

Report to Schools Forum

26 February 2024

Subject:	Early Years Provider Rates 2024/25 Consultation
Director:	Director of Children's Services and Education Michael Jarrett.
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1 Recommendations

- 1.1 That the Board considers and comments upon the results of the Early Years funding consultation about the proposed funding rates for 2,3 & 4 year olds for the financial year 2024-2025.
- 1.2 that Schools Forum;
 - Approve the increase of the Two-Year-old hourly rate from £7.71 to £8.48.
 - Approve the increase of the Three and Four-year-old hourly rate from £4.79 to £5.06.


2 Reasons for Recommendations

- 2.1 On 27 October 2021, the Chancellor announced the Government will invest additional funding for the early years' entitlements for two, three and four year olds worth £160m in 2022 2023, £180m in 2023-2024 and £170m in 2024-2025. This was for local authorities to increase hourly rates paid to early years providers for the Government's free childcare entitlement offers and reflects cost pressures, as well as anticipated changes in the number of eligible children. On 29 November 2023 the DfE published the indicative funding rates for Local Authorities.



- 2.2 The Education, Skills and Funding Agency (ESFA) published guidance for Local Authorities and providers ‘Early years entitlements: local authority funding operational guide 2024 to 2025’ on 29 November 2023 and was updated on 24 January 2024.
- 2.3 The guide is issued to help local authorities follow the rules and principles when funding providers to deliver the early years entitlements in the financial year 2024-2025 as well as describing the basis of funding to local authorities. It can be found here;
<https://www.gov.uk/government/publications/early-years-funding-2024-to-2025/early-years-entitlements-local-authority-funding-operational-guide-2024-to-2025>
- 2.4 Local authorities are required to consult providers on annual changes to their local formula. Any changes to funding need to be approved by Schools Forum.

3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people</p> <p>That there is sufficient good quality child care for working parents to enable them to take up their funded child care place.</p>
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4 Context and Key Issues

- 4.1 The early years national funding formula hourly rates have increased by £0.77 per hour for two year olds and £0.27 (4.9%) per hour for three and four year olds.
- 4.2 There is an increase in the Early Years Pupil Premium funding from 66p per hour to 68p for all eligible children. The age range of eligibility has also increased to include disadvantaged 2 year olds. This will create a distinction between the newly funded working parents of 2 year olds, who will receive £8.48 per hour, and our targeted 40% most disadvantaged 2 year olds, who will receive £9.16 if they meet the eligibility criteria.



The Consultation

- 4.3 On 29 January 2024 the Quality Early Years and Child Care Team started a consultation via email to 87 Day Care Providers and 92 Child Minders as they are providers who deliver the Two Year Old funding and the Nursery Education Funding in Sandwell's Private Voluntary and Independent childcare sector. The consultation was also sent to all Primary and Infant Schools. The consultation ended on 9th February 2024.
- 4.4 The consultation centred around the question of whether there was agreement in the local authority's proposal that full funding increase should be added to the base rate of hourly funding for all 2 year olds and 3 and 4 year olds and that the flexibility rate (30p) and deprivation payment (maximum 25P), as defined by our Single Funding Formula (SFF), should remain the same.
- 4.5 It was deemed that all schools and providers would benefit from an uplift in the base rate of funding and keep the flexibility and deprivation payments at the same rate as paid previously.
- 4.6 The proposed full funding structure for 2024-2025 is therefore;

	Rate 2023/2024 (With the supplementary increase)	Proposed new Rate 2024/2025	Increase per hour
Under 2's rate – from Sept'24	N/A	£11.61	N/A
Two Year Olds Rate= per hour per child	£7.71	£8.48	£0.77
Three and Four Year Olds Rate= per hour per child	£4.79	£5.06	£0.27
Early Years Pupil Premium For eligible 2, 3 and 4 year olds from April'24	66p (For 3 & 4 year olds)	68p (for 2, 3 & 4 year olds from April '24)	2p
DAF Disability Access Funding	£858.92 pa.	£910.00 pa.	£51.08



Flexibility per hour per child	£0.30	£0.30	N/A
Deprivation Based on % of children and <u>their</u> home postcode	Up to 10% = 0 11% to 30% =£0.05 31% to 70% = £0.10 70% to 90% = £0.20 90% plus = £0.25	Up to 10% = 0 11% to 30% =£0.05 31% to 70% = £0.10 70% to 90% = £0.20 90% plus = £0.25	N/A

4.7 The full funding proposals also included the new funding rates for under 2's who will receive 15 hours funding for working parents from September 2024.

4.8 There is also a national increase in the Disabilities Access Funding from £858.92 to £910.00 p.a. This is awarded through an application process.

4.9 The results of the survey are as follows;

Total responses = 51

● Day Care Provider	14
● Child Minder	19
● Pre School	4
● School nursery class	14



4.10 The response to the question 'With the introduction of the Extended Entitlements for working parents of 2 year olds from April 2024 the basic rate of funding for 2 year olds will increase from £7.71 to £8.48. **Do you agree that the additional funding should be added to the base rate for all 2 year olds ?** was;

● Yes	51
● No	0



4.11 100% of responses agreed with this proposal.



4.12 The response to the question ***‘Do you agree that Sandwell MBC should increase the basic rate of funding for 3 and 4 Year olds by the full increase given by the DFE of 27p per hour per child? This will be a 4.9% increase in the basic rate of funding from £4.79 per hour to £5.06 per hour’***



4.13 99% of responses agreed with this proposal.

4.14 The 1 response of 'No' came from;

- 1 Day Care Proprietor who commented *‘3 year old funding is far too low in comparison to private fees, living wage and utilities/resources. This is not sustainable for our setting and will put us at risk of closure. We will be losing roughly £4000 per month for our 3 and 4 year old’s’.*

This response was not surprising and is indicative of the fragile nature of childcare provision as they try to balance rising costs while trying to remain affordable for parents. The Early Years Team have provided the nursery with advice and guidance and business support.

4.15 The survey also invited suggestions, comments or any questions providers might have with regards to the increase in Early Years funding. The following responses were from providers who voted 'yes' in the consultation, but also commented further;

4.16 *I think it's fair to us small businesses that the amount added to the base rate should be for all funded children to help us childminders continue to be able to offer a high provision in care to all children-Childminder*

Any funding will help all round- Childminder

4.17 *Still think the balance between the funding rates should be more even, not so high for under 2's and low for over 4's.- Childminder.* This was a popular response. Funding rates are different to allow for staffing ratios in most settings, but less relevant to childminders who care for smaller numbers of children.



- 4.18 *Happy with the decision for the base rate to be added for all those eligible children. The additional pupil premium payments for EYPP 2 year olds also welcomed as i have huge concerns about how the new entitlement may impact disadvantaged children making their applications less favourable to settings. - Daycare Provider*
- 4.19 *Staff should also get above minimum wage for all the hard effort put into their work. - Daycare Provider*
- 4.20 *Thank you for sharing the funding rates information with us before we set out budget for the coming year. – School.*
- 4.21 The Department for Education would like Local Authorities to approve the new funding rates for 2024-2025 by the end of February 2024 so that they can be published to help providers organise their financial matters ahead of the childcare expansion for 2 year olds from April 8th 2024.

5 Implications

Resources:	The DfE will fund places at the new rate from 1 st April 2024.
Legal and Governance:	The local authority has a statutory duty (Childcare Act 2006) to ensure that there is enough sustainable child care for working parents.
Risk:	As all of the available funding is being directly applied to the base rate there is no direct risk.
Equality:	The application of the funding increase to the base rate for all providers is deemed to be fair and equitable.
Health and Wellbeing:	N/A
Social Value:	More parents will be encouraged back into employment as 15 hours childcare will be funded in 2024 and 30 hours funded from September 2025
Climate Change:	N/A
Corporate Parenting:	Foster carers are considered working parents and therefore entitled to the funded hours if they have paid employment outside of their foster caring roles.



6 Appendices

None

7. Background Papers

None

