return and stay in work, which will be transformative for parents, children and the economy.
- 1.2 The early education and care entitlement will be expanded over the following stages;
- from April 2024, working parents of two year olds will be able to access 15 hours of free early education and care per week (over 38 weeks a year) from the term after their child's birthday.
 - From September 2024, this will be extended to parents of children aged 9 months and above, and
 - From September 2025, working parents will be able to access 30 free hours per week (over 38 weeks a year) for children from age 9 months up until 1st September following his or her fifth birthday.
- 1.3 The early years national funding formula for 3- and 4-year olds consists of a universal base rate including factors for additional needs, using measures of free school meals; disability living allowance, English as an additional language and teachers' pay and pension and National Living Wage (NLW) increases. The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.
- 1.4 A new national funding formula for children aged 9 months up to (and including) 2 year olds has been introduced which includes an additional needs factor using the same proxy measures as the current 3 and 4 year old formula, with the addition of an additional proxy measure derived from the income deprivation affecting children index (IDACI) which, along with free school meals (FSM) data, is used to reflect the different levels of deprivation across the country.
- 1.5 In addition, Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) is to be extended to cover eligible children aged 9 months up to (and including) 2 year olds regardless of which entitlement they are accessing.

2. Funding

- 2.1 The 3 / 4 year old formula rate for Wigan was £4.90 per hour for 23/24, however, the Government provided additional in year funding of £0.42 per hour with effect from 1st September 2023 which was fully passported to the Early Years providers. For 24/25 this formula rate has been increased to £5.55 per hour.
- 2.2 The 2 year old formula rate was £5.73 per hour for 23/24, however, this was also increased by the Government in year by £1.81 per hour with effect from 1st September 2023 which was fully passported to the Early Years providers. For 24/25 this formula rate has been increased to £7.85 per hour.
- 2.3 For the new entitlement for children aged 9 months up to and including 2 year olds a formula rate for Wigan is £10.69 per hour for 24/25.

- 2.4 The funding for EYPP has increased from £0.62p to £0.68p per hour and is to be extended to eligible children aged two years old and under accessing the entitlements from 2024-25 to ensure we are continuing to provide support for disadvantaged children in the younger age groups for the first 15 hours element. Local authorities must fund all eligible early year's providers in their area at the national rate of £0.68 per hour per eligible pupil up to a maximum of 570 hours (£387.60 per year).
- 2.5 The DAF was introduced to support disabled children's access to the entitlements for 3 and 4 year olds. For 2024-25, DAF eligibility will be extended to eligible 2 year olds and under, accessing the entitlements and payable at an annual rate of £910.
- 2.6 It is also our proposal to retain the current free school meals rate of £2.50 per meal.
- 2.7 In previous years, local authorities were required to plan to pass-through 95% of their 3 and 4 year old funding from the government to early years providers to ensure that most of the government funding reaches providers so that they can deliver the government's entitlement offers.
- 2.8 For 2024-25 the 95% pass-through requirement now applies to the following entitlements;
- 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 and 4 year olds (universal and additional hours combined)
- 2.9 For 2024-25, Wigan's recommended pass-through rates are detailed in the table below:

Entitlement	Pass-through Rate	Retained by Local Authority
9 mths old up to 2 year old working parents	97.01%	2.99%
2 year old children of working parents	97.01%	2.99%
2 year old children from disadvantaged families	97.01%	2.99%
3 and 4 year olds (universal and additional hours)	97.31% (97.2% 23/24)	2.69%

3. Our Proposals

- 3.1 In order to continue to recognise the challenging financial environment by the sector and based on the pass through rates detailed above, the following rates are proposed;

Entitlement	01/04/2023	01/09/2023	2024/25 Hourly Rate
9mth – 2 yr old	N/A	N/A	£10.37
2 yr old working parent	N/A	N/A	£7.53
2 yr old disadvantaged	£5.63	£7.44	£7.53
3 / 4 yr old (Univ & Add)	£4.57	£4.99	£5.24

- 3.2 In addition to the above rates it is proposed that the deprivation supplement which is currently payable to 3 and 4 year olds for the universal element only (£0.33 per hour) is extended to 2 year old disadvantaged which will provide an additional funding of £188.10 per year.
- 3.3 **Maintained Nursery Schools (MNS)** – The indicative allocation for Wigan for April 2024 to March 2025 is £342,238 which includes a notional allocation to acknowledge the additional pressures that MNS’s face in respect of increases to teachers pay and employer pension contributions. The indicative allocation is based on the number of part-time equivalents (PTEs) taking up the universal 15 hours in MNS as recorded on the January 2023 schools, early years and AP censuses. The final allocations will be based on 5/12ths of the January 2024 PTE census numbers and 7/12ths of the January 2025 PTE numbers.
- 3.4 The retained funding will continue to be used to support staff for the delivery of the Council’s Early Years function, this includes;
- Supporting the continuing increase in demand for additional SEND support
 - Contribution towards the raising attainment team, inclusion team, operational team and finance team
 - Quality Assurance
 - Training
 - Speech and Language
 - Safeguarding
 - Sufficiency

4. **Conclusions**

- 4.1 Forum members to note the contents of the report.
- 4.2 Forum members to agree to the rates proposed for 2-, 3- and 4-year olds, the retention for central services.