Report to:	**Trafford Funding Forum**
Date:	**12 March 2024**
Report for:	**Information**
Report of:	**Early Years Reference Group**
Title:	**DSG Early Years Block Funding Formula 2024/25**

1. Background

In the spring budget in March 2023, government announced ambitious childcare reforms which will see the extension of early years entitlements to a wider age group. The first change is effective from April 2024 with staggered implementation so that by September 2025, most working families with children under the age of 5 will be entitled to 30 hours of childcare support.

- From **April 2024**, eligible working parents of 2-year-olds will be able to access 15 hours childcare support.
- From **September 2024**, 15 hours childcare support will be extended to eligible working parents of children from the age of 9 months to 3-year-olds.
- From **September 2025**, eligible working parents of children under the age of 5 will be entitled to 30 hours of childcare a week.

A funding proposal for 2024-25 was developed by the Early Years Reference Group and presented to funding forum on 16 January 2024. Funding forum reviewed the proposals, agreed them in principle and approved commencement of a period of consultation with the wider sector. Consultation is a statutory requirement and must take place before the end of February each year. The forum delegated the decision on the final formulae in relation to the funding approach for the 2-year-old entitlements, to the Early Years Reference Group which met on 7 February 2024. This was to allow the final funding rates to be communicated to the sector at the earliest possible opportunity.

2. Funding Approach for 2-Year-Old Entitlements

The operational guidance gives LAs flexibility to determine how best to structure their local approach to funding the 2YO entitlements for working parents and disadvantaged 2-year-olds. Disadvantage remains a national priority and closing the attainment gap continues to be a key strategic priority for Trafford as our gap for disadvantage continues to be wider than the national gap.

There are 2 options for funding this and we are aware other GM LAs are targeting funding for 2YO disadvantage through one of these two ways:

- **Single funding rate** for all 2YO places plus a disadvantage supplement for those in 30% most disadvantaged postcodes.
- **Dual funding rate** which pays more per hour for the disadvantage 2YO places which is for families who meet the economic criteria.

Some small areas of Trafford are experiencing gentrification which means using postcode areas to identify disadvantage is not always most effective. By targeting the additional funding via a dual rate model, the lowest income families are targeted, aligned to Trafford's Poverty Strategy.

Setting level modelling indicated a single funding rate would adversely impact 79% of preschools offering sessional early education, 51% of day nurseries and 100% of the two school nurseries offering 2YO places. Many of these providers serve disadvantaged neighbourhoods and there is potential for market destabilisation and business failure. We have a responsibility to consider the impact for all different types of provider and to retain choice for parents.

Taking these factors into account, the proposal which was consulted on was a dual funding rate of £6.91 per hour for the new entitlement for working parents and £7.91 per hour for disadvantaged 2-year-olds.

The majority of the consultation feedback around the dual rate was that the original proposed difference of £1 per hour was too much. This was carefully considered by the reference group and further modelling took place. The final decision was to keep the dual funding approach, but with a smaller difference between the two rates. The rates were amended to £7.05 per hour for the working parent entitlement and £7.48 per hour for disadvantage**.** The smaller difference of 43p per hour is aligned to our disadvantage supplement for 3- and 4-year-olds.

3. Other Consultation Themes and Next Steps

This table shows a summary of the consultation feedback and next steps:

Feedback Theme	Action
Difference in 2YO hourly rates for disadvantaged places and working parent places is too high.	• Benchmarked against other GM LAs • Reduced the difference from £1 per hour to £0.43 per hour, whilst ensuring we are still not adversely impacting any elements of the sector. • Aligned the difference to the deprivation supplement within the 3YO funding stream to ensure consistency of approach.
Confusion about how the formula works	• Developing an easy read guide
Rates lower than expected and lower than neighbouring LAs	• Trafford responded to the national funding consultation in 2022 regarding the low 2YO income rate proposed for Trafford. • We provided a rationale to explain that Trafford is one of the lowest funded LAs, during provider consultation period. • Working with senior leaders and members regarding Trafford's funding. • Continue to benchmark with statistical neighbours with similar strategic priorities. • Fed back to DfE that publishing national average hourly rates without additional context raised expectations.
Monthly payments	• Already in place for schools. Exploring options for PVI linked to system functionality. • Future consultation likely.

4. Summary of Final Early Years Funding Formula 2024/25

- Under 2s hourly rate of £9.84 per hour.
- Dual funding model for 2-year-olds:
  - £7.05 per hour for the new entitlement for working parents.
  - £7.48 per hour for disadvantaged 2-year-olds.
- 3 and 4-year-old hourly rate £4.88 per hour.
- Retain the same £305k funding as previous year in the mandatory deprivation supplement pot for 3 and 4-year-olds.
- Increase quality supplement pot to £478,741 to account for additional rolled-in teacher pay and pension grants to ensure this funding still supports the costs for which the grants were for.
- Establish a SEN Inclusion Fund (SENIF) of a total of £789,160 across all entitlements with contributions from each funding stream:

Funding Stream	**£**
3 and 4 Year Olds	590,060
2 Year Olds	162,900
Under 2s	36,200
Total Proposed SENIF	**789,160**

- SENIF will provide support for children in receipt of an early years entitlement in a mainstream school nursery, PVI setting or childminder. There was overwhelming support from EY Reference Group for the proposed budget allocation. Due to increasing levels of need, it was deemed necessary to retain this level of SENIF funding to meet need and minimise financial risk. What we have currently is working well for the majority of early years children, families and settings which was recognised as a strength in the recent local area SEND inspection. Budget setting modelling is based SENAS and TEDS caseloads. Further work is ongoing to develop a new allocation model to maximise benefit and remain within budget, aligned with the DSG deficit management plan.
- For 2024/25, there is a 95% pass-through requirement which applies separately to all funding streams. Previously this was only for the 3-year-old funding stream. The local authority will retain the maximum 5% central spend for each funding stream. Currently this is used for Early Years Service staff, Family Information Service outreach, ICT system and administrative support, Early Years SEND services including Area SENCOs, Educational Psychologist, Speech and Language, Sensory Support Service. Additional expected central spend will be linked to extra resources required to deliver the early years reforms:
  - Place planning and sufficiency.
  - Early Years SEND – SENIF delivery.
  - Administrative and system support.
  - Quality assurance and oversight.

This table summarises the funding formula elements for each funding stream:

There are also the following nationally set rates which were previously only for 3- and 4-year-olds but which will now apply to all new funded entitlements:

- Disability Access Fund of £910 per eligible child per year.
- Early Years Pupil Premium of £0.68 per hour for a maximum of 570 hours per eligible child per year.

The final funding formula has now been communicated to all parts of the early years sector.