



Herefordshire Council Consultation on Early Years Funding Arrangements for 2024-2025

Local Authorities must determine their funding formula before the beginning of the financial year. As part of the process Local Authorities are required to consult with Early Years providers on annual changes to their local formula, which are then agreed with our School Forum.

The purpose of this consultation is to seek your views, comments and where applicable, preferred options from key partners and stakeholders regarding arrangements of the Early Years Block Funding for 2024-25 on;

- Early Years Inclusion Funding
- Early Years Central Spend
- Early Years Funding Pass Through

An opportunity for you to discuss the proposals has been arranged up for Monday 8th January at 11:00 with Malcolm Green; Strategic Finance Manager. We will make a recording, which we will share with those who cannot attend [Click here to join the meeting](#)

Timeline for the consultation and implementation of proposals to the Early Years Block

Date	Action
20 th December 2023	Consultation opens: https://www.surveymonkey.com/r/K9MD9YH
8 th January 2024 11:00-11:45	Meeting with Malcolm Green; Strategic Finance Manager Microsoft Teams meeting: Click here to join the meeting
11 th January 2024	Consultation closes
19 th January 2024	Report to Schools Forum
26 th January 2024	Share the Schools Forum outcomes with Early Years providers

Background information

“A high-quality Early Years education is vitally important. Children attend Early Years provision at a crucial developmental point in their lives. The education and care that they receive affects not only future educational attainment but also their future health and happiness.” ([Best start in life part 1: setting the scene - GOV.UK \(www.gov.uk\)](#))

All children in England are entitled to 15 hours of funded nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up with a childminder, in a maintained nursery class, a governor run nursery, or in a private, voluntary, or independent sector (PVI) Early Years setting.

Currently the Early Years Block element, within the Dedicated Schools Grant (DSG) funds the universal and extended provision for all 3- and 4-year-old children and the Early Years provision for disadvantaged 2-year-old children.

The Local Authority currently fund the Early Years Inclusion funding (SENIF) through the high needs block. The budget for SENIF is £150,000. Herefordshire's 2022-23 expenditure was £85,000 over budget and for this year is already at £195,000. This increasing spend for SENIF in Early Years simply reflects the wider national SEND overspends in high needs. We predict a £2m overspend by the end of this financial year. Proposals in this consultation are that some of the increased spend on SENIF is financed from the Early Years NEF funding.

The government extended the funded entitlement to nursery childcare from 15 to 30 hours a week for working parents in September 2017. The aim was to reduce the cost of childcare for working families and break down the barriers to work, so that parents who want to return to work or work more hours can do so.

At the spring 2023 budget announcement, the Chancellor set out ambitious childcare reforms to increase availability, reduce costs and increase the number of parents accessing early education.

The budget announced a range of measures to support education and help parents with childcare using a phased implementation including;

- Changes to entitlements, allowing eligible working parents to access 30 hours of funded childcare from a younger age. [Childcare Choices | 30 Hours Childcare, Tax-Free Childcare and More | Help with Costs | GOV.UK](#)
- From **April 2024**, allowing eligible working parents of two-year-olds will be able to access 15 hours of funded childcare.
- From **September 2024**, allowing eligible working parents of children aged 9 months up to 4 years old to access 15 hours of funded childcare.
- From **September 2025**, allowing eligible working parents of children aged 9 months up to 4 years old to access 30 hours funded childcare per week

This staggered approach should give childcare providers time to prepare for the changes, ensuring there are enough providers ready to meet demand.

Wraparound Childcare: The government will invest further to enable schools and local providers to set up wraparound childcare provision so that parents of reception-age children can access childcare in their local area from 8am – 6pm. This could include provision of activities that fall outside of school hours, via things like breakfast clubs and after-school clubs.

Market Reforms: Including more choice for childminders and changes to EYFS requirements to improve flexibility for providers and support the workforce. This includes changes in staff child ratios, qualifications, introducing childminder grants and increasing flexibility on how and where childminders operate. [Early Years foundation stage \(EYFS\) statutory framework - GOV.UK \(www.gov.uk\)](#)

Dedicated Schools Grant (DSG)

The DfE has allocated Local Authorities an additional £288 million for 2024-25 through the dedicated schools grant (DSG). The further funding pledged will be allocated through the dedicated schools grant (DSG) and will provide funding for all existing Early Years funding streams:

- 15 hours entitlement for disadvantaged 2-year-olds
- 15 hours entitlement for 2-year-old children of eligible working parents
- 15 hours universal entitlement for 3 and 4-year-olds
- 15 hours additional entitlement for 3 and 4-year-old children of eligible working parents

- Early Years Pupil Premium (EYPP)
- Disability Access Fund (DAF)

National Funding Formula Guidance

LAs are required to allocate 95% of the funding to providers since 2018/19.

The formula requires using a single base rate for all providers regardless of sector.

Local Authorities are required to have a minimum pass through 95% of funding to providers. The retained percentage funds central Early Years advice and support services. The DfE are continuing to allow a maximum 5% retention rate for 2024-25 and 2025-26. This is likely to reduce to 3% when the full extension of under 2YO and expanded/disadvantaged families 2YO funding with the extension to 30 hours in September 2025.

Nursery Education Funding (NEF) Consultation for 2024-25

Herefordshire currently passes the disadvantaged 2YO NEF funding to settings with no retention. For 3-4YO the pass through rate is 97.3% which funds central Early Years advice and support services. Herefordshire's proposals are to apply the 2.7% retention, which currently only applies to 3-4YO funding, to the U2YO and expanded/disadvantaged 2YO funding from April 2024. This will fund the increased central Early Years services. By setting the retention at 2.7%, Herefordshire will continue to comply with the DfE's regulations.

The 2.7% retention will fund:

0.85% will fund an additional Early Years consultant to help implement the 50% increase in provision required by the extension of NEF to Under 2's and working families. Without additional staffing, the council cannot successfully implement the 50% expansion of NEF provision. It is necessary to retain this in order to implement the extended entitlements. (Note: 0.85% retention is 6p-8p of 2YO NEF funding rates)

The Consultation will gather views on the proposals below:

In order to continue with the current rate of Inclusion Funding for Early Years providers, support the increase in applications and expand this to 9 months and upwards, we will need to retain 1.35% of NEF. This is the council's preferred strategy. This will ensure that you continue to get an excellent service from the Early Years SEND and Portage teams and Inclusion funding. By not taking 1.35%, services will be compromised and the rate of Inclusion funding tariffs **must** be reduced by 50%.

- 1.35% will fund an increase of £150,000 in the SENIF budget and minimise the impact on the high needs deficit. It will also ensure the same range of SEND grants for 2YOs as currently paid to 3-4YOs. The alternative is no retention and providers are required to match fund a reduced SENIF grant from their own budgets. (Note: 1.35% retention is 10p-13p of 2YO NEF funding rates).
- 0.5% to expand a funded free of charge internal training offer to pre-school staff and childminders (Note: 0.5% is 4p-5p of 2YO NEF rates)

The DfE have allocated Herefordshire a one-off implementation grant of £55,000 to smooth the cost of the additional Early Years consultant in 2024-25 (£40,000) and 2025-26 (£15,000) as the new 2YO grants are not due to be fully implemented until financial year 2026/27.

Please see consultation link is below which will close on 11th January:

<https://www.surveymonkey.com/r/K9MD9YH>

Funding rates for 2024-25

3 & 4 year old Nursery Education Funding

The government have announced an increase in funding of 5.19% per hour for 3&4 year olds across the basic rate, rurality and deprivation as follows;

- The current rate: NEF formula of £4.76/hr+40p/hour deprivation+£60/week rurality
- Proposed rate: NEF formula £5 per hour +42p/hour deprivation + £63 per week rurality (or pro-rata if less than 100hrs/week)

2 year old Nursery Education Funding

The government have announced funding of £7.19 per hour for all 2YO funding and it is for the Local Authority to split into a rate for expanded and disadvantaged 2YOs. Herefordshire has done this by applying the same percentage increase for 3-4YO NEF to 2YO funding as set out below.

Current rate of 2YO NEF: £7.19

Proposed rate of 2YO NEF:

- a) Disadvantaged 2YOs: £7.54 less 0.20p for 2.7% retention = £7.34 per hour
- b) Expanded 2YOs: £7.04 less 0.19p for 2.7% retention = £6.85 per hour

9– 23 months Nursery Education Funding

Proposed under 2YO NEF: £9.51 per hour

EYPP for 2-4 year olds:

Current EYPP: 62p per hour

New EYPP: 68p per hour

Other Early Years Funding streams

Disability Access Funding - will rise from £828 to £910 per eligible child

Funding stream	September 2023-April 2024 & Supplementary	Proposed NEF funding rates for April 2024- April 2025
Disadvantaged 2 year old NEF	£7.19	£7.34
2 year old expanded hours	NA	£6.85
9 months-2 years expanded hours	NA	£9.51
Universal and extended 3-4 year old NEF	£4.76 +40p/hour +£60 per week rurality (or pro-rata if less than 100 hours a week)	£5.00 +42p/hour +£63 per week rurality (or pro-rata if less than 100 hours a week)
Early Years Pupil Premium (EYPP)	£0.62/hour	£0.68/hour
(DAF)	£828	£910

Schools Forum

Schools Forum will meet on 19th January 2024 to hear the results of the consultation and agree the Local Authority funding rates for 2024-25. You will have two Early Years representatives attending. If agreed the proposed NEF rates will commence from the beginning of the summer term 2024.