**Early Years Funding 2024-25 Consultation**

1. **Background**
   1. Over the summer 2023, the Department for Education (DfE) consulted on "Early Years funding and the extension of the entitlements" setting out proposals as to how local authorities will be funded for new pupils of working parents aged nine months up to and including two years old.
   2. The Governments response to the consultation[[1]](#footnote-2) was published on the 29 November followed by the operational guide and the hourly rates that local authorities will receive for 2024-25.
   3. The main changes for 2024-25 are:
   * a new funding formula for distributing funding to local authorities for:
     + two year olds covering both the existing entitlement for disadvantaged children and the new working parent entitlements, and
     + those from nine months to two years old (known as the under 2s) from 2024-25.
   * setting an expectation that local authorities have Special Education Inclusion Funds (SENDIF) for all pupils with low and emerging needs across all existing and new entitlements
   * extending eligibility for the Early Years Pupil Premium (EYPP) and the Disability Access fund (DAF) to eligible children aged two years and under accessing the entitlements from 2024-2025
   * extending the 95% pass through requirement to the existing two year olds and the new entitlements including the under 2s
   * bringing the existing two year olds, the new working parent and under 2s local funding formula in line with the three and four year old formula and providing local authorities the flexibility to include funding for deprivation, growth contingencies and supplements.
   1. The funding received by the Local Authority includes the Early Years Supplementary Grant paid to providers from September 2023, which has been included within the early years block of the Dedicated School Grant and therefore the hourly rates received by local authorities.
   2. There are no changes to the funding formula for universal three and four year olds or the additional hours for three and four year olds.
   3. Portsmouth is consulting with providers on the proposals for the 2024-25 funding formula for Early Years settings, the responses will then inform the proposals that are taken to Schools Forum and Cabinet Member for endorsement and approval in early 2024.
2. **Early Years funding 2024-25**
   1. From April 2024 the DfE are extending the early years entitlements to include:
   * 15 hours entitlement for eligible working parents of two year old children (new entitlement from 1 April 2024)
   * the 15 hours entitlement for eligible working parents of children from nine months to two years old (new entitlement from 1 September 2024).
   1. There are no changes to the current entitlements:
   * universal 15 hours entitlement for all three and four year olds
   * additional 15 hours entitlement for eligible working parents of three and four year olds
   * 15 hours entitlement for disadvantaged two year olds.
3. **Local Authority National Funding Formula for two year olds and children aged nine months up to two years old**
   1. For 2024 to 2025, the DfE are introducing a new National Funding Formula (NFF) for the existing entitlement for disadvantaged two year olds and for the new working parent entitlements for children aged nine months up to and including two year olds. The funding formula will reflect the existing NFF for the three and four year old entitlements and will include:
   * a universal base rate of funding for each child (89.5% of funding)
   * an additional needs factor (10.5% of funding)
   * an area cost adjustment (ACA) to reflect variations in costs across England.

Diagram

Description automatically generated

* 1. Although the structure of the two year old and the under 2s formula are the same, the rates themselves will vary by age with a higher rate for the under 2s to reflect the differences in costs.

* 1. The DfE recognises that the census data used to calculate the funding to local authorities for the new entitlements will not be available until the January 2025 census. To make the funding as accurate as possible for local authorities, the DfE will be funding local authorities as follows:
  + indicative allocations in December 2023 based on estimated numbers
  + final allocations will be adjusted following two additional head counts in the summer and autumn terms 2024.
  1. This will provide some reassurance to local authorities and ensure they are funded for actual take up.

1. **Funding to Early Years settings 2024-25**
   1. **Three and four year olds, universal and additional hours entitlements.**
      1. Portsmouth will receive £6.13 per hour for three and four year olds, it is proposed that the funding will be allocated as set out in the table below.

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| **Table 1: Three and Four-year-old funding formula** | | | | |
|  | **2023-24**  **(£)** | **2023-24 Percentage split** | **2024-25**  **(£)** | **2024-25 Percentage split** |
| Basic hourly rate paid to providers | 4.69 | 89% | 5.50 | 90% |
| Deprivation average hourly rate | 0.20 | 4% | 0.20 | 3% |
| SEN Inclusion fund | 0.04 | 1% | 0.04 | 1% |
| Growth contingency fund | 0.06 | 1% | 0.06 | 1% |
| **Total funding passed to settings** | **4.97** | **95%** | **5.80** | **95%** |
| Centrally retained | 0.26 | 5% | 0.30 | 5% |
| **Total** | **5.23** | **100%** | **6.10** | **100%** |

* + 1. This would provide an **hourly rate of £5.50** for three and four year olds.

**Deprivation**

* + 1. Deprivation remains a mandatory supplement for three and four year olds. The Council is proposing to continue to use the current deprivation indices based on pupil IDACI[[2]](#footnote-3). Deprivation rates will remain at the same values as 2023-24, to enable the authority to maximise the amount paid through the basic hourly rate.

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| **Table 2: Deprivation funding 2024-25** | |
| **Deprivation Band** | **Funding per hour**  **£** |
| 1 | 0.45 |
| 2 | 0.34 |
| 3 | 0.22 |
| 4 | 0.11 |
| 5 | 0.00 |

**SEND Inclusion funding for low and emerging needs**

* + 1. The three and four year old formula provides funding to early years settings to support pupils with low and emerging special educational needs. This fund will continue to operate as in previous years.
  1. **Teachers pay and Teacher Pension Employer Contributions Grants (TPPG)**
     1. In 2023-24 the DfE changed the methodology for paying the Teachers Pay and Teachers Pension Employer Contributions Grant (TPPG) to those mainstream school providers with a nursery unit. Eligible schools previously received this as a separate grant which is funded on an amount per pupil. In 2023-24 the DfE brought the grant into the Early Years block of the DSG and Portsmouth has been paying this as a supplement to the formula, to those schools that received the grant in 2022-23.
     2. For 2024-25 it is proposed to retain £0.03 of the hourly rate received by the authority continue to pay the grant on the same basis as in 2023-24.
  2. **Two year old, current and new working parents' entitlements 2024-25**
     1. Portsmouth will receive £8.98 per hour for two year olds. The proposed funding will be allocated as set out in the table below.

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| **Table 3: Two year old funding formula** | | | | |
|  | **2023-2024**  **(£)** | **2023-24 Percentage split** | **2024-2025**  **(£)** | **2024-25 Percentage split** |
| Basic hourly rate paid to providers | 5.82 | 92% | 8.49 | 94% |
| SEN Inclusion fund | 0.04 | 1% | 0.04 | 1% |
| Growth contingency fund | 0.13 | 2% | 0.00 | 0% |
| **Total funding passed to settings** | **5.99** | **95%** | **8.53** | **95%** |
| Central retained funding | 0.31 | 5% | 0.45 | 5% |
| **Total** | **6.30** | **100%** | **8.98** | **100%** |

* + 1. This provides an **hourly rate of £8.49** for all two year olds.
    2. The Portsmouth formula includes:
    - an 'inclusion fund' which will operate in-line with that for three and four year-olds by providing support to pupils with low and emerging special needs
    - in line with the three and four-year old formula the authority is proposing to retain 5% centrally to support the provision of support and services to the early years sector.
  1. **Under 2s entitlements 2024-25**
     1. Portsmouth will receive £12.24 per hour for under 2s. The proposed funding will be allocated as set out in the table below.

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| **Table 4: Under 2s funding formula** | | |
|  | **2024-2025**  **(£)** | **2024-25 Percentage split** |
| Basic hourly rate paid to providers | 11.59 | 94% |
| SEN Inclusion fund | 0.04 | 1% |
| Growth contingency fund | 0 | 0% |
| **Total funding passed to settings** | **11.63** | **95%** |
| Central retained funding | 0.61 | 5% |
| **Total** | **12.24** | **100%** |

* + 1. This provides **an hourly rate of £11.59** for under 2s.
    2. In line with the two year old formula, the under 2s Portsmouth formula includes:
    - an 'inclusion fund' providing support to pupils with low and emerging special needs.
    - the retention of 5% centrally to support the provision of support and services to the early years sector.

1. **Growth contingency**
   1. The DfE have confirmed that local authorities can hold contingency funds for in-year growth above the funded pupil numbers. This will be counted within the 95% pass-through rate because the money is eventually shared with providers.
   2. The Early Years January 2023 census showed an increase in the number of hours for three and four year olds, this is expected to continue. For the financial year 2024-25 Portsmouth City Council will initially be funded on the January 2023 hours. There is a risk that as the year progresses that the actual hours will exceed the funding received by the authority. It is therefore necessary to hold a contingency within the three and four year old formula to fund suppliers for any hours delivered over and above the funding received by the authority.
   3. For two year old and the under 2s, the change in the methodology for funding the local authority through a termly head count reduces the need for a growth contingency as the funding the authority receives should more closely follow the numbers in Early Years settings in 2024-25.
   4. The position on the Growth Contingency will be reviewed each year to consider any changes in methodology and actual attendance compared to the funding received.
2. **Centrally retained**
   1. As set out in the regulations, the authority can retain up to 5% of the Early Years Block funding to support the early years functions. For 2024-25, the 95% pass-through requirement will apply separately to the entitlements for:
      * nine months old children up to two year olds of working parents
      * two year old children of working parents
      * two year old children from disadvantaged families
      * three and four year olds (universal and additional hours).
   2. The retention of the 5% will enable the authority to continue to support providers and undertake the eligibility checks required with the expansion of the entitlements and the early years pupil premium to include all two year olds and under 2s.
   3. Therefore, it is proposed that the 5% retention will be applied to all funding formulas as set out in tables 1, 3 and 4.
3. **Next steps**
   1. The feedback provided from this consultation will inform the report to Schools Forum and Cabinet Member early in 2024 to set the hourly rates for two year olds and under and three and four year olds for 2024-25.
   2. When responding to the consultation please be aware that your response may be shared in the public domain, e.g., via a Freedom of Information request, therefore please don't share information that may be commercially sensitive, or you would not want shared more widely.
   3. To respond to the consultation, please complete the attached document and return to [EYfunding@portsmouthcc.gov.uk](mailto:EYfunding@portsmouthcc.gov.uk)
   4. Responses should be returned no later than close of play **Friday 5th January 2024**.

**Early Years Consultation Response Form 2023**

**Provider Name:** …………………………………………………………………

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| 1. **Do you agree with the proposed 2024-25 funding formula for three and four year olds, as set out in Table 1?** | Yes | No |
| If not, what would you change? | | |
| 1. **Do you agree with the proposed 2024-25 funding formula for two year olds, as set out in Table 3?** | Yes | No |
| If not, what would you change? | | |
| 1. **Do you agree with the proposed 2024-2025 funding formula for under 2's as set out in Table 4** | Yes | No |
| If not, what would you change? | | |

1. [Early years funding - extension of the entitlements Consultation response (publishing.service.gov.uk)](https://assets.publishing.service.gov.uk/media/65670dd9312f40000de5d56c/Early_years_funding_-_Extension_of_the_Entitlements_Consultation_Response.pdf) [↑](#footnote-ref-2)
2. Income Deprivation Affecting Children Index. [↑](#footnote-ref-3)