

## Early years funding proposals for 2025/26

### Summary

There have been some significant changes to the Early Years Funded Entitlement over the past financial year. We received Supplementary Funding covering the period September 2023 to April 2024 in preparation for the implementation of the new entitlement. The funding rates were then significantly increased for existing entitlement and the rates for new entitlement were higher than anticipated.

### Funding rate comparison table

DFE and Surrey hourly funding rates						
	2022/23	2023/24 initial	2023/24 final	% increase	2024/25	% increase
	£	£	£		£	
<b>3-4 years</b>						
DFE	5.49	5.81	6.40		6.77	
<b>Surrey Hourly rate</b>	<b>4.87</b>	<b>5.14</b>	<b>5.72</b>	<b>17.4%↑</b>	<b>6.05</b>	<b>5.7%↑</b>
<b>2 years</b>						
DFE	6.25	6.87	9.79		9.61	
<b>Surrey basic</b>	<b>6.13</b>	<b>6.65</b>	<b>9.03</b>	<b>47.3%↑</b>	<b>8.54</b>	<b>5.4%↓</b>
<b>Under 2 years</b>						
DFE					13.04	
<b>Surrey basic</b>					<b>12.10</b>	

\*23/24 final includes supplementary grant covering period from September 23 to end March 24

The SCC basic hourly funding rate for 2 year olds went down by 5.4% in 24/25 due to SCC retaining 5% and allocating a dedicated EIF budget for 2 year olds. This was endorsed through consultation and by Schools Forum. We were not permitted to retain funding in 23/24 as it was a requirement of the Supplementary Grant that 100% be passed through to providers.

The funding rate that we are able to pass through to providers depends on the rate that we receive from DfE. This has previously been calculated on January census data. The DfE have calculated funding for the new entitlements based on termly headcount which has mitigated any risk which arises from termly variation, for example, if take-up in the summer term significantly increased above January census levels. We have not yet been informed whether DfE intend to continue with the two methods for the different age groups in 2025/26 or fund based on either census or headcount for all entitlements.

DfE have also announced a requirement that all LAs publish their provider rates no more than 8 weeks after they are informed of their gross rate. This poses a risk if based on census data as this is not available to us until mid-March at the earliest. This is not applicable if they decide on termly headcount. This may pose a different risk to Surrey CC as an LA that has benefited from the census

model because the model is based on an expectation that Autumn term will had lower take-up which is balanced by a higher take-up in summer term. In Surrey take-up is comparatively high in the Autumn term so average take-up for three- and four-year-olds is lower than January census. This risk currently only applies to three- and four-year-olds.

### **Expansion of the Early Years Entitlements**

In April 2024, the Working Parents Entitlement (WPE) was introduced for 2-year-olds for 15 hours a week for 38 weeks per year.

5,750 codes were issued to Surrey parents with 4,860 validated. The number validated exceeded the number predicted by Surrey and by DfE by approximately 21%. So far, the sector has been able to meet demand. We believe that this is due to the majority of places being taken up by children who are already in nursery, but previously funded by parents switching to the new entitlement. 15 hours entitlement is not sufficient for parents to change their working patterns.

In September 2024, the entitlement will increase to include children of working families from the age of 9 months to school age for 15 hours per week. So far 2,911 codes have been issued to Surrey parents which equates to approximately 20% of population for that age range. Projections are based on 25% of population.

We are expecting a more significant increase in demand from September 2025 when the entitlement increases to 30 hours for children of working families from the age of 9 months to school age. We are supporting the sector to meet the expected need through identifying gaps in the market and providing targeted grant funding to create additional places. Last year we were provided with £205k implementation funding and were able to top this up from Centrally Retained funds. We allocated £388,500 in total, securing both existing and new provision. In 2024/25 we have not received any implementation funding and therefore the amount that we can distribute for start-up funding will need to come from Centrally Retained Funds only. As actual take-up is understood, we will calculate how much we are able to commit to supporting the sector in this way.

Due to the significant changes to the Early Years Funding Entitlement and to the lack of trend data available to use, it has been agreed that in autumn 2024, the funding consultation for Early Years will be carried out separately to the schools funding consultation as it was in autumn 2023. Surrey County Council will be seeking Early Years provider's views on the proposals for funding for 2025/26. We are asking Schools Forum to endorse the approach that we are proposing in principle and that we intend to consult on.

**Proposal for funding rates and supplements for all ages from 9 months to 4 years to go out for sector consultation in September 2024. The consultation will be live for 4 weeks in September and a summary of the responses will be brought to the next Schools Forum in October 2024.**

- We will pass through 95% of the DfE funding to providers and will retain 5% centrally to be used as described above.
- If affordable, we will pass through the value of any uplift from DfE
- We will manage and distribute an Early Intervention Fund (EIF) for each age group for children experiencing barriers to learning. See description of EIF below.

We will continue to apply the same proportions as for 24/25 which is:

- under 2-year-olds – 1% of total budget for under 2's
- 2-year-olds – 3% of total budget for 2-year-olds
- 3- & 4-year-olds – 5% of total budget for 3- & 4-year-olds

The rationale for this ascending contribution relates to the staff ratios for each age group, the required capacity to recognise emergent need and benefits of early intervention in preparing children for school and preparing schools for the cohort they will be receiving into Reception.

All eligible children will have access to Early Years Pupil Premium and Deprivation Funding. We will apply the rates required by DfE unknown as yet.

This funding rate is set directly by DfE and may not be varied by the LA.

### **Surrey Deprivation Funding**

The Surrey rate for deprivation funding for 3- and 4-year-olds is currently funded at £2.81 per hour linked to eligibility for EYPP on economic deprivation factors.

For 2025/26 we propose to continue to fund deprivation according to eligibility for EYPP on economic grounds (roughly=FSM eligibility criteria). DfE have confirmed that all eligible children from 9 months can access EYPP. Deprivation funding will still be linked to EYPP however the funding rates will vary to reflect the levels of deprivation within each age group. This is necessary due to the different criteria for eligibility and the difference in the profile of the cohort. This will be reviewed as we are able to collect data as the new entitlements become available.

### **Proposed rates for Deprivation supplement (unchanged from 2024/25)**

Under 2-year-olds - £1 per hour

2-year-olds - £1 per hour

3- & 4-year-olds £2.81 per hour

**Teacher's pay and pension supplement** (for maintained schools/academies with teachers in the teacher pension scheme)

In 2024/25 this is paid at £0.54/hr for 3–4-year-olds only (apart from maintained nursery schools, for which it forms part of supplementary funding, see below). We are proposing no change for 2025/26.

### **Centrally Retained Funds**

#### **Support for the sector and administration of the funding**

There have been a number of changes to how the early years sector is supported in Surrey, relating to the expansion of the entitlements. The document below is designed to give the sector the latest information about the teams and what support is available to Early Years providers in Surrey.

The Early Years Educational Effectiveness Team, Early Years Special Educational Needs and Disability Team and The Early Years Commissioning Team support all registered Early Years providers to develop high quality, inclusive sustainable early education and childcare places which meet local demand. They are also responsible for compliance with statutory requirements. The teams

coordinate support to raise quality for all children in existing provision within the private, voluntary and independent sector and in maintained nursery classes and nursery schools.

In addition to the teams outlined above, we also have the Funded Early Education Team who administrate the funding and make the payments. They support settings with their initial registration for funding and they provide advice and support for existing settings.

[Who is who in early years - Surrey County Council \(surreycc.gov.uk\)](http://surreycc.gov.uk)

Centrally retained funds also supports the Early Years Phase Council with administration costs and provides opportunity for grant funding to support sufficiency and sustainability.

### **Early Intervention Funding (EIF)**

In Surrey, we call our Inclusion funding 'Early Intervention Funding' and we have operated a very successful process since April 2020. Up until 2023/24, the fund has only been available for 3 and 4 year olds and in the financial year 2023/24 we distributed over £4.8 million to support children with additional needs. This can include any barriers to learning including social, economic, environmental, early trauma or special educational needs and disabilities. We have also previously had a very modest budget to support disadvantaged funded 2 year olds of £215,000 from centrally retained funds. In 2023/24 we have had a dedicated EIF for 2 year olds and have distributed over £260,000. We were able to top-up this funding if needed from any unspent Disability Access Funding. For the first time, we will be able to provide EIF for eligible children under the age of 2 years. We do not anticipate a high demand but would expect that those who so apply might have a higher level of need.

As this is a period of significant change, we will monitor demand and impact over the first few years of operation and will carry out end of year reviews to inform future funding proposals.

### **Maintained nursery school supplementary funding**

This is a separate funding stream within DSG, which provides additional support for maintained nursery schools, recognising that they incur higher costs than other providers through, for example, needing their own premises and a headteacher. It is proposed to maintain the same principles of allocation as in previous years:

- Distribute all of it to maintained nursery schools
- Use first to fund business rates at actual cost (excluding cost of community focused space)

\*use part to fund teacher pay and pension costs, on the same basis as in 2024/25 (£0.63/hr)

- Continue split site funding for Guildford nursery, on the existing basis
- Divide the remainder equally between the four maintained nursery schools.

### **Disability access fund (DAF)**

These funding rates are set directly by DfE and may not be varied by the LA. Any unspent DAF can be allocated through EIF. to pupils meeting DAF criteria

### **Free School Meals Funding**

Free school meals funding for eligible children in maintained nursery schools/classes will continue and can be accessed when a child accesses funded entitlement at a maintained nursery before and after the lunch period. We propose to continue with this approach. We propose to maintain the link between the rate per meal and the funding rate per free school meal used in the schools national funding formula, unless there are significant changes to the basis of the schools NFF in 2025/26.