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| LONDON BOROUGH OF CAMDEN | WARDS: All |
| REPORT TITLE Early Years Entitlements Funding 2025-26 | |
| REPORT OF Director of Children’s Prevention, Family Help and Safeguarding | |
| FOR SUBMISSION TO Schools Forum | DATE 5 th February 2025 |
| <p>SUMMARY OF REPORT</p> <p>This report details the proposed allocation of national free entitlement funding using Camden’s local funding formula. It seeks approval from School’s Forum for the proposed hourly rates payable to providers and for the retained element of funding used by the local authority to administer the schemes.</p> <p>Contact Officers: Debbie Adams – Head of Early Years and Family Hubs 5 Pancras Square, London N1C 4AG. Debbie.adams@camden.gov.uk 020 7974 6706</p> <p>Anita Kemsley – Free Entitlement Manager 5 Pancras Square, London N1C 4AG. Anita.kemsley@camden.gov.uk 020 7974 2948</p> | |
| <p>RECOMMENDATIONS</p> <p>School’s forum is asked to agree the following hourly funding rates for 2025/26 and the retained funding required to administer the free entitlement schemes.</p> <ol style="list-style-type: none"> 1. Proposed Hourly rates for 2025/26 <ul style="list-style-type: none"> • Under 2’s: £14.19 • 2 year olds: £9.78 • 3 and 4 year olds: £7.42 2. Proposed pass-through rates which values total £774,972.00. <ul style="list-style-type: none"> • Under 2’s 96%: £144,641.00 • 2-Year-olds 97%: £119,441.00 • 3- and 4-year-olds 97%: £510,890.00 | |



Signed:

Rashida Baig, Director of Children’s prevention, Family help and safeguarding

Date: 27th January 2025

1. Purpose of Report

- 1.1 This report describes the proposed hourly funding rates for Early Education providers in the borough and the amount to be retained to fund the administration of the schemes. Section 2.5 provides some information about the increase in demand for local inclusion fund support for children with special educational needs or disability.

2. Early Years Dedicated Schools Grant Local Funding Formula

2.1 Proposed Hourly rates

Camden administers the funding for the Early Years Free Entitlements on behalf of the government. Funding is deployed to local providers using a local funding formula that includes an allocation to support the costs of the scheme administration, a supplement for deprivation and for teachers' pension contributions (TPPG) and, a Special Educational Needs Inclusion Fund (SENIF), known locally as Camden Local Inclusion Fund (CLIF), which provides a contribution to support providers to meet the needs of children with Special Educational Needs and Disabilities (SEND).

Camden's funding formula is shown in Figure 1.

Figure 1

| 2025-2026 | | 2024-2025 | |
|---|---------------|---|---------------|
| Camden's Hourly Rate 3&4 Year Olds | | Camden's Hourly Rate 3&4 Year Olds | |
| DfE allocation | £9.23 | DfE allocation | £9.04 |
| less 4% central costs | -£0.37 | less 5% central costs | -£0.45 |
| less deprivation supplement | -£0.92 | less deprivation supplement | -£0.72 |
| less quality supplement TPPG | -£0.18 | less quality supplement TPPG | -£0.15 |
| SENIF (inclusion funding) | -£0.33 | SENIF (inclusion funding) | -£0.50 |
| Provider Hourly Rate 25-26 | £7.42 | Provider Hourly Rate 24-25 | £7.22 |
| Camden's Hourly Rate 2 Year Olds | | Camden's Hourly Rate 2 Year Olds | |
| DfE allocation | £12.23 | DfE allocation | £11.83 |
| less 3% central costs | -£0.37 | less 3% central costs | -£0.35 |
| less deprivation supplement | -£1.01 | less deprivation supplement | -£0.95 |
| SENIF (inclusion funding) | -£1.07 | SENIF (inclusion funding) | -£1.03 |
| Provider Hourly Rate 25-26 | £9.78 | Provider Hourly Rate 24-25 | £9.50 |
| Camden's Hourly Rate 9 months to 2 Year Olds | | Camden's Hourly Rate 9 months to 2 Year Olds | |
| DfE allocation | £16.83 | DfE allocation | £16.15 |
| less 3% central costs | -£0.50 | less 3% central costs | -£0.48 |
| less deprivation supplement | -£0.16 | less deprivation supplement | -£1.27 |
| SENIF (inclusion funding) | -£1.98 | SENIF (inclusion funding) | -£1.74 |
| Provider Hourly Rate 25-26 | £14.19 | Provider Hourly Rate 24-25 | £12.66 |

2.2 Designated Schools Grant (DSG) Retained funding – local administration

Retained funding is essential to fund the administration of the free entitlements, which include headcount/census management, eligibility assessments, advice, support and training providers on the free entitlement, distribution of the DSG funding, compliance with legislation, financial management and project management. Camden's retained funding also funds the cost of staff for the Training and Quality Team who provide services to the Camden childcare providers as directed under Section 13 of the Childcare Act 2006.

2.2.1 Required pass through rates

The government require us to pass through a minimum 96% of each of our hourly rates, the pass-through rates apply separately to the entitlements for:

- 9-month-old children up to 2-year-olds of eligible working parents
- 2-year-old children of eligible working parents
- 2-year-old children from families receiving additional support
- 3- and 4-year-olds (universal and additional hours for working parents)

We have calculated the pass-through rate for the 3- and 4-year-olds at 96% and have increased the pass-through rate for the 2-year-olds and under to 97%.

The proposed pass-through funding for 2025/26 is shown in Figure 2.

Figure 2

| Entitlement | Pass through % | Retained Funding |
|-----------------------|-----------------------|-------------------------|
| 3&4 YOs | 96% | £510,890.00 |
| 2YOs | 97% | £119,441.00 |
| Under 2's | 97% | £144,641.00 |
| Total retained | | £774,972.00 |

Year-olds is abbreviated as YOs.

The funding required for central services is £780,000, any shortfall between the retained funding and the outturn will be met by general fund budgets.

2.3 Deprivation supplement and TPPG

Deprivation is a mandatory 10% supplement across all of the free entitlement schemes. We propose to combine the 2YOs and under 2's element with the payment made against our 3 & 4-year-olds in 24-25, this will be funded against each funding stream in 25-26 based on the actual data from the spring 2025 census. TPPG is a 2% supplement for 3 & 4-year-olds for providers with qualified teachers where they pay the higher rate of pension contributions and is a one-off annual payment.

The breakdown of funding paid to providers for their free entitlement in the autumn 2024 term is shown in Figure 3.

Figure 3

| Funding Breakdown - Autumn 2024 | | | | | |
|-------------------------------------|-----------------|---------------|------------|--------------------------------------|--------|
| Funding Scheme | No. of children | Amount funded | EYPP | Deprivation | DAF |
| 3&4 Year Old Universal | 1697 | £2,452,843 | £38,495 | £452,556 | £6,370 |
| 3&4 Year Old Working Parent | 386 | £562,557.00 | N/A | N/A | N/A |
| 2YO Disadvantaged | 404 | £758,024.00 | £18,697.00 | <i>included in 3&4YO funding</i> | £910 |
| 2YO Working Parents | 346 | £664,411.00 | £846.60 | <i>included in 3&4YO funding</i> | 0 |
| 9 months to 2 years Working Parents | 329 | £845,021.00 | £142.80 | <i>included in 3&4YO funding</i> | 0 |

EYPP – Early Years Pupil Premium DAF – Disability Access Fund

2.4 Camden Local Inclusion Fund

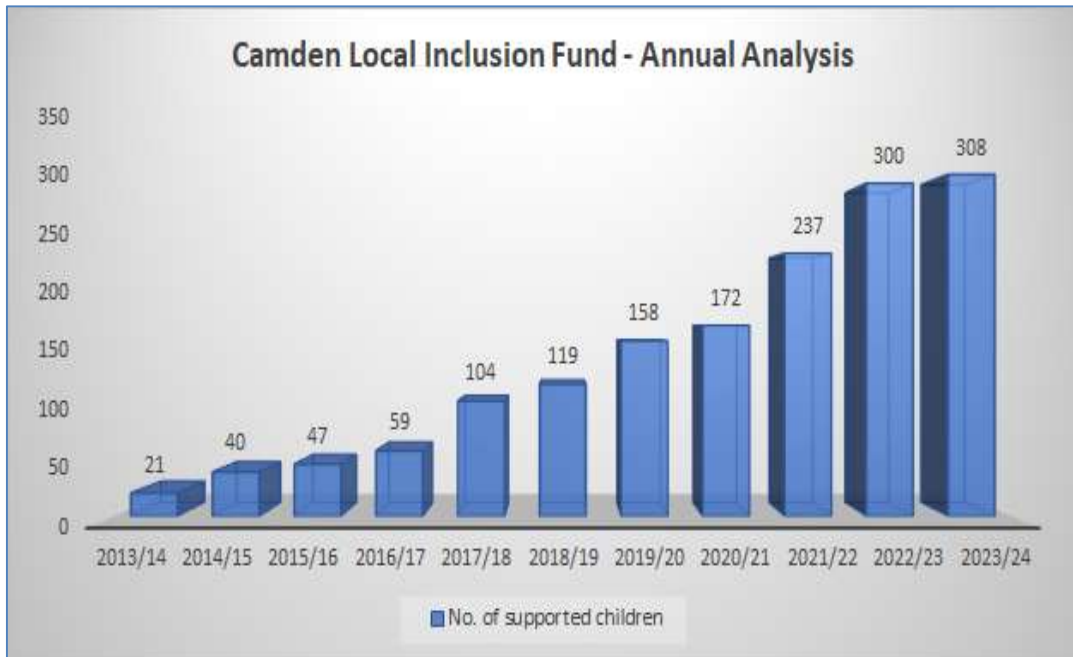
Local authorities are required to have a Local Inclusion Fund that supports providers to meet the needs of individual children with Special Educational Needs who are taking up the entitlements. The statutory guidance that applies to the Local Inclusion Fund is set out in Figure 4.

Figure 4

| Special Educational Needs Inclusion Funds |
|---|
| <p>Eligibility Local authorities should target SENIFs at children with lower level or emerging SEN. Children with more complex needs and with an education, health and care plan (EHC) plan continue to be eligible to receive funding via the high needs block of the DSG. As with other elements of early years funding, SENIFs should apply to children attending settings in the relevant local authority area, regardless of where they live.</p> <p>Sources of funding Local authorities should establish their SENIFs using funding from the early years block and/or the high needs block of their DSG allocation.</p> <p>Allocation of funding Local authorities should pass the majority of their SENIF to providers in the form of top-up grants on a case-by-case basis. Local authorities can also support specialist SEN services in their local area. Funding used for these local authority-wide support services will not count towards the 95% pass-through; they will be counted within the 5% centrally retained funding.</p> <p>Eligible providers All early years providers that are eligible to receive funding for the entitlements are eligible to receive funding from the SENIF to support</p> |

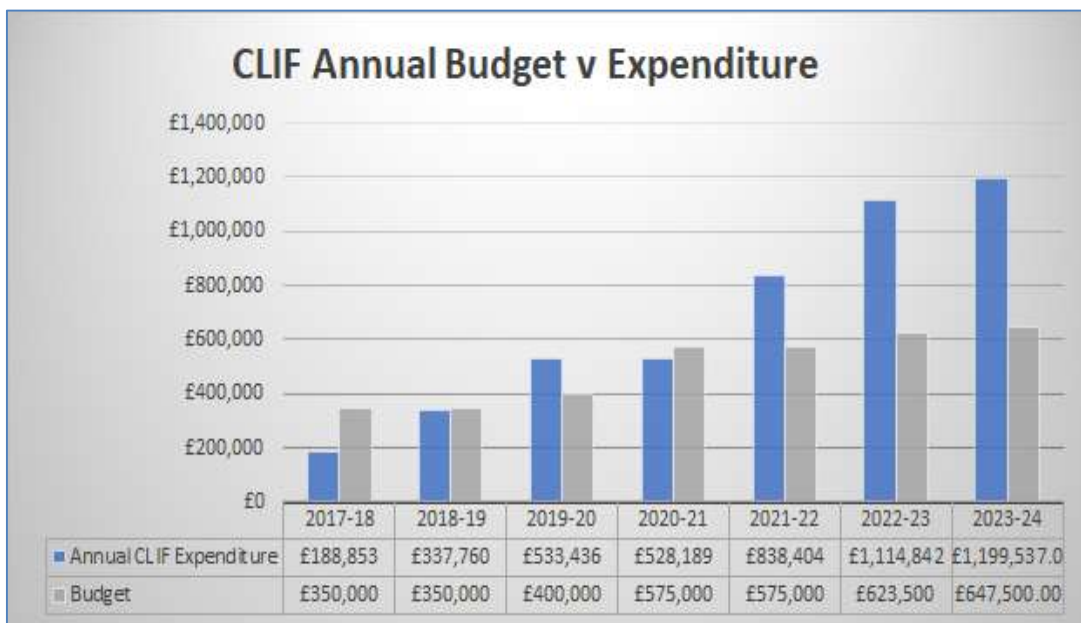
The number of children for which early education providers require support to meet need has increased significantly in the last 10 years as shown in figure 5.

Figure 5



The service has responded by increasing the budget available to allocate to providers to meet the needs of these children. The application of the funding formula means that any increase in the element of the overall allocation assigned to the Inclusion fund results on a decrease in the universal hourly rate. The increase in expenditure is shown in Figure 6.

Figure 6



From autumn 2024 Camden's inclusion funding has been allocated by banding based on the level of need of each child as shown in figure 5. The allocation of funding is to support providers to meet the needs of the child for a proportion of their nursery hours dependent on the level of need. The higher child / staff ratio in early years provision makes a direct comparison to funding provided to schools though the Exceptional Needs Grant impossible.

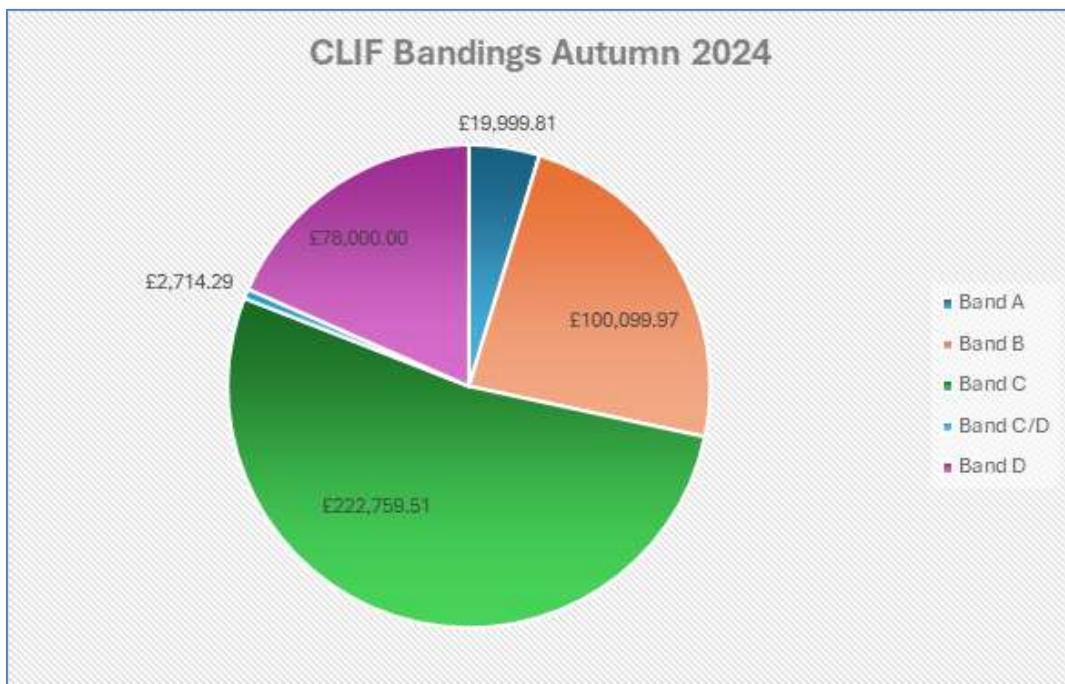
Figure 7

| Band | Criteria |
|--|--|
| A- child with emerging needs | Standard Inclusive Practice PLUS small group work and/or occasional additional adult support is required for 25% of the child's nursery hours. May have involvement from an external agency (child may be on waiting list) Individualised targets that require some adult support. |
| B - child with developing needs | Standard Inclusive Practice PLUS small group work and/or additional adult support is required for 50% of the child's nursery hours. Involvement from external agencies (child may be on waiting list). Individualised targets that require additional adult support. |
| C - child with significant and complex needs | Standard Inclusive Practice PLUS additional intensive support or vigilance is required for 75% of the child's nursery hours. Involvement from external agencies – child likely to have a diagnosis or be on an assessment pathway waiting list. Individualised targets that require a high level of additional adult support. |
| D - child with profound and complex permanent needs | Standard Inclusive Practice PLUS additional intensive support or vigilance is required for 100% of the child's nursery hours. Involvement from external agencies – child likely to have a diagnosis/be on an assessment pathway waiting list or have an identified medical diagnosis (eg. epilepsy, diabetes). Individualised targets that require intensive additional adult support. |

The 2024-25 local inclusion fund budget from early years DSG is £804,000 with a contribution from HNB of £500,000 making a total budget of £1.304m.

The total allocations made in the 2024 Autumn term for each band is shown in Figure 8.

Figure 8



3 Finance Comments of the Executive Director Corporate Services

The report details the proposed allocation of Early Years DSG funding for 2025/26 and it seeks Schools Forum approval for the proposed hourly rates payable to providers and for the retained element of funding used by the local authority to administer the schemes.

Early years DSG funding must be passed to providers in accordance with the ESFA conditions of grant which also allows for a level of retention for administration.

So far as the proposed expenditure levels continue to remain within the annual grant allocation and continue to comply with the grant conditions, there are no additional finance comments

4 Legal Comments of the Borough Solicitor

Local Authorities have duties under the Childcare Act 2016 and 2006 on early years provision. The main change in 2025 to 2026 is an increase of one percent in the pass-through requirement for local authorities to 96%.

5. Environmental Implications

These proposals have no environmental impacts

REPORT ENDS