

Report to: East Sussex Schools Forum

Date: 10 January 2025

Title of Report: Early Years Funding Reforms

By: Carolyn Fair, Director of Children's Services

Purpose of Report: To update Schools Forum on the government's early years funding reforms.

RECOMMENDATION:

Schools Forum is asked to note the changes to the early years education entitlements as a result of the government's early years funding reforms, which will take effect in stages from April 2025 to September 2025 and approve the Early Years DSG Budget.

1. Introduction

1.1 In the government's autumn budget in October 2024, the Chancellor announced reforms introduced by the previous government would remain in place. These included new early years funding streams to provide working families access to funded childcare places for children aged 9 months to two years old.

1.2 By September 2025, eligible working families will be able to access 30 hours of funded childcare per week for 38 weeks of the year. This offer is in line with the Extended 30 hours offer already in place for eligible three- and four-year-olds. To ensure fair distribution of funding across all age ranges the DfE updated the Early Years National Funding Formula (EYNFF) from April 2025. The refreshed formula will distribute funding entitlements for children aged from 9 months, building on the existing formula used to fund the three- and four-year-old entitlements.

1.3 The framework outlines how councils will be expected to pass funding on to providers. Councils will have support and flexibility to deliver the childcare offers whilst ensuring funding reaches providers in a fair and transparent way.

2. Changes

2.1 From April 2025, early years funding will now include funding of 15 hours, for 38 weeks of the year, for children aged 9 months plus of working parents. As well as eligible disadvantaged two-year-olds. From September 2025, the offer to working parents of children aged 9 months plus will increase to the full 30-hour Extended entitlement.

2.2 For the financial year 2025 to 2026 the increased minimum pass-through requirement for councils will increase from 95% to 96%.

2.3 The funding formula across all age groups will include a statutory deprivation supplement, Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) payments.

2.4 Councils are also required to expand their Special Educational Needs Inclusion Fund (SENIF) to include all eligible children from age 9 months who are taking up the universal and extended funded entitlements.

3. Funding rates

3.1 For 2025/26, the DfE are increasing the national minimum base funding rate for three and four-year olds in East Sussex to £5.97 per hour, a £0.27 per hour increase. The Council is proposing to pass on 100% of the £0.27 per hour increase received to providers. This increases the hourly rate for three and four-year-olds in East Sussex to £5.69 per hour. This will equate to a pass-through rate of over 96% with the addition of the statutory deprivation supplement and SENIF for eligible children. This is in line with DfE requirements. The funding rate in East Sussex remains under the national average base rate of £6.14 per hour for the universal 15-hour entitlement. For the extended 15-hour entitlement the national average base rate is £6.06 per hour

3.2 For 2025/26, East Sussex will passport through 96% of funding received through DSG to support disadvantaged eligible two years olds and two-year-olds whose parents are in employment. The base rate of £8.20 will remain at 2024/25 funding levels as these rates were already in excess of the required pass-through rate in 2024. On top of the base rate there will be a statutory deprivation supplement and SENIF for eligible children.

3.3 The national funding rate for under twos, whose parents are in employment, will remain at £11.15 per hour from April 2025. On top of the base rate there will be a statutory deprivation supplement and SENIF. This equates to over 96% pass-through to children in this age range. This enables providers to provide funded places for working parents of children aged under two and reflects the commitment of the Council to support economic growth for families in East Sussex.

3.4 The EYPP payment is additional funding for early years settings to improve the education they provide to disadvantaged children. Historically EYPP has only been paid to three- and four-year-olds but in the 2025/26 financial year this will include eligible children aged 9 months plus. The EYPP rate for 2025/26 will be £1.00 per hour for each eligible child, per year.

3.5 The DAF is for early years settings to support children with disabilities or special educational needs. It aids access to early years places by supporting providers to make reasonable adjustments to their settings. The DAF rate for 2025/26 will be £938 per eligible child, per year.

3.6 During the autumn of 2024, the Council revisited the consultation with providers on whether to use EYPP as the measure of deprivation to inform the statutory deprivation supplement or use EYPP as the indicator. The outcome of the consultation was to use EYPP as a more robust indicator of need. EYPP will be used across all age ranges.

3.7 Council's should consult with early years providers to set the value of their local SENIF. Early Years providers will be consulted with during the spring of 2025 to agree how the grant available will be distributed to best support the needs of children in their care.

4. Conclusion and recommendations

4.1 In conclusion, Schools Forum is asked to note the changes to the early years education entitlements as a result of the government's early years funding reforms, which will be fully implemented from September 2025, and approve the Early Years DSG Budget.

Carolyn Fair
Director Childrens Services

Contact Officer: Jane Spice
Email: jane.spice@eastsussex.gov.uk