



NORTH YORKSHIRE COUNCIL

2025/26

EARLY YEARS FUNDING RATES

(Under 2-year-olds, 2-year-olds and 3 & 4- year-olds)

A CONSULTATION PAPER

20 September 2024

Deadline for responses: 5pm, 25 October 2024

1.0 Background and Introduction

1.1 In the 2023 Spring Budget, the Government announced the expansion of funded early education and childcare entitlements for working parents from April 2024 and additional investment to support the expansion programme. The expansion of the funded education and childcare entitlement for working parents is as follows:

- From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 funded weeks over the financial year).
- From September 2024 this will be extended to working parents of under 2-year-olds (pro rata 38 funded weeks over the financial year)
- From September 2025 working parents of under 2-year-olds and 2-year-olds will be able to access 30 hours of free childcare per week (38 funded weeks over the financial year).

1.2 The Department for Education (DfE) introduced a number of changes to the early years funding arrangements for the 2024/25 financial year in response to the expansion of funded entitlements. These changes included:

- The introduction of a new funding formula to distribute entitlements funding for children aged two and under.
- To extend eligibility for the early years pupil premium (EYPP) and the disability access fund (DAF) to eligible children aged two-year-olds and under accessing the entitlements.
- To extend the rules for local authorities when setting their own local funding formulae to the entitlement for disadvantaged two-year olds and to the entitlements for working parents of children aged two years old and under.
- To set the local authority pass-through rate on each individual early years dedicated schools grant (DSG) funding stream at a minimum of 95% from 2024-25, rising to a minimum of 97% once the roll-out of the new entitlements has sufficiently progressed.
- To extend the list of allowable funding supplements, previously applicable to three and four-year old entitlements, to the entitlements of children aged two years and under. The deprivation funding supplement is mandatory for three and four-year old entitlements and discretionary for the entitlements for children aged two years and under. The maximum funding level able to be used for funding supplements is retained at 12%.
- The requirement the local authority Special Education Needs Inclusion Fund (SENIF) to include children aged nine months to two-years old who are taking up the funded entitlements.

1.3 The DfE provides early years funding to local authorities through the Early Years Block of the Dedicated Schools Grant (DSG). The DfE allows the early years funding allocated to local authorities to be used to cover the costs of early years provider funding (including funding supplements), any central services related to early years' provision that are provided by the Local Authority free at the point of delivery, and the provision of the SENIF. The early years local authority funding rates for North Yorkshire for the current 2024/25 financial year are as follows:

<i>Early Years Phase</i>	<i>Local Authority Hourly Funding Rate</i>
Three and four-year olds	£5.47
Two-year olds	£7.45
Under two-year-olds	£10.11

Maintained nursery school supplement (three and four-year old universal hours only)	£4.64
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1.4 North Yorkshire Council undertook consultation with the early years sector on the funding arrangements for the 2024/25 financial year. The following proposals were supported by providers through the consultation and implemented:

- A 3 & 4-year-old base provider hourly funding rate for universal and working parent entitlements of £5.13 per hour
- A 2-year-old base provider hourly funding rate for working parent and disadvantaged entitlements of £7.01 per hour
- An under 2-year-old base provider hourly funding rate for working parent entitlements of £9.55 per hour
- The extension of the deprivation funding supplement methodology used for 3 & 4-year-olds to all early years' funded entitlements.
- The provision of funding for the Early Years Special Educational Needs Inclusion Fund (SENIF) from the Early Years Block DSG (approx. 2% of the early years local authority funding).
- The application of a 3% funding retention rate for the provision of local authority centrally managed service provision for early years children and provision for all funded entitlements.

1.5 Additionally, the DfE provide Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) for eligible children for all funded entitlements. The 2024/25 national funding rates are:

Early Years Pupil Premium hourly funding rate for 3 & 4-Year-Old Universal Hours, Disadvantaged & Working Parent 2-Year-Old entitlements and the Under 2-Year-Old Working Parent entitlement. (Maximum funding based on 15 hours per funded week for eligible children)	£0.68 per hour
Disability Access Funding (annual rate)	£910 per annum

2.0 Funding Supplements

2.1 The funding rate paid to early years providers consists of a base hourly funding rate and funding supplements. Within North Yorkshire, the funding supplement for deprivation is paid for all funded entitlements.

The DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for all entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. The deprivation supplement for three and four-year-old children is mandatory and discretionary for children aged two and under.

2.2 Deprivation Funding Supplement

Deprivation funding is paid at the end of each term and is based on the funded hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple

Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

The deprivation funding rates for the 2024/25 financial year are as follows:

Band	2024/25 Deprivation Hourly Funding Rate	IMD Score
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

3.0 Special Education Needs Inclusion Fund (SENIF)

The Local Authority is required to provide a Special Educational Needs Inclusion Fund (SENIF) which is intended to support providers in addressing the needs of children with lower or emerging levels of SEND. The SENIF funding covers early years children of all age groups accessing free entitlements. The funding for the SENIF was transferred from the High Needs budget to the Early Years Funding allocation for the 2024/25 financial year. This approach delivers parity between the schools and early years sectors; within the school’s sector, the funding to support the needs of children with lower or emerging levels of SEND is provided through the school budget allocation. The budget requirement from the Early Years Funding for the SENIF equates to approximately 2% of the local authority Early Years Funding allocation.

4.0 Local Authority Centrally Retained Funding

The DfE funding regulations accompanying the Early Years National Funding Formula (EYNFF) restrict the level of the funding which can be retained by the local authority for the delivery of centrally managed services associated with early years’ provision. The maximum level of funding allowed to be retained is 5% for all entitlements. In North Yorkshire approx.3% has been retained for all entitlements for the 2024/25 financial year,

This funding is used to support the delivery of central services related to early years’ provision that are provided by the local authority free at the point of delivery.

5.0 2025/26 Early Years Provider Funding Rate Proposals

5.1 In respect of early years funding, section 3.15 of the Government’s Spring 2024 Budget of 6 March 2024 stated:

“To support the sector to deliver the expansion of childcare support, the government is confirming that the hourly rate providers are paid to deliver the free hours offers will increase in line with the metric used at Spring Budget 2023 for the next two years. This reflects that workforce costs are the most significant costs for childcare providers and represents an estimated additional £500 million of investment over two years. Along with planned reforms to local funding rules, whereby Local Authorities (LAs) will have an eight-week window to communicate final hourly funding rates to providers

and will soon have to pass through at least 97% of funding to providers, this gives providers more certainty on future funding so they invest in expanding their business.”

5.2 At this stage, no details have been provided by the DfE on the 2025/26 Early Years DSG funding position; this information is not currently expected until the second half of the Autumn 2024 term. North Yorkshire Council wishes to ensure that providers receive timely notification of early years funding rates for the 2025/26 financial year and that there is compliance with the likely requirement for the local authority to communicate funding rates to the sector within eight weeks of the DfE funding announcement. In this respect, a **principle-based funding consultation** is being undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2025/26 financial year:

- The provider base funding rates for 3 & 4-year-old universal and working parent entitlements, the 2-year-old entitlements for disadvantaged children and working parents, the under 2-year-old entitlement for working parents.
- The operation of a deprivation funding supplement for all funded entitlements
- The continued use of the Early Years DSG to fund the provision of the Early Years SENIF.

At this stage, indicative early years base provider funding rates cannot be provided for the 2025/26 financial as the DfE has not yet published the local authority 2025/26 early years funding rates. The results from this consultation will be used to inform the principles to be applied in calculating the early years provider base funding rates for North Yorkshire Council for the 2025/26 financial year.

In addition, the funding consultation also seeks the views of early years providers on the distribution of the Early Years Budget Grant (EYBG) for the 2024/25 financial year.

a. 2025/26 Proposed Three and Four-Year-Old Funding

a. A principle-based proposal is made for the provider base rate funding for eligible 3 & 4-year olds' universal and working parent entitlement for the 2025/26 financial year to reflect:

- local authority retention of approx. 3% of the early years funding allocation to support the delivery central services related to early years' provision that are provided by the local authority free at the point of delivery.
- use of the Early Years Funding allocation to fund the Early Years Special Educational Needs Inclusion Fund (SENIF) (approximately 2% of the early funding allocation) to support providers in addressing the needs of children with lower or emerging levels of Special Education Needs (SEND) across all the funded entitlements.
- the continued use of the current eligibility criteria and funding rates for the deprivation supplement. The funding supplement is based on the hours attended by the child and a banding using the postcode of the child attending the setting.

b. 2025/26 Proposed Two-Year Old Funding

A principle-based proposal is made for the provider base rate funding for all eligible 2-year olds' (disadvantaged two-year-old entitlement and two-year-old children of working parents' entitlement) for the 2025/26 financial year to reflect:

- local authority retention of approx.3% of the early years funding allocation to support the delivery central services related to early years' provision that are provided by the local authority free at the point of delivery.
- use of the Early Years Funding allocation to fund the Early Years Special Educational Needs Inclusion Fund (SENIF) (approximately 2% of the funding) to support providers in addressing the needs of children with lower or emerging levels of Special Educational Needs (SEND) across all the funded entitlements.
- the continued use of the current eligibility criteria and funding rates for the deprivation supplement. The funding supplement is based on the hours attended by the child and a banding using the postcode of the child attending the setting.

c. 2025/26 Proposed Under Two-Year-Old Funding

A principle-based proposal is made for the provider base rate funding for eligible under 2-year-olds for the 2025/26 financial year to reflect:

- local authority retention of approx.3% of the early years funding allocation to support the delivery central services related to early years' provision that are provided by the local authority free at the point of delivery.
- use of the Early Years Funding allocation to fund the Early Years Special Educational Needs Inclusion Fund (SENIF) (approximately 2% of the funding) to support providers in addressing the needs of children with lower or emerging levels of Special Educational Needs (SEND) across all the funded entitlements.
- the continued use of the current eligibility criteria and funding rates for the deprivation supplement. The funding supplement is based on the hours attended by the child and a banding using the postcode of the child attending the setting.

6.0 2024/25 Early Years Budget Grant (September 2024 – March 2025)

The DfE have announced additional grant funding to support early years providers with their overall costs, particularly in relation to pay increases, in delivering the Government's early years entitlements in the 2024/2025 financial year. Nationally, the DfE are providing additional grant funding of £34 million in respect of early years (split between the Early Years National Funding Formula (£29.2m) and Maintained Nursery Schools (£4.8m)). The additional funding for early years settings covers the period September 2024 to March 2025 and will be distributed through the Early Years Budget Grant (EYBG).

North Yorkshire Council proposes to distribute the additional EYBG funding to early years providers using the same funding rate as the DfE has used to distribute the Grant to the local authority, through the payment of an additional 7p per hour based on the universal and extended hours for three and four- year-olds claimed for the Autumn 2024 and Spring 2025 terms for all providers.

7.0 Equalities

The Equalities Impact Assessment related to the proposals contained within this consultation is provided in Appendix 1 to this document.

8.0 Consultation Process

Providers are asked to complete the online survey at:
<https://online1.snapsurveys.com/a3cnch> to tell us your views on the principle-based proposals for early years funding rates for the 2025/26 financial year, as detailed in section 5 above, and the distribution of the DfE Early Years Budget Grant funding related to the period September 2024 to March 2025, as detailed in section 6 above.
The survey will be open until 5.00pm on Friday, 25 October 2024.

The responses received to this consultation will be considered by the North Yorkshire Council Executive Members for the Children & Young People's Service in their decision-making process in relation to early years' funding rates for the 2025/26 financial year and the distribution of the DfE Early Years Budget Grant funding related to the period September 2024 to March 2025.