

**CITY OF WESTMINSTER  
SCHOOLS' FORUM – 17th JANUARY 2024**

**REPORT BY THE LEAD STRATEGIC FINANCE MANAGER  
CHILDREN'S SERVICES**

**EARLY YEARS BUDGETS 2024/25 - INITIAL ALLOCATION**

This report provides information on initial 2024/25 early years budgets announced at the end of November 2023 by the Education & Skills Funding Agency (ESFA) and the methodology for allocating funding to providers.

**FOR DECISION**

## 1 INTRODUCTION

- 1.1 The ESFA published initial 2024/24 early years budgets at the end of November 2023. These budgets are currently based on the January 2023 census.
- 1.2 Budgets for 2024/25 will be further updated during 2024/25 to take account of more recent census data once this is available.

## 2 EARLY YEARS BUDGETS 2024/25 - INITIAL ALLOCATION

- 2.1 The ESFA have published the 2024/25 early years allocation and the indicative budgets are set out below in Table 1 below:

WCC Budgets - £m	2024/25 Initial	2023/24**	Change
Universal Entitlement (3/4YO) - 15hrs	9.056	8.756	0.300
Working Family Entitlement (3/4YO) - 30hrs	1.354	1.309	0.045
Disadvantaged 2YO Entitlement - 15hrs	1.871	1.750	0.121
Working Family Entitlement (2YO) - 15hrs	1.163		1.163
Working Family Entitlement (9 month to 2YO) - 15hrs *	0.804		0.804
Early Years Pupil Premium (3/4YO)	0.134	0.130	0.004
Early Years Pupil Premium (2YO)	0.073		0.073
Early Years Pupil Premium (9 month to 2YO)*	0.004		0.004
Disability Access Fund (3/4YO)	0.076	0.062	0.014
Disability Access Fund (2YO)	0.019		0.019
Disability Access Fund (9 month to 2YO)*	0.002		0.002
Maintained Nursery Supplement (3/4YO)	1.172	1.279	(0.107)
<b>Total</b>	<b>15.727</b>	<b>13.286</b>	<b>2.441</b>

\*from September 2024

\*\*Includes annualised EYSG (Early Years Supplementary Grant) for comparison purposes

\*\*At July 2023. The final funding allocation for 2023/24 will be published in July 2024

- 2.2** At the 2023 Spring Budget in March, the Government announced plans for reforms to childcare to support parents to return and stay in work. The Chancellor announced that funded childcare hours would be extended to children of eligible working parents in England aged over nine months to support increased parental engagement in the labour market.
- 2.3** The measures announced will expand the existing offer by funding up to 30 hours of childcare per week over 38 weeks of the year to children aged over nine months and above whose parents meet the same income eligibility criteria as applied to the existing 30 hours entitlement for 3 and 4-year-olds.
- 2.4** These reforms will be phased in over the next three years:

<b>September 2023</b>	Early Years Supplementary Grant (EYSG) From Sept 23 - March 24 (then rolled in to the DSG)
<b>April 2024</b>	Eligible working parents of 2YO - 15 hours, 38 weeks
<b>September 2024</b>	Eligible working parents of children from 9 months to 2 years - 15 hours, 38 weeks
<b>September 2025</b>	Eligible working parents of children from 9 months to 2 years - 30 hours, 38 weeks
<b>September 2026</b>	8am to 6pm wraparound provision in schools

- 2.5** Through summer 2023, the DfE ran a consultation on the Early Years funding extension of entitlements. The response was released in November 2023 and can be found here: <https://www.gov.uk/government/consultations/early-years-funding-extension-of-the-entitlements> .

### **3 EARLY YEARS HOURLY AND PASS-THROUGH RATES 2024/25**

- 3.1** The ESFA then released initial allocations and funding rates at the end of November 2023.

Westminster's Early Years National Funding Formula (EYNFF) hourly rate for 3 and 4-year-olds will increase from £8.17\* to £8.45 in 2024/25 – this is an increase of just under 3.5%. The EYNFF rate is multiplied by the total number of children expected to access 15 or 30-hours of free childcare across the borough to produce the universal and working family entitlement budgets.

\*The 2023/24 rate is made up of EYNFF (£8.09) plus EYSG (£0.08). From 2024/25, the EYSG will be rolled into the EYNFF.

- 3.2** The 2024/25 EYNFF rate for the disadvantaged 2-year-old entitlement has increased from £11.11\* to £11.88 (6.9%).

\*The 2023/24 rate is made up of EYNFF (£7.56) plus EYSG (£3.55). From 2024/25, the EYSG will be rolled into the EYNFF.

The 2024/25 EYNFF rate for the 2-year-old working family entitlement is £11.88.

- 3.3** The 2024/25 EYNFF rate for the 9 months to 2-year-old working family entitlement is £16.21, effective September 2024.
- 3.4** 2024/25 budgets are indicative and based on January 2023 census data. These initial allocations will be updated later using census data from January 2024 and January 2025.
- 3.5** Previously, local authorities were required to pass at least 95% of their 3- to 4-year-old funding to early years providers to deliver the universal and working family entitlements. Following the consultation, this retention can be applied to each funding stream (the 3-and-4-year-old universal and 30 hours offer; the two-year-old disadvantaged and working parent offers; and the 9 months to two-year-old offer). This is referred to as the hourly 'pass-through' rate.
- 3.6** Local authorities can retain 5% of these funding streams to support the provision of central early years-related services. The DfE intend to increase the pass-through rate from 95% to 97% once the new entitlements are sufficiently embedded.
- 3.7** From the 95%, budgets are then set aside for Deprivation (passed on a supplement to those in IDACI bands A-F and calculated at 10% of the hourly pass-through rate), the SEN Inclusion Fund and contingency funding (to manage fluctuations in numbers not captured in census data – e.g. peaks in summer months that are no longer apparent by the time of the next census). The budget remaining is divided by the total number of hours the ESFA expect to be accessed to calculate the hourly pass-through rate.
- 3.8** The hourly pass-through rate has been calculated per Table 2 below and the calculations are set out in [Appendix A](#).

	<b>24/25 Pass-Through Rates (initial allocation)</b>	<b>23/24 Rates** (incl. EYSG)</b>
Universal Entitlement (3/4YO) - 15hrs	<b>£7.29</b>	<b>£7.08</b>
Working Family Entitlement (3/4YO) - 30hrs	<b>£7.29</b>	<b>£7.08</b>
Disadvantaged 2YO Entitlement - 15hrs	<b>£10.39</b>	<b>£11.11</b>
Working Family Entitlement (2YO) - 15hrs	<b>£10.39</b>	
Working Family Entitlement (9 month to 2YO) - 15hrs *	<b>£14.02</b>	

*\*from September 2024*

*\*\*Includes annualised EYSG (Early Years Supplementary Grant) for comparison purposes*

As advised at the November Forum, the EYSG was not subject to any retention, and this is evident with a lower pass-through rate for 2-year-olds compared to the rate from September 2023 to March 2024.

- 3.9** Budgets for Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and the Maintained Nursery Supplements (MNS) shown in Table 1 are ringfenced and therefore excluded from the above pass-through hourly rate calculations.

The MNS hourly rate is £11.00 in line with the phased capping agreed with the DfE (the 2023/24 capped hourly rate was £12.00). Per the agreement, the MNS hourly rate from 2025/26 will be harmonised with DfE national rates / capping.

The EYPP rate is £0.68 per hour and DAF is £910 per child per year for 2024/25.

- 3.10 2024/25 will be year 2 of the phased reallocation of the maintained nursery school's supplementary funding as agreed at January 2023 Forum following a consultation with the maintained nurseries. The agreed methodology for the maintained nursery supplement allocations was a weighted split between the maintained nurseries based on census numbers (updated annually each January) in different groups, with more weighting applied to 3–4-year-olds.
- 3.11 Both, the EYSG (Early Years Supplementary Grant) and the TPAG (Teachers' Pay Additional Grant) will be rolled into the early years block of the DSG from 2024/25 and will therefore not be paid separately.

#### **4 NATIONAL WRAPAROUND CHILDCARE PROGRAMME**

- 4.1 The national wraparound childcare programme is part of the childcare reforms announced at the 2023 Spring Budget.
- 4.2 The Government's ambition is that by 2026, all parents and carers of primary school-aged children who need it will be able to access term time childcare in their local area from 8am-6pm, so that parents can access employment and improve labour market participation.
- 4.3 Westminster are early adopters of this programme and as a result, will be able to access the grant funding earlier. There is no additional funding for early adoption.
- 4.4 The planning phase of this programme is currently underway and further details will be brought to Forum in the new year.

#### **5 RECOMENDATIONS**

- 5.1 Schools' Forum is asked to note the methodology used to arrive at the budgets and hourly pass-through rates for providers in 2024/25, which is transparent, in line with DfE guidelines and deemed to strike a balance between allocating the maximum available to all providers while also allowing for eligible children to benefit from funding for deprivation and the SEN Inclusion Fund.
- 5.2 Schools' Forum is asked to note that the budget set aside for contingency is prudent and strikes a balance between providing a safeguard for managing fluctuations and maximising the amount passed directly to all providers through the hourly base rate.
- 5.3 Schools' Forum is asked to note the reduction in funding for maintained nurseries in line with the reduced capping for 2024/25.
- 5.4 Schools' Forum is asked to consider the content of this report and agree the hourly rates to be paid to providers of early years childcare and education in 2024/25 as set out in [Appendix A](#).

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**Background Papers:**

**Early years entitlements:** Local Authority funding of providers operational guide 2024 to 2025: <https://www.gov.uk/government/publications/early-years-funding-2024-to-2025/early-years-entitlements-local-authority-funding-operational-guide-2024-to-2025>

**Appendix A** – indicative early years budget 2024/25 (hourly rate methodology).