

Schools Forum – 18 January 2024

Early Years: 2-Year-Old and Under Funding Consultation

Executive Summary

- The 2023 Spring Budget announced additional funding for the existing early years entitlements for working parents, by extending the 30 hours free childcare offer from the point their child is 9 months old continuously through their early years to the start of school removing the barriers to work. This is a government phased introduction commencing April 2024.
- This report complies with the government's requirements for Local Authorities to consult with early years providers, maintained nurseries and Schools Forum on elements of the early years funding formula for the new entitlements.
- There is no change to the entitlements for 3- and 4-year-olds or their funding formula.
- The results of Staffordshire County Council's consultation with Early Years (EY) settings are summarised in **Appendix A** of this report.

Report of Director of Childrens & Families

Recommendations

1. That Schools Forum members note the results of the Staffordshire consultation process from early years providers and maintained nurseries summarised in **Appendix A**.
2. That Schools Forum members note the proposals on the early years funding formula for the new entitlements.
3. That Schools Forum members consider and comment on the proposals for the 2024-25 Early Years funding formula for 2-year-olds and under 2-year-olds.

Background

4. The government's 2023 Spring budget announced additional funding for the existing early years entitlements for working parents, by extending the 30 hours free childcare offer from the point their child is 9 months old continuously through their early years to the start of school removing the barriers to work.

5. This announcement involved an extension to entitlements for early years childcare for working parents in England. This will mean working parents will be able to access 30 hours of free childcare per week, for 38 weeks of the year from the term after their child turns 9 months old to when they start school.
6. This introduction will be rolled out in stages (on a phased basis):
 - a. From April 2024, all eligible working parents of 2-year-olds can access 15 hours per week.
 - b. From September 2024, all eligible working parents of children aged 9 months up to 3 years old can access 15 hours per week.
 - c. From September 2025, all eligible working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week.
7. The government has also extended eligibility for the early years pupil premium (EYPP) and the disability access fund (DAF) to all children accessing the entitlements from 2024-25. To provide support for disadvantaged children in the younger age groups.
8. The government has proposed the funding formula for the new entitlements' cohort follow the shape of the existing 3- and 4-year-olds formula, meaning the structure of the new formula will be:



9. Although the new formula is following the same structure as the existing 3 and 4-year-old formula, the Government are taking a slightly different approach to deprivation in the additional needs factor. They are using a combination of free school meals data and a measure based on the income deprivation affecting children index to reflect the different levels of deprivation across the country.
10. Local authorities must plan to pass through as least 95% of their funding from the government to early years providers for each entitlement separately. The 95% pass through includes the following budget lines:
 - base rate funding for all providers
 - supplements for all providers, including deprivation.

- the funding paid directly to providers from the special educational needs inclusion fund (SENIF) – Staffordshire currently funds this out of the centrally retained thresholds (5% limit for central expenditure to ensure as high a rate as possible is passed out to the providers base rate)
 - contingency funding – to manage the demand fluctuations between the number of children the Local Authority (LA) is funded for, based on the January census and the number of children the LA pays to providers, based on a termly census.
11. The Government have stipulated that their prescribed listed optional funding 'supplements' that are available for 3- & 4-Year-Old should also be available. Possible Funding Supplements include:
- a. Rurality/Sparsity – to enable local authorities to support providers serving rural areas less likely to benefit from economies of scale.
 - b. Flexibility – to support providers offering flexible provision for parents.
 - c. Quality – to support workforce qualifications or system leadership.
 - d. English as an Additional Language – to recognise differences in attainment in the Early Years Foundation Stage between children whose first language is English and those who have English as an additional language.
12. The adoption of any of the above optional 'Funding Supplements' would reduce the Base Rate.
13. On 29th November 2023, the Department for Education (DfE) announced that the deprivation supplement will also be an optional requirement with respect to funding for 2-year-olds and under, which was a change to their consultation position, where they stated that the deprivation supplement would be mandatory.
14. Any funds needed to administer and deliver the service by the Local Authority should be funded from the rate provided up to a maximum of 5%. This is approved by the Schools Forum annually.
15. If a local authority proposes to make any changes to the funding formula it used the previous year that affects early years providers, it will be required to consult with Schools Forums, maintained schools and early years providers.
16. The introduction of the new entitlements for eligible working parents of children aged between 9 months and 2 years has led to a change to our existing formula. Staffordshire is therefore required to consult with these bodies on the new formulae for 2 Year Olds and Under. Staffordshire, as the

local authority, has the ultimate say in the formula adopted, although the decision made will take these consultations into consideration.

17. This report summarises the responses to the Early Years funding consultation for 2 Year Olds and under held via an online survey with early years providers and sets out the proposed formula for the new entitlements.

Consultation

18. The initial consultation was set to take place between 13th November 2023 to 8th December 2023.
19. Following the above announcement (paragraph 13) by the DfE regarding the deprivation funding supplement, a supplementary question was sent out on the 6th December 2023 to early years providers to gain views on adopting the deprivation as an optional funding supplement.
20. The deadline for responses to the supplementary question was the 15th December 2023. The results of the consultation can be seen in Appendix A.
21. Alongside the results of the consultation, it is important to note that 217 Early Years Providers provided a response. Of these responses: -
 - The majority 52% (114 providers) agreed the contingency amount should be no more than 1% of the total budget with the majority of 93% agreeing with any unused contingency being redistributed back to providers in the year following the underspend.
 - 57% (125 providers) agreed that if the deprivation factor had been mandatory, it should be the only funding supplement (note: any additional supplements will reduce the base rate) with the majority preferring no other funding supplement be introduced.
 - 84% (184 providers) agreed with the Income deprivation Affecting Children Index (IDACI) metric being used to assess whether a setting qualifies for this additional payment to their base rate.
22. An additional Supplementary survey was also circulated concerning the governments amended guidance regarding discretionary deprivation. There were 76 responses received to this question with most responses 67% (51 providers) agreeing with no deprivation supplement being paid for 2-year-olds and under.

Proposal

23. Having regard to all the information available, Staffordshire County Council is proposing to maximise the base rate as far as possible for the 2-year-old rate and under 2-year-old rate and not use any additional funding supplements, including deprivation.
24. Staffordshire County Council is also proposing for the contingency budget to be no more than 1% of the Early Years budget. Any underspend on the contingency budget should be returned to providers the following year.

SENIF

25. Staffordshire County Council (SCC) are currently reviewing the systems and criteria for SENIF funding to ensure the needs of children with SEND are supported effectively in light of the extension of early years entitlements from 9 months to 2 Year Olds. The numbers of children accessing SENIF continues to rise, therefore SCC are currently analysing how funding is allocated, implemented, and monitored to ensure improved outcomes for children with SEND. Staffordshire currently funds this from a combination of the centrally retained thresholds (5% limit for central expenditure) and the High Needs Block.
26. The government intends to conduct a more detailed review of SENIF arrangements that are currently in place across local authorities nationally. Focusing on the extent to which they are meeting current need and drawing examples of best practice together to suggest longer-term changes to improve the extent to which SENIF's can meet children's needs.
27. Eligibility for the early years pupil premium and the disability access fund will be extended to eligible children aged 2 years old and under accessing the entitlements from 2024-25.
28. While not part of the consultation it is important to note that at the Schools Forum meeting on 9th November 2023 it was proposed that Staffordshire County Council would retain £2.2m, estimated to be 2.4%, in order to administer and deliver the early years service. This proposal was approved by Schools Forum.

Report author:

Author's Name: Will Wilkes
Ext. No.: 01785 278157

Background Papers:

Further details of the Early years technical guidance can be found at the attached link.- [Early Years Funding Policy](#)

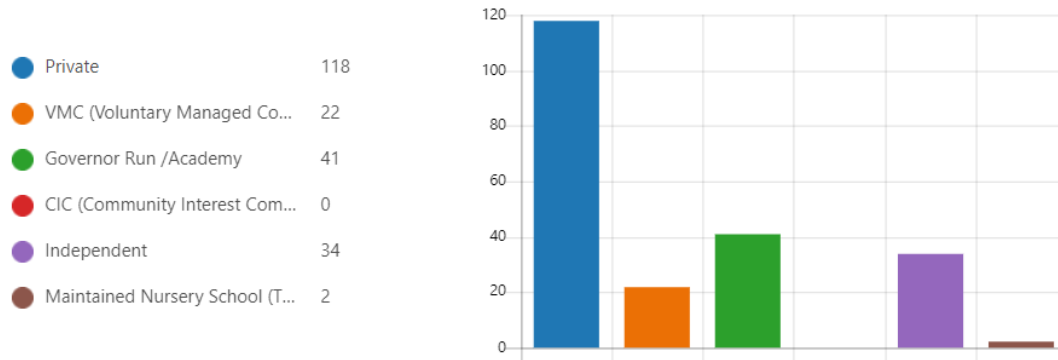
Results of Consultation Survey – Early Years Funding: Entitlements Extension Consultation

Early Years Funding - Extended Entitlements

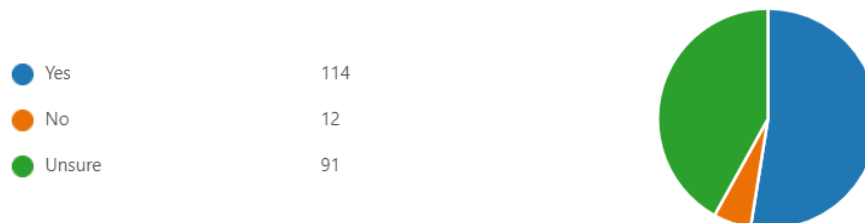
217 Responses 14:09 Average time to complete Closed Status

1. Provider Name

2. What provider setting are you representing

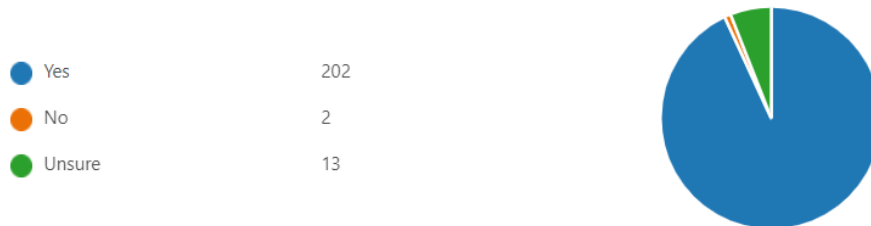


3. Do you agree the contingency amount should be no more than 1% of the total budget?

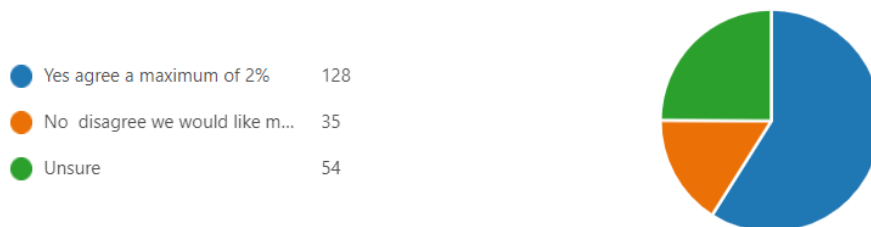


Results of Consultation Survey – Early Years Funding: Entitlements Extension Consultation

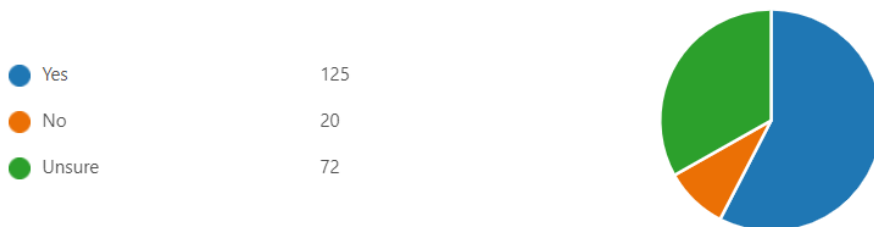
4. In the event of an underspend should any unused contingency be redistributed back to providers in the year following the underspend? (subject to affordability)



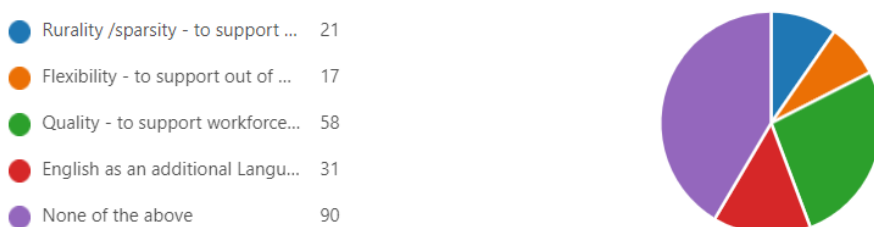
5. The governments Early Years Funding formula has a mandatory additional needs factor for Deprivation . Do you agree that no more than 2% of each of the governments funding rates should be set aside to fund the deprivation budget? (An increase to the deprivation factor will reduce the base rate)



6. Do you agree that the deprivation factor is the only funding supplement? (note: any additional supplements will reduce the base rate)

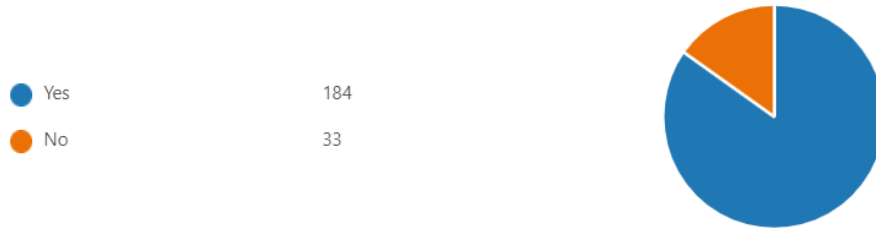


7. If you would like any additional funding supplements introducing in addition to the existing mandatory deprivation factor which of the following would you like to be introduced?



Results of Consultation Survey – Early Years Funding: Entitlements Extension Consultation

8. Currently a significant number of settings receive deprivation supplements. We use the government metric the Income Deprivation Affecting Children Index (IDACI) to assess whether a setting qualifies for this additional payment to their base rate. Any metric used to assess qualification needs to be objective, quantifiable and readily available. Do you agree that IDACI should be continued to be used?



Supplementary Question

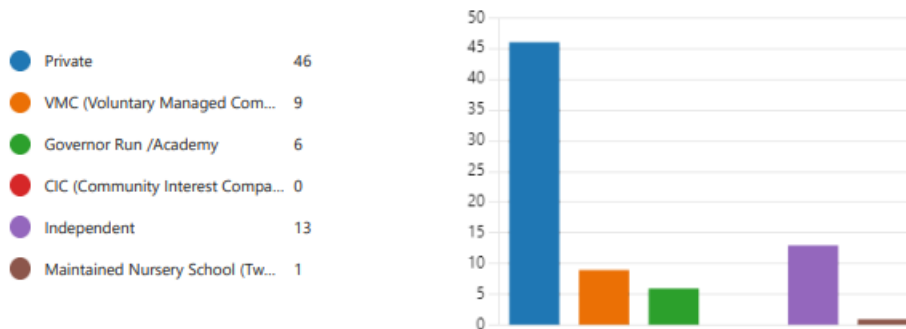
76
Responses

01:34
Average time to complete

Closed
Status

1. Provider name

2. What provider setting are you representing



3. Whilst the funding stream for two year olds (2YO) and under is in its infancy, do you agree that the base rate should remain as high as possible and that no deprivation supplements should be paid for two year olds and under? (Any supplements paid will lower the base rate for all providers)

