

REPORT FOR SCHOOLS FORUM

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| 1. | Date of meeting: | 30th January 2025 |
| 2. | Title: | Early Education Funding Proposals 2025/26 |
| 3. | Directorate: | Finance and Customer Services |

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Forum of the proposed funding arrangements for Rotherham's early years block for 2025/26.
- 1.2 The report deals specifically with the distribution of Dedicated Schools Grant (DSG) funding within the early years block (3 & 4 year old, 2 year old and under 2's) and proposed changes to the Inclusion Support Grant.

2. RECOMMENDATION(S)

FOR INFORMATION

- 2.1 **Note the provisional DSG funding settlement for the early years block for 2025/26;**
- 2.2 **Note the proposed arrangements for allocating the early years funding to providers for 3 & 4 year olds, 2 year olds and under 2's, via Rotherham's funding formula.**
- 2.3 **Note the proposed Inclusion Support Grant funding and provider allocation methodology.**

3. EARLY YEARS FUNDING SETTLEMENT 2025-26

- 3.1 The DSG settlement announced on 18th December 2024 confirmed the early years funding rates (see table below), and Rotherham's provisional settlement for the early years block of **£42.2m**. This represents an increase of £11.3m when compared to the 2024/25 early years DSG allocation. The increase in funding is attributable to the full year impact of the new and extended entitlements (i.e. 2 year olds and under 2s respectively).

| Funding Rates per hour | 2024/25 | 2025/26 |
|--|-----------------|-----------------|
| Early Years 3&4 year old funding | £5.47 | £5.71 |
| Early Years 2-year-old funding – Additional Support (formally disadvantaged) | £7.91 | £8.15 |
| Early Years 2-year-old funding - working parents | £7.91 | £8.15 |
| Early Years under 2's | £10.78 | £11.12 |
| TOTAL EY FUNDING ALLOCATION | £30.908m | £42.202m |

3.2 Details of the early years provisional settlement (**£42.2m**) are as follows:

- 3 & 4 year old funding (**£17.8m**): early years universal entitlement of the 15 hours per week for 3 & 4 year olds, plus funding for the extension to 30 hours for working parents.
- 2 year old funding (**£11.1m**): represents participation funding for delivering 15 hours of free childcare provision to eligible 2 year olds from disadvantaged backgrounds (£3.6M), and extended entitlement to working parents (£7.5M).
- Under 2's funding (**£11.1m**): early years universal entitlement of 15 hours per week for working parents of children 9 months to 2 years old, increasing to 30 hours from September 2025.
- Early years pupil premium funding (**£0.6m**): aimed at providing additional support for 3 & 4 year olds, 2 year olds and under 2's from disadvantaged backgrounds.
- Disability Access Fund (**£0.3m**): to improve access to early years provision for children with SEN or disability.
- Supplementary funding for maintained nursery schools (**£1.3m**): to ensure the sustainability of the maintained nursery schools.

3.3 As in previous years, early years funding allocations are provisional and will not be confirmed until July 2025 (weighted using the January 2024 and January 2025 census counts). The DfE have confirmed that the allocations for the new entitlements (2 year working parents / under 2's) will continue to be adjusted on a termly basis for 2025/26.

4 3&4 YR OLDS EARLY YEARS FUNDING FORMULA

4.1 The structure of Rotherham's local EYFF for 2025-26 remains unchanged and consists of the following:

- a) A basic core funding element – which is calculated by applying an average basic hourly rate to assumed participation hours.

- b) Additional deprivation supplement to support settings with pupils from deprived backgrounds.

Pass through requirement

- 4.2 There is a mandatory level of funding that the council must pass through to providers/settings (via the base rate and supplements). In 2024/25 Rotherham passported 95% of 3 & 4 year old funding. For 2025/26 it has been confirmed that the pass-through rate must not fall below **96%** for all entitlements. The balance (i.e.4%) is retained by the council to cover central Early Years Team cost of administering the free entitlement, including the provision of information, advice and guidance to providers / settings.
- 4.3 It is proposed to increase the pass through requirement for the 3 & 4 funding to 96%, in line with DfE guidance and requirements.

| Pass through funding to providers | 2024/25 £m | 2025/26 £m |
|---|----------------|----------------|
| Total early years funding allocation | 17.040 | 17.788 |
| Less: Retained centrally retained funding by RMBC | -0.852 (5%) | -0.711 (4%) |
| EY Funding allocated to settings | 16.188 | 17.076 |

Funding Supplements

- 4.4 Supplements are amounts of funding within the local EYFF which are given in addition to the base rate to reflect local needs or policy objectives. The only supplement used in Rotherham’s EYFF is the mandatory deprivation factor. It is proposed that the 2024/25 supplement rate of £0.10 per hour, should remain the same for 2025/26. This equates to approx. 1% of total pass through funding.

Proposed Base Rate for 2025/26

- 4.5 Rotherham’s current base hourly rate paid to settings is £5.14. It is proposed to increase the 2025/26 hourly base rate to £5.43. Consultation is ongoing with providers (closing deadline of 2 February 2025) around retaining a further proportion in order to cover special educational needs inclusion funding. Dependent upon the consultation outcome, the hourly rate would range between £5.35 - £5.37.

5. 2 YR OLDS & UNDER 2s EARLY YEARS FUNDING FORMULA

- 5.1 The structure of Rotherham’s local formula for distributing 2 year old and Under 2s funding to providers and settings for 2025/26 remains unchanged from the previous year and consists of the following:

- a) A basic core funding rate – which is calculated by applying an average basic hourly rate to assumed participation hours.
- b) As in 2024/25, no deprivation supplement will be applied to this early years age cohort. DfE guidance states that it is not mandatory for local authorities to include a deprivation supplement in their local funding formula for 2-year-olds and under 2's.

Pass through requirement

5.2 There is a mandatory level of 2 year old and under 2s funding that the council must pass through to providers / settings. In 2024/25 Rotherham passported 97% and retained 3% of 2 year old and under 2's funding. The pass-through rate has been confirmed by the Government at a minimum of 96% for all entitlements for 2025/26. It is proposed that the pass through rate in 2025/26 remain at 97% for 2 year olds and under 2's (similar to 2024/25 level). The 3% balance of funding is retained by the Council to cover central cost of administering the free entitlement, including the provision of information, advice and guidance to providers / settings.

| Pass through funding to providers | 2 year olds -Additional Support £m | 2 year olds – Working Parents | Under 2's | Total |
|---|---|--|---------------|---------------|
| Total early years funding allocation | 3.676 | 7.469 | 11,100 | 22.245 |
| Less: Retained funding (3%) | -0.110 | -0.224 | -0.333 | -0.667 |
| Amount allocated to settings (97%) | 3.566 | 7.245 | 10.767 | 21.578 |

5.3 Local authorities have the flexibility to treat the two year old entitlements (for working parents and additional support) the same, with a single local 2 year old formula. This was the case in 2024/25 and we will continue with the same methodology in 2025/26.

Proposed 2 year old & under 2s base rates for 2025/26

5.4. Rotherham's current base hourly rate paid to settings for **2 year olds** is £7.67. It is proposed that the 2025/26 rate will increase to £7.91. Consultation is ongoing with providers (closing deadline of 2 February 2025) around retaining a further proportion in order to cover special educational needs inclusion funding. Dependent upon the consultation outcome, the hourly rate payable could be £7.78.

5.5. Rotherham's current base hourly rate paid to settings for **under 2's** is £10.46. It is proposed that the 2025/26 rate will increase to £10.79 – although we are consulting with providers around retaining a further proportion in order to cover special

educational needs inclusion funding. Dependent upon the consultation outcome, the hourly rate payable could be £10.68.

6. INCLUSION SUPPORT GRANT

6.1 There is a requirement for LAs to have a SEN Inclusion fund (SENIF) in their local funding systems in order to recognise and support the low level and emerging needs of individual children with SEN who are taking up entitlements. Rotherham currently operates a 3 tier model:

- a) Tier 1 – Advice & guidance from EY & CS.
- b) Tier 2 – Additional funding to contribute to 1:2 staffing levels. Applicable to children who have 2 areas of developmental delay and are working with 2 relevant outside agencies.
- c) Tier 3 – Additional funding to contribute to 1:1 staffing levels for children who are assessed as having high level medical / physical / complex needs, who require a higher level of enhanced staffing to ensure their needs are met. These are assessed through panel applications.

6.2 The current SENIF is funded through early years reserves for both tier 2 & tier 3. This method of funding isn't sustainable long term. Therefore it is proposed to fund tier 2 SENIF payments from the early years block funding, whilst continuing to fund tier 3 from early years reserves in 2025/26.

6.3 A consultation exercise has commenced to seek views of providers on a number of changes to tier 2 SENIF arrangements for 2025/26. The deadline for responses is 2 February 2025. Key changes been consulted upon include:

- Additional top up or supplement to EEF hours to enhance staffing ratios above minimum requirements;
- Additional SENIF support will only be provided for early education entitlement only, i.e. no longer available for fee paying hours;
- cease SENIF funding for before / after school provision, although a level of additional support for holiday provision would be maintained to enable settings to continue to offer places to children with complex needs with EHCP's whose parents require childcare to enable them to work.

KEY ACTIONS / NEXT STEPS

14 The following are the key actions in respect of determining the budget allocations to schools / settings for 2025/26:

- a) Local authorities are required to consult with providers around annual changes to their local formula. The Early Education Funding Formula consultation was sent to providers on 15th January, with the deadline to submit responses by 2nd February 2025.

- b) Outcome of the above as well as current consultation with providers on SENIF changes will inform the determination of the base hourly rates for 2025/26.
- b) Schools Forum must be consulted on changes to local early years funding formulas, including centrally retained amount.
- c) Early years settings and providers must be notified of the confirmed funding rates by 28 February 2025.