

**REPORT TO SCHOOLS FORUM**

11 January 2024

Item 4

**TITLE OF REPORT: Proposed 2-Year-Old Formula and Consultation Document**

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**Purpose of the Report**

1. To bring to Schools Forum a summary of the work undertaken by the Early Years sub-group of Schools Forum and the proposals for the funding of 2-year-olds from April 2024.

**Background**

2. On the 16 March 2023 the Chancellor announced several reforms to childcare for parents, children, and the economy. Part of these announcements related to 2-year-olds (children the term after their second birthday). This report will focus on the new entitlement from April 2024 all working parents of 2-year-olds to access 15 hour per week free entitlement together with the existing qualifying disadvantaged 2-year-olds.
3. The Department for Education (DfE) published documentation and illustrative funding rates 29 November 2023 of £7.68 to the local authority for 2-year-old funding. This rate was confirmed as part of the Dedicated Schools Grant (DSG) settlement received 19 December 2023.
4. The DfE have also extended Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) to cover children aged 9 months up to (and including) 2-year-olds.
5. Following the September 2023 Schools Forum an Early Years Subgroup was set up with representatives from nursery classes, nursery school, day nurseries, independent nurseries, and childminders.
6. The group first met 1 December 2023 and the group agreed the following proposed principles and funding aims:-

**Proposed Principles**

- An affordable equitable and transparent funding formula for 2-year-old funding;
- An affordable equitable and transparent funding formula for under 2-year-olds;

- A formula that will focus only on the age range in question and will not subsidise other age ranges within settings; and
- Increased eligibility from 15 hours to 30 hours will be funded on the same basis as the original 15 hours.

### **Proposed Funding Aims**

- Develops a formula that is fit for purpose to implement from April 2024 for 2-year-olds and from September 2024 for under 2s; and
  - Adhere to DfE operational guidance and the Schools and Early Years Financial Regulations (England) when they are published.
7. The group also discussed the following starting points which were agreed by the group for a 2-year-old formula:
- The starting point for the 2-year-old formula would be the existing 3- & 4-year-old formula; and
  - There would be a top slice of 5% to fund the early years funding team and the remainder to be added to the special educational needs and disabilities inclusion fund (SENDIF) which will incorporate all early years age ranges.
8. The discussion then moved on to the format of the proposed formula:
- A mandatory universal base rate for all setting types based upon 90% of the available funding;
  - There will be no quality supplements for 2-year-old funding as all settings have to be at least good or outstanding;
  - Gateshead would just have one formula for all 2-year-olds entitlements;
  - Gateshead formula would have 2 deprivation supplements.
    - Disadvantaged children – identified via the eligibility checking service (ECS) on an hourly rate basis.
    - All settings to attract deprivation funding using the income deprivation affecting children indices, (IDACI) score on based on the postcodes of the children in that setting using the January census information immediately preceding the financial year, on a weighted hourly rate basis.
    - Both supplements to be funded at 5% of the funding available for the formula.
  - It was agreed that work would be undertaken to provide some models for the group to consider at the next meeting.
9. Information sent to the group and notes of this meeting are in appendix 1 for information.
10. The next meeting of the group took place 18 December 2023, and the information in appendix 2 was provided to group member prior to the meeting.
11. To enable modelling to take place, information was taken from the current 2-year-old data available for disadvantaged children and from settings that only receive funding for 3- & 4-year-old children of working parents, for the 2-year-

olds of working parents (as there is no data available currently for this cohort of children).

12. A total of 3 models were presented to the group. All models had 5% top slice of the £7.680 funding allocation which left £7.296 for all the funding models. All models had the same base rate of £6.566 per hour which represents 90% of the £7.296.

13. The models were discussed as per notes in appendix 3, and the group agreed to put model 3 forward to Schools Forum for approval for the following reasons:

- The model allocates the same base rate to all 2-year-olds;
- Disadvantage children all receive the same disadvantage supplement rate;
- All settings will receive IDACI deprivation funding; and
- It is very improbable that a disadvantaged child could receive a lower hourly rate than a child of a working parent.

Possible issues with the formula include:

- The cohort/mix of 2-year-olds between disadvantaged and those from working parents is not yet known; and
- The funding allocations will be based on the January 2022 census date, however the DfE have stated that final allocations will be adjusted based on actual take-up for each term, collected through two additional headcounts local authorities will undertake in the 2024 summer and autumn terms, and through the January 2025 census. The outcome of these adjustments will not be known until Summer 2025. To counter this issue the group agreed to a top slice of the disadvantage supplement by £0.05 per hour to hold in contingency to protect against pupil mix fluctuations.

The notes from this meeting are attached in appendix 3.

14. The group also agreed that if Schools Forum approved the formula proposals, a consultation document would be tabled for Schools Forum to approve to go out to all early years settings in January 2024 for 2 weeks. The proposed consultation document is attached in appendix 4.

## **Proposal**

15. It is proposed that Schools Forum notes the following information:

- The 2-year-old funding allocation in the DSG of £7.68 per hour to the local authority;
- The information on the extension of SENDIF, EYPP and DAF to 2-year-olds; and
- The information and notes in the appendices provided to the early years subgroup.

16. It is proposed that Schools Forum approves the following:

- The principles and funding aims put forward by the group:
- 2-year-old funding will be top sliced by 5% to fund the early years funding team and the SENDIF:
- There will only be one funding formula for both disadvantaged 2-year-olds and for 2-year-olds of working parents:
- There will be a universal base rate of 90% of hourly rate funding for all settings receiving 2-year-old funding of £6.5664;
- Disadvantaged funding will be set at 5% of the total funding available for the formula, top sliced by £0.05 to be set aside for contingency – indicative rate of £0.86 per hour (£0.91 -£0.05 = £0.86);
- IDACI funding will be set at 5% of hourly rate funding – indicative average hourly funding range £0.10 to £0.55 per hour. This will change with actual data;
- The consultation document set out in appendix 5 to be sent to all settings 12 January 2024 for return 26 January 2024 (if the above proposals are approved); and
- That the 2-year-old formula be reviewed for 2025/2026 when more accurate data is available.

### **Recommendations**

17. It is recommended that Schools Forum notes the information in the report and appendices and approves all the above proposals.

### **For the following reasons:**

18. To enable a formula to be developed to fund disadvantaged 2-year-olds and 2-year-olds of working parents, and to consult with all settings on the proposed new 2-year-old formula.

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CONTACT: Carole Smith    Ext.274

## **Early Years Funding Review Group**

### **Background**

On the 16 March the Chancellor announced several reforms to childcare for parents and children:

- From April 2024, eligible working parents in England with children aged 2 will have access to 15 hours childcare.
- From September 2024, the 15 hours childcare offer will be expanded to eligible working parents in England with children between 9 and 23 months old.
- From September 2025, eligible working parents in England with children between 9 months up to school age will have access to 30 hours childcare.

All funding entitlements start the term after the child reaches the stipulated age, e.g.

- 9 Months to 2 years – the term after the child reaches 9 months.
- 2-year-old funding – the term after the child's second birthday.
- 3-&-4-year-old funding – the term after the child's third birthday.

### **2-Year-Old Formula**

The Government then launched a consultation that ran between 21 July 2023 to 8 September 2023 which included a section on local authority funding formulae. The proposals are that the new early years entitlements should be funded using the same framework of rules, as the current 3-&-4-year-olds e.g. :-

- Defined pass through rate (currently at least 95% but could be increased to 97%). \*\*
- Have a universal base rate (flat rate paid to all settings on an hourly basis)
- Supplements – currently only deprivation is mandatory, but quality and English as an additional language are also allowable.
- SEND inclusion fund
- Contingency funding – an amount set aside to assist in any fluctuations in take up.

\*\* The proportion of funding that must be allocated via a formula to settings.

The outcome of the consultation has not yet been published, however due to the short timescales involved to develop a new 2-year-old formula for April 2024 it is seen as prudent to start the process to develop a new funding formula.

To take this process forward volunteers from the early years sector have been asked to join a funding subgroup of Schools Forum to assist officers in the development of a formula to distribute funding to early years settings that deliver the new entitlements.

### **Proposed Principles**

- An affordable equitable and transparent funding formula for 2-year-old funding
- An affordable equitable and transparent funding formula for under 2-year-olds
- A formula that will focus only on the age range in question and will not subsidise other age ranges within settings.
- Increased eligibility from 15 hours to 30 hours will be funded on the same basis as the original 15 hours.

## Proposed Funding Aims

- Develops a formula that is fit for purpose to implement from April 2024 for 2-year-olds and from September 2024 for under 2s.
- Adhere to DfE operational guidance and the Schools and Early Years Financial Regulations (England) when they are published.

## Early Year Funding Group – Schools Forum Subgroup Notes 1.12.2023

### Present

E Mills – day nursery and Schools Forum member  
J Reay – Officer  
D Kilner –Nursery School and Schools Forum member  
Jan Q – Pre School  
C Sanderson – Pre School  
Barry Grenfell – Officer  
Carole Smith – Officer  
E Leng – day nursery (joined after the start)

### Apologies

V Bruce – school nursery class  
Julie Robertshaw - officer

The group were read the Early Year Funding Review group document attached, and all present agreed with the proposed principles and funding aims.

The following points were talked to:-

- Starting point for the 2 year old and under 2 formula to be the current 3 & 4 year old formula
- There would be a top-slice of 5% which will fund the Early Years funding team with the remainder going into the special educational needs and disabilities inclusion fund (SENDIF).

### The local formula

- All setting to have a universal base rate – this is mandatory.
- Propose the removal of both quality supplements – as all settings for 2 year old funding have to be good or outstanding to get funding – no quality supplement for the 2 year old funding formula – **agreed**.
- The DfE have stated that LA's can have 2 different 2 year old funding formula's – however in an LA like Gateshead it was thought that children might move between the 2 sets of criteria – this could be complex to administer and confusing for settings. **Agreed** that Gateshead would develop just one funding formula for all 2 year old entitlements.
- Max supplement % of 12%
- Look to develop 2 deprivation supplements –

- Children classed as disadvantaged via eligibility checking services (ECS) to attract a deprivation supplement – proposed flat rate per hour - **Agreed**
- IDACI deprivation supplement based on weighted hours – as we already have IDACI data -**Agreed**
- Each supplement to be set at 5% initially as DfE have stated that disadvantaged 2 year olds must not be funded less than children of working parents.

It was acknowledged that:-

- There is insufficient funding in the system.
- The funding will probably not cover the increases in minimum wages, wage inflation and other cost increases.
- All settings are facing financial challenges.
- Gateshead has the 10<sup>th</sup> lowest out of 12 funding allocations in the North East and is substantially lower than the average funding rates quoted by the DfE.
- The funding formula will consider all settings in the round and not any particular type.

Next Steps

- Next meeting 18-12-12, then every 2 weeks from 8-1-24
- Notes from this meeting and draft aims and principles to be circulated to the group
- CS to look at trying to do some modelling on what the formula could look like, and circulate information before the next meeting including:-
  - Possible rates
  - Models to use some anonymised 3 & 4 year old data as a proxy for 2 of working parents

## Appendix 2

### Early Years Funding Review Group – Possible Funding Rates

Illustrative Gateshead funding rate published 29 November 2023 for 2 year olds is **£7.68** to the LA. This is not expected to change when the settlement is received late December 23.

As agreed at the previous meeting there would be 95% of this funding allocated to the 2 year old funding formula.  $£7.68 * 95\% = \mathbf{£7.296}$

The remaining 5% will be held back to fund the early years funding team and the inclusion fund.

As agreed 90% of the funding for the formula to be allocated via a base rate to all settings.  $£7.30 * 90\% = \mathbf{£6.5664}$

Disadvantage supplement per hour to be 5% of funding on an hour rate basis.

IDACI deprivation supplement will also be 5% of funding, but with no data to use as an estimate the weighted hourly rate is very difficult to calculate with any accuracy other than for modelling purposes.

#### For modelling purposes

The DfE have estimated that there will be 545.77 part time equivalents or 311,089 hours take up of disadvantaged 2 year old time, and 810.86 part time equivalents or 462,190.2 hours of take up for 2 year olds of working parents. This gives a total of 773,279.10 funded hours, and an indicative allocation of £5,938,783.49.

Three different models were constructed.

All Models have the same base rate of £6.5664.

#### Model 1

This allocates funding to settings based on funding at an hourly rate basis e.g.

Base Rate £6.5664

Disadvantage funding £0.3648 per hour

IDACI at the average hourly rate for all settings £0.01032 per weighted hour, which equates to £0.3648 as all settings were the same.

Pro's

All disadvantaged children have the same per hour funding allocation.

Disadvantaged children have a greater per hour funding rate than working 2 year olds

Con's

Not all funding is allocated as there are  $810.86 * £0.3648 * 38 \text{ weeks} * 15 \text{ hours}$  of unallocated funding = £168,606.98

When different IDACI scores are allocated some working parent children could receive more funding than disadvantaged children



Therefore Model 1 does not conform to the guidance and yet to be published regulations

## **Model 2**

The same as model 1, but the unallocated funding is added to the IDAC element for distribution to all settings.

Base Rate £6.5664

Disadvantage funding £0.3648 per hour

IDACI at the average hourly rate for all settings £0.01649 per weighted hour, which equates to £0.3648 as all settings were the same.

Pro's

All disadvantaged children have the same per hour funding allocation.

Disadvantaged children have a greater per hour funding rate than working 2 year olds

All funding is allocated.

Con's

When different IDACI scores are allocated some working parent children could receive more funding than disadvantaged children

This could over allocate funding if the mix of children is different to that in the illustrative allocations provided by the DfE.

Therefore Model 2 does not conform to the guidance and yet to be published regulations.

## **Model 3**

Model 2 Allocates funding on a total allocation basis e.g.

Total funding for base rate £5,077,659.88 (£6.5664 per hour)

5% disadvantage funding £282,092.22 (£0.9067 per hour)

IDACI at the average hourly rate for all settings £0.01032 per weighted hour, which equates to £0.3648 as all settings were the same.

Pro's

All disadvantaged children have the same per hour funding allocation.

Disadvantaged children have a greater per hour funding rate than working 2 year olds

All funding is allocated.

It is very unlikely that working parent 2 year olds could be allocated more funding than a disadvantaged 2 year old

Con's

This could over allocate funding if the mix of children is different to that in the illustrative allocations provided by the DfE.

Model 3 does conform to DfE guidance and yet to be published regulations.

All models are shown in appendix 1 and some illustrative hourly rates with different IDACI scores are shown in appendix 3 – these are the high and low ranges of the current disadvantaged 2 year olds and settings that only have working 3 year old.

## Appendix 1

<b>Model 1</b>										Hourly Rate
	PTE	Hours	Base Rate	Disadvantage	IDACI	Total Allocation	funding	Difference		
			£6.5664	£0.3648			£7.2960			
PTEs for disadvantaged 2-year-old entitlement	545.77	311088.9	£2,042,734.15	£113,485.23	£113,485.23	£2,269,704.61	£2,269,704.61	£0.00		£7.30
PTEs for working parents 2-year-old entitlement (estimated*)	810.86	462190.2	£3,034,925.73	£0.00	£168,606.98	£3,203,532.71	£3,372,139.70	£168,606.98		£6.93
Total	1,356.63	773,279.10	£5,077,659.88	£113,485.23	£282,092.22	£5,473,237.33	£5,641,844.31	£168,606.98	2.99%	
Average IDACI 3 & 4 year old score	35.34									
Possible weighted hours	27327683.39									
Funding per weighted hour	0.010322581									

<b>Model 2</b>	PTE	Hours	Base Rate	Disadvantage	IDACI	Total Allocation	funding	Difference		
			£6.5664	£0.3648			£7.2960			
PTEs for disadvantaged 2-year-old entitlement	545.77	311088.9	£2,042,734.15	£113,485.23	£181,315.54	£2,337,534.92	£2,269,704.61	-£67,830.31		£7.30
PTEs for working parents 2-year-old entitlement (estimated*)	810.86	462190.2	£3,034,925.73	£0.00	£269,383.66	£3,304,309.39	£3,372,139.70	£67,830.31		£7.30
Total	1,356.63	773,279.10	£5,077,659.88	£113,485.23	£450,699.20	£5,641,844.31	£5,641,844.31	£0.00	0.00%	
Average IDACI 3 & 4 year old score		35.34			£450,699.20					
Possible weighted hours		27327683.4								
Funding per weighted hour		0.0164924								

Model 3										
	PTE	Hours	Base Rate	Disadvantage	IDACI	Total Allocation	funding	Difference		
			£6.5664	£0.9068			£7.2960			
PTEs for disadvantaged 2-year-old entitlement	545.77	311088.9	£2,042,734.15	£282,092.22	£113,485.23	£2,438,311.60	£2,269,704.61	-£168,606.98		£7.84
PTEs for working parents 2-year-old entitlement (estimated*)	810.86	462190.2	£3,034,925.73	£0.00	£168,606.98	£3,203,532.71	£3,372,139.70	£168,606.98		£6.93
Total	1,356.63	773,279.10	£5,077,659.88	£282,092.22	£282,092.22	£5,641,844.31	£5,641,844.31	£0.00	0.00%	
Average IDACI 3 & 4 year old score		35.34			£282,092.22					
Possible weighted hours		27327683.4								
Funding per weighted hour		0.01032258								

## Appendix 2

Model 2					
Possible Disadvantaged Hourly Rates					
IDACI Band		Base Rate	Disadvantage Funding	IDACI Funding	Total
6		£6.57	£0.36	£0.10	£7.03
11		£6.57	£0.36	£0.18	£7.11
33.8		£6.57	£0.36	£0.56	£7.49
53		£6.57	£0.36	£0.87	£7.81
Possible Working Parents Hourly Rates					
IDACI Band					
6		£6.57		£0.10	£6.67
11		£6.57		£0.18	£6.75
33.8		£6.57		£0.56	£7.12
53		£6.57		£0.87	£7.44

<b>Model 3</b>				
Possible Disadvantaged Hourly Rates				
IDACI Band	Base Rate	Disadvantage Funding	IDACI Funding	Total
6	£6.57	£0.91	£0.06	£7.54
11	£6.57	£0.91	£0.11	£7.59
33.8	£6.57	£0.91	£0.35	£7.82
53	£6.57	£0.91	£0.55	£8.02
Possible Working Parents Hourly Rates				
IDACI Band	Base Rate	Disadvantage Funding	IDACI Funding	Total
6	£6.57		£0.06	£6.63
11	£6.57		£0.11	£6.68
33.8	£6.57		£0.35	£6.92
53	£6.57		£0.55	£7.11

## Appendix 3

### Early Year Funding Group – Schools Forum Subgroup Notes 18.12.2023.

#### Present

B Grenfell - Officer  
C Smith - Officer  
D Kilner - maintained nursery school and School Forum member  
D Cummings – Day nursery  
E Leng – Day nursery  
E Mills - day nursery and Schools Forum member  
J Reay - Officer  
J Robertshaw - Officer  
R Hocking – Nursery class  
V Bruce – Nursery class  
A Hedley-Trott – day nursery

#### Apologies

#### Indicative Funding Allocation (2 yr. olds) – CS

- £7.68 Gateshead – Funding from government, due settlement this week.
- Top slice 5% funding for EY Team and Inclusion fund = £7.296 (agreed 01/12/2023)
- 90% of the funding will be the base rate = £6.5664 (not expected to alter)

No data currently

- Disadvantage supplement 5% on hour rate basis.
- IDACI 5% (using information from DfE)

Any slack in funding will be paid to contingency to allow for movements.

Refereed to New Proposed 2-Year-old Funding Document – Models 1-3

#### Model 1

This allocates funding to settings based on funding at an hourly rate basis e.g.

Base Rate £6.5664

Disadvantage funding £0.3648 per hour

IDACI at the average hourly rate for all settings £0.01032 per weighted hour, which equates to £0.3648 as all settings were the same.

Pro's

- All disadvantaged children have the same per hour funding allocation.
- Disadvantaged children have a greater per hour funding rate than working 2-year olds.

#### Con's

- Not all funding is allocated as there are 810.86 \* £0.3648 of unallocated funding = £168,606.98
- When different IDACI scores are allocated some working parent children could receive more funding than disadvantaged children

Therefore Model 1 does not conform to the guidance and yet to be published regulations.

#### Model 2

The same as model 1, but the unallocated funding is added to the IDAC element for distribution to all settings.

Base Rate £6.5664

Disadvantage funding £0.3648 per hour

IDACI at the average hourly rate for all settings £0.01649 per weighted hour, which equates to £0.3648 as all settings were the same.

#### Pro's

- All disadvantaged children have the same per hour funding allocation.
- Disadvantaged children have a greater per hour funding rate than working 2-year olds
- All funding is allocated.

#### Con's

- When different IDACI scores are allocated some working parent children could receive more funding than disadvantaged children
- This could over allocate funding if the mix of children is different to that in the illustrative allocations provided by the DfE.
- Therefore Model 2 does not conform to the guidance and yet to be published regulations.

#### Model 3

Model 2 Allocates funding on a total allocation basis e.g.

Total funding for base rate £5,077,659.88 (£6.5664 per hour)

5% disadvantage funding £282,092.22 (£0.9067 per hour)

IDACI at the average hourly rate for all settings £0.01032 per weighted hour, which equates to £0.3648 as all settings were the same.

#### Pro's

- All disadvantaged children have the same per hour funding allocation.
- Disadvantaged children have a greater per hour funding rate than working 2 year olds
- All funding is allocated.

- It is very unlikely that working parent 2 year olds could be allocated more funding than a disadvantaged 2 year old

Con's

- This could over allocate funding if the mix of children is different to that in the illustrative allocations provided by the DfE.
- Model 3 does conform to DfE guidance and yet to be published regulations.

Proposal -

Leave out IDACI calculations and top slice the disadvantaged supplement until the data is available and placed in contingency.

All settings will need to be consulted but time pressure to allow the DSG to be sent to providers by Feb.

*Question EL - Can the base rate be adjusted for all settings to protect sustainability? – Could be looked at but disadvantaged and IDACI would need be reduced. Was approved in last meeting to support the IDACI and disadvantage pupils (protect spaces).*

Model 3 – Agreed to be put to Schools Forum 18/12/2023

**Any other business** – None

CS – If approved at Schools Forum will present to school settings in January.

**Any other questions** – None



# **Gateshead Metropolitan Borough Council**

**EARLY YEARS 2-Year-Old FUNDING FROM  
April 2024**

**CONSULTATION PAPER**

**Closing Date 26 January 2024**

# **INTRODUCTION**

## **This consultation paper is for all 2-year-old funded providers of early education.**

### **Background**

On the 16 March the Chancellor announced several reforms to childcare for parents, children, and the economy. Part of these announcements related to 2-year-olds (children the term after their second birthday). This report will focus on the new entitlement from April 2024 all working parents of 2-year-olds to access 15 hour per week free entitlement together with the existing qualifying disadvantaged 2-year-olds.

The Department for Education (DfE) published documentation and illustrative funding rates 29 November 2023 of £7.68 to the local authority for 2-year-old funding. This rate was confirmed as part of the dedicated schools grant (DSG) settlement received 19 December 2023.

The DfE have also extended Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) to cover children aged 9 months up to (and including) 2-year-olds.

Following the September 2023 Schools Forum an Early Years Subgroup was set up with representatives from nursery classes, nursery school, day nurseries, independent nurseries, and childminders.

The group first met 1.12.2023 and the group agreed the following proposed principles and funding aims:-

### **Proposed Principles**

- An affordable equitable and transparent funding formula for 2-year-old funding
- An affordable equitable and transparent funding formula for under 2-year-olds
- A formula that will focus only on the age range in question and will not subsidise other age ranges within settings.
- Increased eligibility from 15 hours to 30 hours will be funded on the same basis as the original 15 hours.

### **Proposed Funding Aims**

- Develops a formula that is fit for purpose to implement from April 2024 for 2-year-olds and from September 2024 for under 2s.
- Adhere to DfE operational guidance and the Schools and Early Years Financial Regulations (England) when they are published.

The group also discussed and agreed the following starting points were agreed by the group for a 2-year-old formula:-

- The starting point for the 2-year-old formula would be the existing 3- & 4-year-old formula
- There would be a top slice of 5% to fund the early years funding team and the remainder to be added to the special educational needs and disabilities inclusion fund (SENDIF) which will incorporate all early years age ranges.

The discussion then moved on to the format of the proposed formula:-

- A mandatory universal base rate for all setting types based upon 90% of the available funding.
- There will be no quality supplements for 2-year-old funding as all settings have to be at least good or outstanding.
- Gateshead would just have one formula for all 2-year-olds entitlements.
- Gateshead formula would have 2 deprivation supplements.
  - Disadvantaged children – identified via the eligibility checking service (ECS) on an hourly rate basis.
  - All settings to attract deprivation funding using the income deprivation affecting children indices, (IDACI) score on based on the postcodes of the children in that setting using the January census information immediately preceding the financial year, on a weighted hourly rate basis.
  - Both supplements to be funded at 5% of the funding available for the formula
- It was agreed that work would be undertaken to provide some models for the group to consider at the next meeting.

The next meeting of the group took place 18.12.2023.

To enable modelling to take place, information was taken from the current 2-year-old data available for disadvantaged children and from settings that only receive funding for 3- & 4-year-old children of working parents, for the 2-year-olds of working parents (as there is no data available currently for this cohort of children).

A total of 3 models were presented to the group. All models had 5% top slice of the £7.68 funding allocation which left £7.296 for all the funding models. All models had the same base rate of £6.5664 per hour which represents 90% of the £7.296.

The models were discussed, and the group agreed to put model 3 forward to Schools Forum for approval for the following reasons:-

- The model allocates the same base rate to all 2-year-olds.
- Disadvantage children all receive the same disadvantage supplement rate.
- All settings will receive IDACI deprivation funding.
- It is very improbable that a disadvantaged child could receive a lower hourly rate than a child of a working parent.

Possible issues with the formula include:-

- The cohort/mix of 2-year-olds between disadvantaged and those from working parents is not yet known.
- The funding allocations will be based on the January 2022 census date, however the DfE have stated that final allocations will be adjusted based on actual take-up for each term, collected through 2 additional headcounts local authorities will undertake in the 2024 summer and autumn terms, and through the January 2025 census. The outcome of these adjustments will not be known until Summer 2025. To counter this issue the group agreed to a top slice of the disadvantage supplement by £0.05 per hour to hold in contingency to protect against pupil mix fluctuations.

The notes from this meeting are attached in appendix 3.

The group also agreed that if Schools Forum approved the formula proposals, a consultation document would be tabled for Schools Forum to approve to go out to all early years settings in January 2024 for 2 weeks. The proposed consultation document is attached in appendix 4.

## **Proposal**

It is proposed that Schools Forum notes the following information:-

- The 2-year-old funding allocation in the DSG of £7.68 per hour to the local authority.
- The information on the extension of SENDIF, EYPP and DAF to 2-year-olds
- The information and notes in the appendices provided to the early years subgroup.

It is proposed that Schools Forum approves the following:-

- The principles and funding aims put forward by the group.
- 2-year-old funding will be top sliced by 5% to fund the early years funding team and the SENDIF.
- There will only be one funding formula for both disadvantaged 2-year-olds and for 2-year-olds of working parents.
- There will be a universal base rate of 90% of hourly rate funding for all settings receiving 2-year-old funding of £6.5664.
- Disadvantaged funding will be set at 5% of the total funding available for the formula, top sliced by £0.05 to be set aside for contingency – indicative rate of £0.86 per hour (£0.91 -£0.05 = £0.86)
- IDACI funding will be set at 5% of hourly rate funding – indicative average hourly funding range £0.10 to £0.55 per hour. This will change with actual data.
- The consultation document set out in appendix 5 to be sent to all settings 12 January 2024 for return 26 January 2024 (if the above proposals are approved).

- That the 2-year-old formula be reviewed for 2025/2026 when more accurate data is available.

## Appendix A

Model 3	PTE	Hours	Base Rate	Disadvantage	IDACI	Total Allocation	funding	Difference		
			£6.5664	£0.9068			£7.2960			
PTEs for disadvantaged 2-year-old entitlement	545.77	311088.9	£2,042,734.15	£282,092.22	£113,485.23	£2,438,311.60	£2,269,704.61	-£168,606.98		£7.84
PTEs for working parents 2-year-old entitlement (estimated*)	810.86	462190.2	£3,034,925.73	£0.00	£168,606.98	£3,203,532.71	£3,372,139.70	£168,606.98		£6.93
Total	1,356.63	773,279.10	£5,077,659.88	£282,092.22	£282,092.22	£5,641,844.31	£5,641,844.31	£0.00	0.00%	
Average IDACI 3 & 4 year old score		35.34			£282,092.22					
Possible weighted hours		27327683.4								
Funding per weighted hour		0.01032258								

<b>Model 3</b>					
Possible Disadvantaged Hourly Rates					
IDACI Band	Base Rate	Disadvantage Funding	IDACI Funding	Total	
6	£6.57	£0.91	£0.06	£7.54	
11	£6.57	£0.91	£0.11	£7.59	
33.8	£6.57	£0.91	£0.35	£7.82	
53	£6.57	£0.91	£0.55	£8.02	
Possible Working Parents Hourly Rates					
IDACI Band	Base Rate	Disadvantage Funding	IDACI Funding	Total	
6	£6.57		£0.06	£6.63	
11	£6.57		£0.11	£6.68	
33.8	£6.57		£0.35	£6.92	
53	£6.57		£0.55	£7.11	

# Consultation Response Form

## Early Years 2-Year-Old Funding from April 2024

The below section must be completed, and only one consultation response will be accepted from each setting.

**Return deadline 26 January 2024**

<b>Name</b>	
<b>Organisation</b>	
<b>Role</b>	

<b>Q1. Do you accept the proposed principles and funding aims (as stated above) ?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q2. Do you accept the proposal to top-slice funding by 5% to fund the early years funding team and the special educational needs and disabilities inclusion fund?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q3. Do you accept the proposal to have one funding formula to fund both disadvantaged 2-year-olds and 2-year-olds of working parents?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q4. Do you accept the proposal that the universal base rate for all funded 2-year-olds will be 90% of available funding at £6.5664 per hour?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q5. Do you accept the proposal that funding for disadvantaged 2-year-olds will be set at 5% of total funding?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q6. Do you accept the proposal that the hourly rate for disadvantaged 2-year-olds of £0.91 per hour be top sliced by £0.05 to give an hourly rate of £0.86?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	

<b>Q7. Do you accept the proposal that IDACI funding will be based on individual children at settings based on January census?</b>	
Yes	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>
No	<input type="checkbox"/>
<b>Comments</b>	



**Q8. Do you accept the proposal that IDACI funding be allocated to all settings using 5% of the available hourly rate funding?**

Yes

Don't Know

No

**Comments**

**Any Other Comments/Feedback/Suggestions**

**Please return to**

Carole Smith **by email:** [carolesmith@gateshead.gov.uk](mailto:carolesmith@gateshead.gov.uk)

**By Friday 26 January 2024**