

Early Years Funding 2024/25

Key Messages

Forum members are asked to:

- a) **Note** the overall early years income allocation of £57.01m to Sheffield for 2024/25.
- b) **Note** the increases to hourly income rates as detailed below.
- c) **Note** the new funding streams for working parents of 2-year-olds, payable from 1 April 2024, and under 2-year-olds payable from 1 September 2024.
- d) **Approve** the recommendations of the Early Years Working Group to increase the base rate as follows:
 - To pay eligible under 2-year-olds (of working parents) £10.31 per hour.
 - To increase the funding for 2-year-olds (for both deprived and working parents) by £1.95 per hour to £7.58 per hour.
 - To increase the funding for 3&4-year-olds by 18p per hour, increasing the base rate to £5.06.
- e) **Note** that an additional £0.44 per hour deprivation supplement is accessible for all children who fulfill the deprivation criteria across all Early Years provision.

1. Introduction

1.1 The Early Years Block comprises:

- Participation funding for disadvantaged 2-year-olds.
- Newly introduced extended entitlement funding for working parents of 2-year-olds from 1 April 2024.
- Newly introduced extended entitlement funding for working parents of under 2-year-olds from 1 September 2024.
- Funding for the 3&4-year-old entitlement, including the additional 15 hours for eligible working parents.
- The previously rolled in Teachers' Pay and Pension Grant (TPPG).
- The Early Years Pupil Premium (EYPP) funding for eligible 3&4-year-olds which is now payable on the extended entitlement funding for working parents of 2-year-olds from 1 April 2024 and under 2-year-olds from 1 September 2024.
- Disability Access Funding (DAF) which is now payable for all age ranges.
- Funding for maintained nursery schools (MNS).

1.2 Early years funding from the Education and Skills Funding Agency (ESFA) to the Local Authority (LA) is based on actual participation as per the January Census and is revised annually each July to reflect the actual take-up of Funded Early Learning (FEL) in the week of the Census. Indicative figures are provided to LAs each December to set FEL budgets, but they are subject to revision based on the actual Census numbers over a two-year period:

- January 2024 Census provides 5/12ths of funding – for the period April 2024 to August 2024.
- January 2025 Census provides 7/12ths of funding – for the period September 2024 to March 2025.

1.3 The table below shows the income funding streams in the Early Years Funding Block for the financial years 2023/24 as compared to 2024/25.

Funding Block – Early Years	23/24 £m	24/25 £m	Var £m
Early Years 2-year-olds - Disadvantaged	5.39	6.25	0.86
Early Years 2-year-olds – Working Parents	0	8.33	8.33
Early Years Under 2-year-olds – Working parents	0	5.76	5.76
EYPP Funding – 2-year-olds	0	0.51	0.51
EYPP Funding – under 2-year-olds	0	0.03	0.03
Disability Allowance Funding- 2-year-olds	0	0.11	0.11
Disability Allowance Funding - under 2-year-olds	0	0.04	0.04
Early Years 3 & 4-year-olds	31.11	34.36	3.25
EYPP Funding – 3 & 4-year-olds	0.79	0.89	0.10
Maintained Nurseries - 3 & 4-year-olds	0.28	0.41	0.13
Disability Allowance Funding - 3 & 4-year-olds	0.26	0.32	0.06
Total	37.83	57.01	19.18

2. Background

2.1 The following changes have been made to the early years funding formulae (EYNFF) for 2024 to 2025.

2.2 The introduction of a new early years national funding formula (EYNFF) covering both the existing 2-year-old entitlement for disadvantaged children and new working parent entitlements to be introduced in 2024 to 2025 for 2-year-olds and children aged 9 months to 2 years.

2.3 A new methodology for funding allocations for the new working parent entitlements for 2-year-old children and children aged 9 months to 2-years-old for 2024 to 2025.

- 2.4 Extending the 95% pass-through requirement to the disadvantaged 2-year-old entitlement and the new working parent entitlements. In line with previous agreement, we will pass through 100 % of the funding to the sector including the contribution for special educational needs inclusion funds (SENIF).
- 2.5 A requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents. Sheffield proposes the same hourly funding rate for both funding streams.
- 2.6 New deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements. Sheffield proposes to apply the same methodology for deprivation funding across all age ranges.
- 2.7 Confirming the expectation that local authorities have SENIFs for all children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken.
- 2.8 Extending eligibility for EYPP and DAF to eligible children aged 2-years-old and under accessing the entitlements from 2024/25 and increases to the value of both funding streams.

3. The DSG FEL hourly funding rates paid to Sheffield

- 3.1 The ESFA has increased the Dedicated Schools Grant (DSG) FEL funding rates to Sheffield as shown below:

Funding rate paid to Sheffield per hour	2024/25	2023/24	Increase in hourly funding rate
2-year-old - Disadvantaged	£7.95	£5.63	£2.32
2-year-old – Working Parents	£7.95	£0	£7.95
Under 2-year-olds - Working Parents	£10.85	£0	£10.85
3&4-year-olds	£5.56	£5.04	£0.52

- 3.2 In recognition of the rising costs that are facing the sector, it is proposed that the permissible 5% top slice for 2-year-old funding will not be applied. Sheffield will introduce the mandatory special educational needs inclusion fund (SENIF) for the newly introduced extended entitlements.

4. Teachers' Pay and Pension Consultation

4.1 The hourly funding rate for 3 and 4-year-olds in 2024/25 includes funding for teachers' pay and pensions. In 2023/24 this was previously mainstreamed and distributed through the teachers' pay grant (TPG) and the teachers' pension employer contribution grant (TPECG). In 2024/25 the funding has been mainstreamed and includes the September 2023 teachers' pay award as well as the additional funding to support providers with the costs of employer contributions to the teachers' pension scheme which are due to increase from April 2024.

5. The FEL hourly rates for 2024/25

5.1 The following table shows the recommended hourly base rates payable to the Early Years sector for 2024/25:

Hourly Funding Rates payable to Sheffield providers	2023-24		2024-25		Base Rate Variance	
	Base Rate	Deprivation Rate - £	Base Rate	Deprivation Rate	Var	% Var
2-year-old FEL - Disadvantaged	£5.63	0	£7.58	£0.44	£1.95	34.6%
2-year-old – Working Parents	0	0	£7.58	£0.44	£7.58	100%
Under 2-year-olds – Working Parents	0	0	£10.31	£0.44	£10.31	100%
3 & 4-year-old FEL	£4.59	£0.44	£5.06	£0.44	£0.47	10.3%

5.2 Maintained Nursery School (MNS)

In addition to the FEL funding, Sheffield is expected to receive an additional £75.9k for the two stand-alone maintained nursery schools (Broomhall and Grace Owen). This funding is intended to enable local authorities to continue their current maintained nursery schools' funding levels.

5.3 Early Years Pupil Premium (EYPP) Funding

The EYPP funding rate is set nationally at £0.68 per pupil hour, an increase of 2p for 2024/25, providing an annual amount of £387.60. This has increased from £353.40 in 2023/24.

EYPP is now payable on the new extended entitlements for working parents of 2-year-olds and under 2-year-olds.

5.4 Disability Access Funding (DAF)

Any child in receipt of the Child Disability Living Allowance can attract an additional £910 per annum and this funding is set nationally and has increased by £29 per eligible pupil from £881 for 2023/24.

DAF is now payable on the new extended entitlements for working parents of 2-year-olds and under 2 year-olds.

6. Recommendations

Forum members are asked to:

- a) **Note** the increases to Sheffield's allocation and the hourly rates as detailed above, and the new funding streams for working parents.
- b) **Note** that an additional £0.44 per hour deprivation supplement is accessible for all children who fulfill the deprivation criteria across all Early Years provision.
- c) **Approve** the recommendations of the Early Years Working Group:
 - To pay eligible under 2-year-olds (of working parents) £10.31 per hour.
 - To increase the funding for 2-year-olds (for both deprived and working parents) to £7.58 per hour.
 - To increase the base hourly funding rate for 3&4-year-olds to £5.06.