

<b>Service Area:</b>	Learning and Early Support
<b>Presented By:</b>	Debbie Lea and Jayne Whitton
<b>Report:</b>	Kirklees Early Years Funding Formula 2024-25 and Special Educational Needs and Disabilities Inclusion Fund Proposals.
<b>Date:</b>	9 February 2024
<b>Purpose Of Report:</b>	Consider results of the provider consultation and recommendations from the Early Years and Childcare Provider Reference Group and Council Officers.
<b>Is a Decision Required?</b>	Yes – Decision required to support or challenge the recommendations so that the Council can make a final decision.

## Kirklees Early Years Funding Formula 2024-25 and Special Educational Needs and Disabilities Inclusion Fund Proposals

### Introduction – expansion to the early years entitlements

In March 2023 the Department for Education (DfE) announced significant expansion to the early years entitlements to begin from April 2024.

The new entitlements mean that **eligible working parents** in England will be able to access 30 hours of childcare per week for 38 weeks per year from the term after their child turns 9 months up to when they start school. Rolled out as follows:

- From April 2024, 15 hours for 2-year-olds
- From September 2024, 15 hours will be extended to 9-month-olds and above
- From September 2025 all eligible working parents of 9-month-olds and above will be able to access 30 hours per week (38 weeks a year).

### Changes to the Early Years National Funding Formula

Over the summer of 2023 the DfE consulted on proposals to ensure the funding system will support the delivery of the new working parent entitlements for children aged 9 months old up to and including 2 years old from April 2024. The government's response to the [consultation](#) was published on 29 November 2023.

The main changes to the funding system include:

- the introduction of a **new national funding formula (NFF)** covering both the existing 2-year-old entitlement for disadvantaged children and the new working parent entitlements.
- **extending the 95% pass-through requirement** to the disadvantaged 2-year-old entitlement and the new working parent entitlements, this means that local authorities can retain a maximum of 5% of each of the funding streams for central administration.
- the **provider base rate for disadvantaged 2-year-olds** should be **at least equal** to the **provider base rate for 2-year-old children of working parents**.
- a **discretionary deprivation supplement** for the disadvantaged 2-year-old entitlement and the new working parent entitlements, (the deprivation supplement for 3- and 4-year-olds will remain mandatory).
- a **special educational needs inclusion fund (SENIFs)** for all children with special educational needs (SEN) taking up the new and existing entitlements.
- extending eligibility for **early years pupil premium (EYPP)** and the **Disability Access Fund (DAF)** to eligible children aged 2 years old and under accessing the entitlements.

### Special Educational Needs and Disabilities Inclusion Fund (SENDIF) Review

In addition to changes at a national level and the requirement to set the local early years funding formula, Kirklees Council is reviewing the management of the special educational needs inclusion fund (SENIF) referred to locally as SENDIF.

Kirklees has historically provided extensive financial support compared to other Local Authorities in the Yorkshire and Humber region.

Demand for SENDIF in Kirklees has increased significantly over recent years. Expenditure in 2021-22 was £1.9 million, £2.3 million in 2022-23 and estimated at £3.1 million for 2023-24. This is not sustainable under the current funding model.

Since 2017, the introduction of the Early Years National Funding Formula, the Early Years block and High Needs block funding have contributed £100,000 (£50,000 per block), Kirklees Council has subsidised the difference i.e. the majority of the SENDIF.

## Consultation

Local Authorities are required to consult with early years providers and Schools Forum when changing their Early Years Funding Formula. The consultation document (appendix 1) contains two parts; section A focuses on the funding formula and section B focuses on the proposed changes to the SENDIF.

Key areas include:

1. Setting the provider base rates for the disadvantaged 2-year-old entitlement and the working parent 2 year old entitlement.
2. Consideration for a discretionary deprivation supplement for the disadvantaged 2-year-old entitlement and/or the working parent entitlements for 2 year olds and under.
3. Setting the central retention value.
4. Setting a contingency fund.
5. 2024-25 transfer from the Early Years Block to the High Needs Block.
6. The special educational needs and disabilities inclusion fund (SENDIF) – setting the value and considering options for the method of allocation.

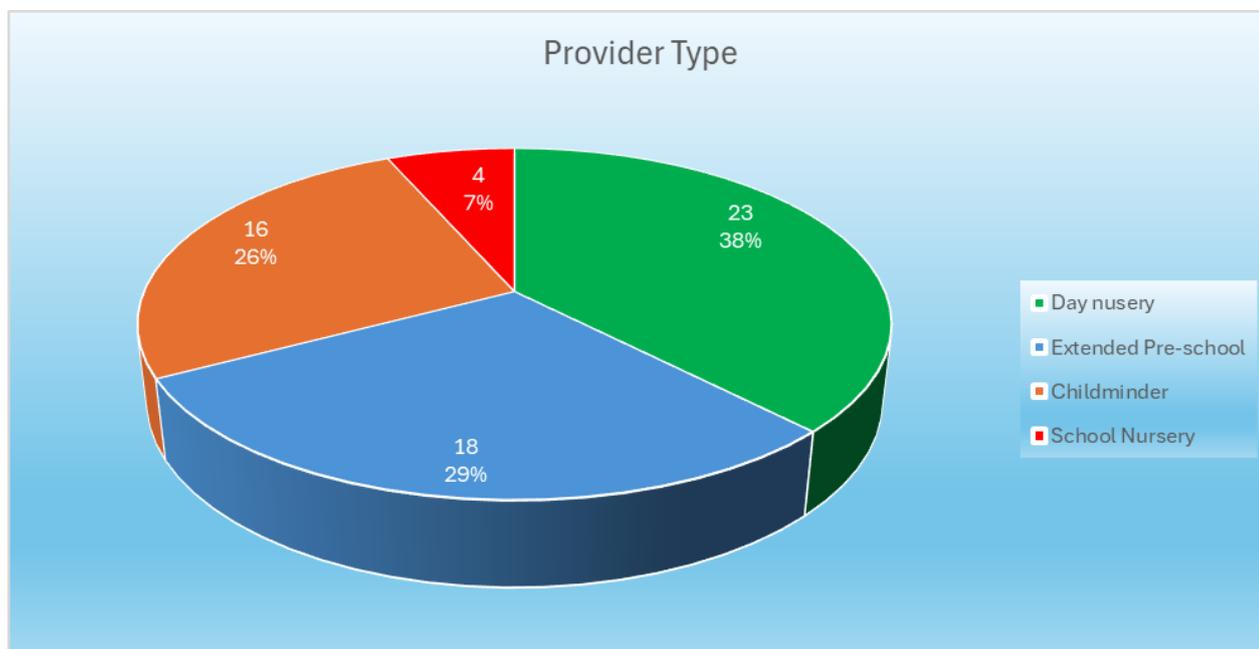
An online consultation opened on 15<sup>th</sup> December 2023 and closed on 21<sup>st</sup> January 2024.

In addition to the online consultation, three briefing sessions were held on Wednesday 10<sup>th</sup> January, Thursday 11<sup>th</sup> January and Monday 15<sup>th</sup> January. The table below shows the number of bookings and attendees.

Date	Venue	Number of Bookings	Number of Attendees
Wednesday 10 <sup>th</sup> January 18:30-20:30	Huddersfield Town Hall	19	16
Thursday 11 <sup>th</sup> January 18:30-20:30	Dewsbury Town Hall	11	8
Monday 15 <sup>th</sup> January 18:30-20:30	Online – Microsoft Teams	194	81

## Consultation responses

There are currently 388 providers registered to provide early education and childcare, 61 providers responded to the survey (16%), results are shown below.



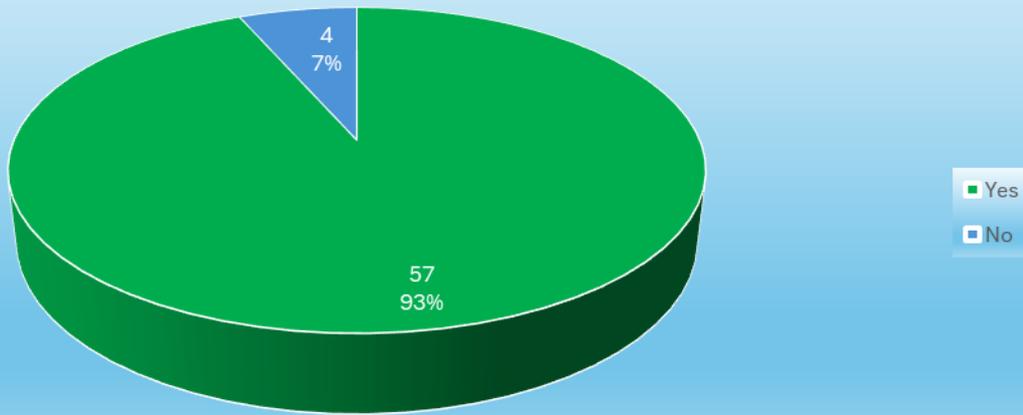
## Section A: Kirklees Early Years Funding Formula 2024-25 Consultation Responses

A summary of the responses to questions 1 to 5 is shown in the tables below. A clear majority of providers agree with the proposals set out in questions 1, 3, 4 and 5. In question 2, the majority have chosen the option to maximise funding through the provider base rates and not to have a discretionary deprivation supplement for any of the entitlements, i.e. the disadvantaged 2-year-old entitlement, the working parent 2-year-old entitlement and the working parent under 2-year-old entitlement. This resonates with provider feedback received during previous funding formula consultations.

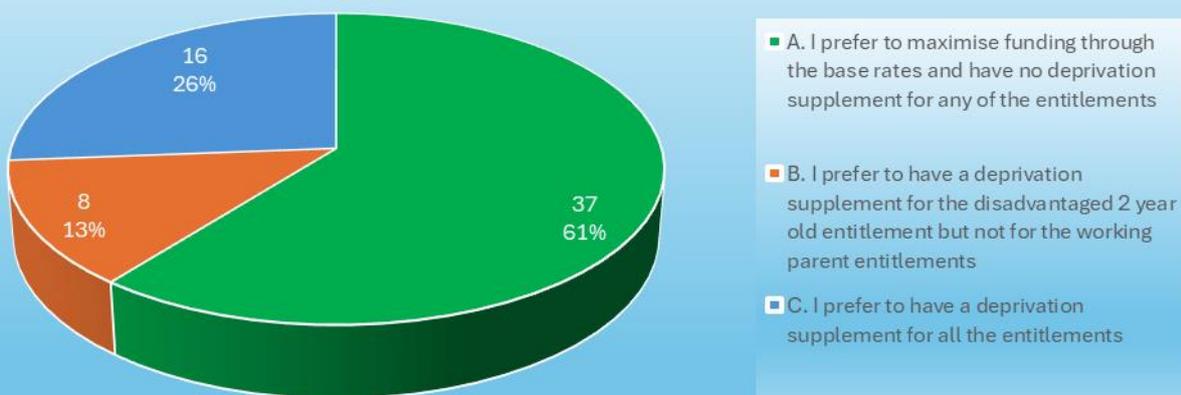
	Number of settings in agreement	Percentage	Number of settings that did not agree	Percentage
<b>Question 1:</b> Do you agree that there should be one base rate for both 2-year-old entitlements?	57	93%	4	7%
<b>Question 3:</b> Do you agree with the proposed increases to amount retained centrally to support administration of the new entitlements?	40	66%	21	34%
<b>Question 4:</b> Do you agree with the proposals for retaining an amount for contingency?	48	79%	13	21%
<b>Question 5:</b> Do you agree with the proposed Early Years Block transfer to the High Needs Block of £0.5 million in 2024-25?	37	61%	24	39%

	A: Have no deprivation supplements		B: Have a deprivation supplement for the disadvantaged 2-year-old entitlement		C: Have a deprivation supplement for all the entitlements	
	Number	Percentage	Number	Percentage	Number	Percentage
<b>Question 2:</b> Discretionary deprivation supplement preference	37	61%	8	13%	16	26%

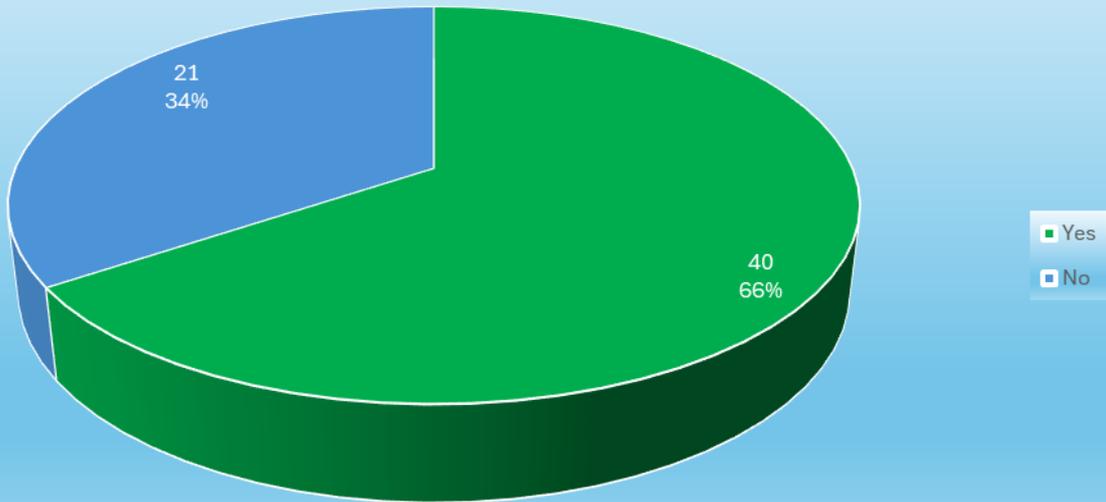
Q1. Do you agree that there should be one base rate for both 2-year-old entitlements?



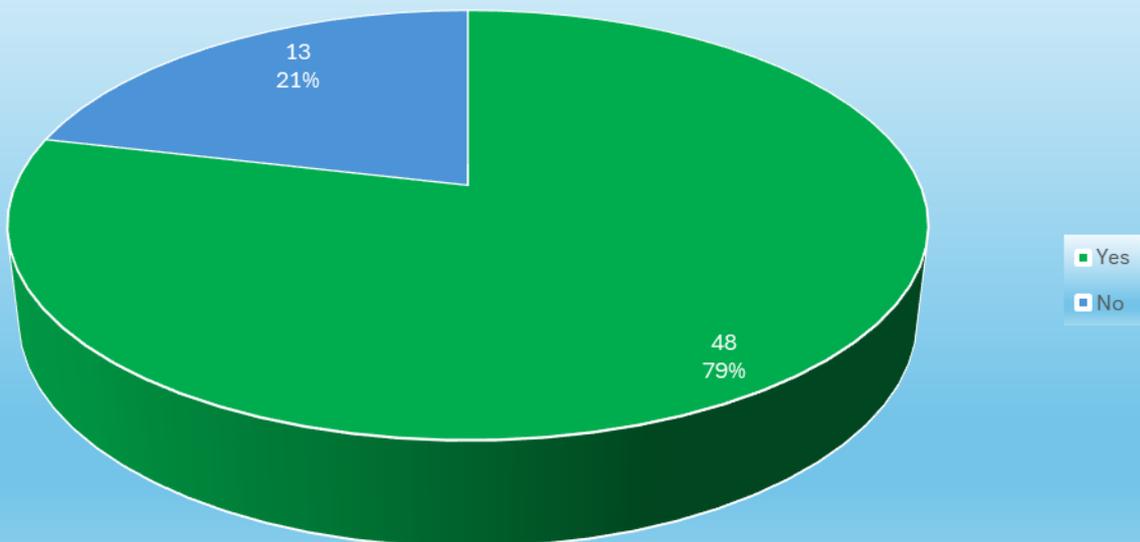
Q2. Please indicate which option is your preference regarding a discretionary deprivation supplement.



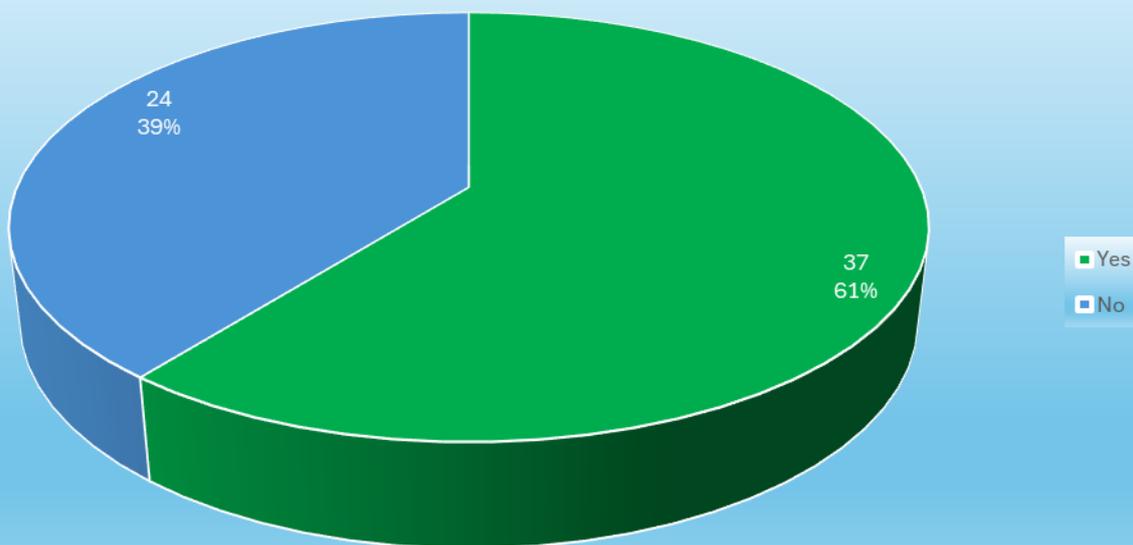
Q3. Do you agree with the proposed increases to the amount retained centrally to support administration of the new entitlements?



Q4. Do you agree with the proposals for retaining an amount for contingency?



Q5. Do you agree with the proposed Early Years Block transfer to the High Needs Block of £0.5 million in 2024-25?



## Section B: Special Educational Needs and Disabilities Inclusion Fund (SENDIF) Consultation Responses

### Question 6. Preference regarding the value of the special educational needs and disabilities inclusion fund (SENDIF)

Whilst more Providers responded to indicate a preference for the value of SENDIF to be £1 million from the High Needs Block with no contribution from the Early Years Block (49%), the combined number of preferences for SENDIF to be more than £1 million was slightly higher (51%) with a split of 43% in favour of £2 million and 8% in favour of £3 million.

Whilst this statistical differential appears minimal, an analysis of the comments raised by providers in relation to any potential reduction in current SENDIF highlight a number of potential risks of reducing SENDIF to less than a third of its current value from April 2024.

Responses to SENDIF specific questions cannot be regarded in isolation to the wider Early Years funding context and concerns around levels of funding for Early Years from central government. Three providers made reference to this in their responses when expressing a preference to minimise the impact upon base rates by not adding any contribution to the SENDIF budget from the Early Years Block.

Comments made by providers expressing a preference to make a contribution from the Early Years block included concerns around the impact of a reduced SENDIF budget with three providers making reference to the fact that the current SENDIF budget (circa £3 million) was not enough. Providers commented that a

reduction in SENDIF would impact upon their ability to meet the needs of children with SEND which would in turn impact upon places.

Provider preferences for the different funding levels were analysed to look at any potential differential between these and numbers of children accessing SENDIF currently within the settings who had responded.

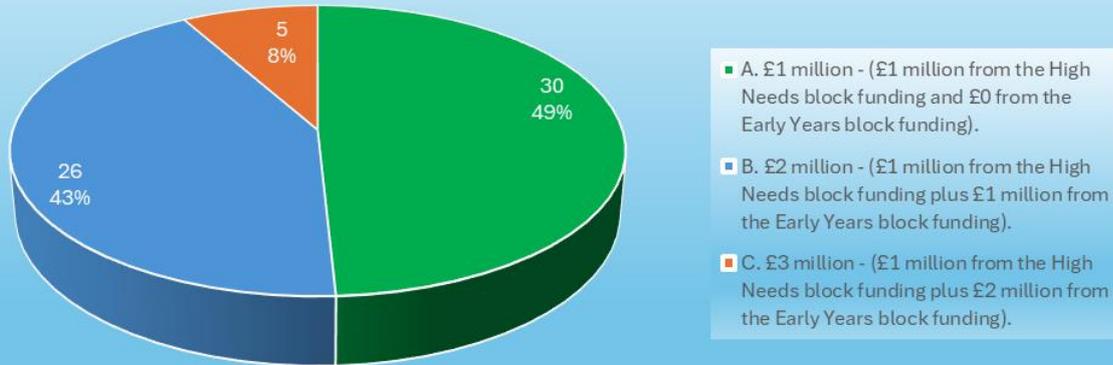
**Number of children in receipt of SENDIF attending the settings who responded analysed by the setting preference**

SENDIF value preference	Number of settings expressing preference	% of settings in receipt of SENDIF funding	Total number of children receiving SENDIF funding at these settings	Average number of children receiving SENDIF per funded setting	Respective proportion of total SENDIF children
£1m	30	53%	52	1.73	37%
£2m	26	77%	82	4.1	59%
£3m	5	40%	5	1	4%

The above table illustrates that those providers expressing a preference for the lowest SENDIF value have **substantially fewer** children accessing SENDIF currently than providers expressing a preference for a higher SENDIF value (£2 million). The figures illustrate that those settings with higher numbers of children with SENDIF currently would be disproportionately affected financially should the SENDIF value/budget be the lowest level of £1 million.

If the SENDIF value is set at £2 million, with a £1 million contribution from the Early Years block, the illustrative provider base rates are estimated to reduce by 13 to 14 pence across the different funding entitlement streams. The impact on the illustrative provider base rate for the 2-year-old entitlements is estimated to be 9 pence less than the current provider base rate for disadvantaged 2-year-olds in the current financial year 2023-24.

Q6. Please indicate which option is your preference regarding the value of the special educational needs and disabilities inclusion fund (SENDIF).



**Q7. Preference regarding the method of allocating SENDIF**

Provider preferences regarding the method of allocating the special educational needs and disabilities inclusion fund (SENDIF) indicated a clear majority (44%) to maintain a focus on those children identified with SEND but without the need for a panel process. There was a similar split between a simple hourly base rate allocation (30%) and to continue with a Panel process (26%) in terms of other preferences.

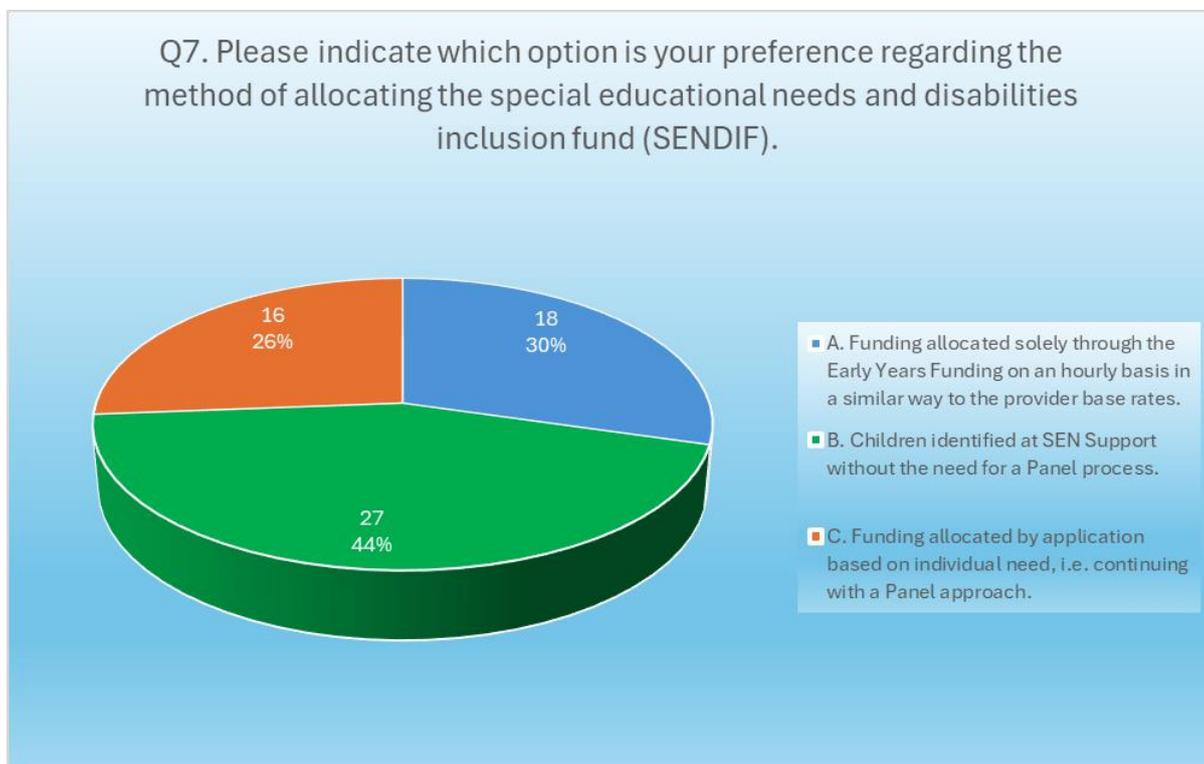
Whilst a number of comments made reference to the benefits of minimising administrative costs, those preferring to ensure a continued focus on SEND cited the importance of ensuring that there was transparency and confidence that SENDIF is targeted at children with SEND as is currently the case, expressing concern that allocating SENDIF on a universal basis in a similar way to the provider base rates would not ensure.

In addition to the above, the monitoring process included in Option B was regarded by a number of respondents to provide reassurance that whilst administrative costs would be kept to a minimum, there would still be a process in place to ensure that the allocation of SENDIF was monitored which provided confidence. There were also comments relating to the flexibility that this process would enable in respect of the opportunity to combine SENDIF funding allocated in the most effective way possible to meet the individual needs of children within the setting.

**Number of children in receipt of SENDIF attending the settings who responded analysed by the setting preference**

SENDIF allocation process preference	Number of settings expressing preference	Total number of children with SENDIF funding at these settings	Respective proportion of total SENDIF children
A) Funding allocated solely through the Early Years Funding on an hourly basis in a similar way to the provider base rates.	18	28	20%
B) Children identified at SEN Support without the need for a Panel process.	27	77	55.5%
C) Funding allocated by application based on individual need, i.e. continuing with a Panel approach.	16	34	24.5%

The above table indicates that providers preferencing a funding allocation model on an hourly basis in a similar way to provider base rates had **substantially fewer** children accessing SENDIF than those preferencing a system which ensures the requirement for children to be actively identified as having SEND in order to access SENDIF. Overall, 80% of respondents favoured a process which included clarity of identification of SEND (E.g. options B & C).



## Recommendations

Given the clear message from the provider survey regarding the proposals, and the additional analysis of the number of children in receipt of SENDIF attending the settings who responded, the recommendations are:

1. **One base rate for both 2-year-old entitlements.** i.e. the disadvantaged 2 year old entitlement and the working parent 2 year old entitlement.
2. **No discretionary deprivation supplement.** i.e. no deprivation supplement for the disadvantaged 2 year old entitlement, the working parent 2 year old entitlement and the working parent under 2 year old entitlement.
3. **Increase the amount retained centrally by £167,200.** £123,800 to support administration of the new entitlements and £43,400 for 5% inflation on the total amount to be retained.
4. **Create a contingency fund of 0.8% from each funding stream.** Funds will be paid to providers and not used for any other purpose.
5. **Transfer £500,000 from the Early Years Block to the High Needs Block in 2024-25** to support financial sustainability as per the Safety Valve Agreement with the Department for Education.
6. **SENDIF budget is set at £2 million,** which includes a £1 million contribution from the Early Years Block in addition to the £1 million contribution already agreed from the High Needs Block.
7. **The method for allocating SENDIF will take into consideration children identified at SEN Support,** without the need for a Panel process and to include a clear monitoring process to ensure that SENDIF is being targeted effectively at those children identified as eligible.

## Decisions

On 23 January 2024, the Council Cabinet delegated authority to the Cabinet Member for Children's Services, in consultation with the Strategic Director for Children's Services, to take account of the outcomes of the provider consultation, the views of the Early Years and Childcare Reference Group and Schools Forum, and to decide on the Early Years Funding Formula 2024-25 and implementation of the preferred SENDIF funding options.

The Early Years and Childcare Reference Group (which includes provider representation for childminders, pre-schools, day nurseries, out of school provision, primary schools and academies) met on 31<sup>st</sup> January 2024 to consider the above recommendations, the group were unanimous in support of all the recommendations.

Schools Forum met on 9<sup>th</sup> February 2024, there was unanimous support for all the recommendations.

## Appendices

1. Proposal document: Consultation on the Kirklees Early Years Funding Formula 2024-25 and the Special Educational Needs and Disabilities Inclusion Fund Proposals.

## Appendix 1

# Consultation on the Kirklees Early Years Funding Formula 2024-25

## Introduction

In March 2023 the Department for Education (DfE) announced significant expansion to the early years entitlements to begin from April 2024.

The new entitlements mean that **eligible working parents** in England will be able to access 30 hours of childcare per week for 38 weeks per year from the term after their child turns 9 months up to when they start school. Rolled out as follows:

- From April 2024, 15 hours for 2-year-olds
- From September 2024, 15 hours will be extended to 9-month-olds and above
- From September 2025 all eligible working parents of 9-month-olds and above will be able to access 30 hours per week (38 weeks a year).

Over the summer of 2023 the DfE consulted on proposals to ensure the funding system will support the delivery of the new working parent entitlements for children aged 9 months old up to and including 2 years old from April 2024. The government's response to the [consultation](#) was published on 29 November 2023.

The main changes to the funding system include:

- the introduction of a **new national funding formula (NFF)** covering both the existing 2-year-old entitlement for disadvantaged children and the new working parent entitlements.
- **extending the 95% pass-through requirement** to the disadvantaged 2-year-old entitlement and the new working parent entitlements, this means that local authorities can retain a maximum of 5% of each of the funding streams for central administration.
- the **provider base rate for disadvantaged 2-year-olds** should be **at least equal** to the **provider base rate for 2-year-old children of working parents**.
- a **discretionary deprivation supplement** for the disadvantaged 2-year-old entitlement and the new working parent entitlements, (the deprivation supplement for 3- and 4-year-olds will remain mandatory).
- a **special educational needs inclusion fund (SENIFs)** for all children with special educational needs (SEN) taking up the new and existing entitlements.
- extending eligibility for **early years pupil premium (EYPP)** and the **Disability Access Fund (DAF)** to eligible children aged 2 years old and under accessing the entitlements.

## Consultation process and timelines

Local Authorities are required to consult with early years providers each year, given the significant changes to the early years entitlements and further investment in early years it is especially important to seek the views of the sector. In addition to changes at a national level and the requirement to set the local early years

funding formula, Kirklees Council is reviewing the management of the special educational needs inclusion fund (SENIF) referred to locally as SENDIF.

This consultation document therefore has two parts; section A focuses on the funding formula provider base rates, supplements, contingency and central retention. Section B focuses on the proposed changes to the SENDIF.

### After the consultation

Provider feedback will be presented at the Early Years and Childcare Reference Group on 31 January 2024, the groups recommendations will be presented to Schools Forum on 9 February 2024. The Early Years and Childcare Reference Group includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.

## SECTION A – Funding Formula

### Funding Streams for 2024-25

There will be three funding streams for local authorities:

- 9 months to 2-year-old working parents (15 hours) entitlement
- 2-year-old disadvantaged (15 hours) and working parents (15 hours) entitlement
- 3- & 4-year-old universal (15 hours) and extended (15 hours) entitlement

Kirklees Local Authority rates for 2024-25 are confirmed in the table below alongside the national average. The three-and four-year-old rate includes a national average increase of 4.7%.

	Kirklees LA Current Base Rate 2023-24 (from Sept 23)	Kirklees LA Base Rate 2024-25	National average Base Rate 2024-25	National Base Rate range
<b>Under 2s</b>	n/a	<b>£10.41</b>	£11.22	£9.45 - £16.21
<b>2-year-olds</b> Disadvantaged and working parents	£7.32	<b>£7.65</b>	£8.28	£6.98 - £11.88
<b>3- and 4-year-olds</b> Universal & extended	£5.20	<b>£5.47</b>	£5.88	£5.47 - £9.04

The funding rate for the **Early Years Pupil Premium (EYPP)** will increase from 66p to **68p** per hour per eligible child, and the **Disability Access Fund (DAF)** will increase from £881 to **£910** per eligible child per year. 100% of these funds are passed onto providers.

Although this adds further investment to early years, Kirklees along with almost one third of other local authorities will still receive the lowest funding base rate in the country for three-and four-year olds from April 2024. Details of previous funding rates for the last three years can be found in Appendix A.

## Kirklees Early Years Block – Illustrative funding 2024-25

Funding stream	Confirmed rates	2024-25 Illustrative funding allocation
3 & 4 yr olds - Universal	£5.47	£19,818,869
3 & 4 yr olds - Extended	£5.47	£8,998,228
2 yr olds - Disadvantaged	£7.65	£5,564,260
2 yr olds - Working parent	£7.65	£7,685,381
Under 2s - (from Sept 24)	£10.41	£5,298,675
<b>Total place funding</b>		<b>£47,365,416</b>
Early Years Pupil Premium (EYPP)	£0.68	£1,123,374
Disability Access Funding (DAF)	£910.00	£359,650
Maintained Nursery School Supplementary Funding (MNSSF)	£4.93	£162,986
<b>Total Early Years Block</b>		<b>£49,011,424</b>

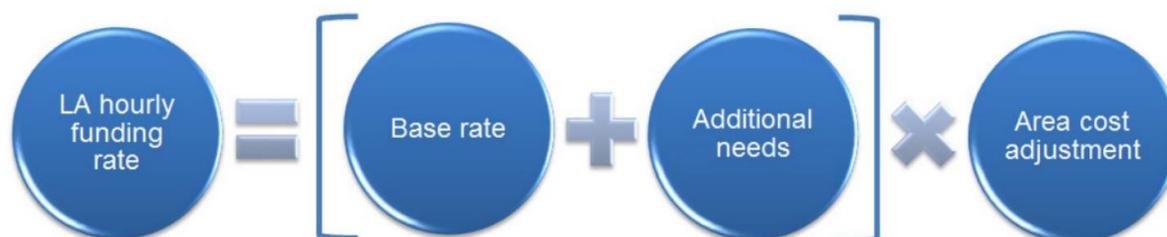
### Key areas included in the consultation

1. Setting the provider base rates for the disadvantaged 2 year old entitlement and the working parent 2 year old entitlement.
2. Consideration for a discretionary deprivation supplement for the disadvantaged 2 year old entitlement and/or the working parent entitlements for 2 year olds and under.
3. Setting the central retention value
4. Setting a contingency fund
5. 2024-25 transfer from the Early Years Block to the High Needs Block
6. The special educational needs and disabilities inclusion fund (SENDIF) – setting the value and considering options for the method of allocation – details are included in section B.

### 1. Provider base rates for the disadvantaged 2-year-old and the working parent 2-year-old entitlements

The government are introducing a new national funding formula for the existing entitlement for disadvantaged 2-year-olds and for the new working parent entitlements for children aged 9 months up to and including 2 years old. The funding formula will follow the shape of the existing national funding formula for the 3 and 4-year-old entitlements. Like the 3 and 4-year-old formula, the new formula will feature:

- a universal base rate of funding for each child (89.5% of funding)
- an additional needs factor (10.5% of funding)
- an area cost adjustment (ACA) to reflect variations in costs across England



Although the new formula will follow the same structure as the existing 3 and 4-year-old formula, a slightly different approach is being taken to deprivation in the additional needs factor. A combination of free school meals (FSM) data and a measure based on the income deprivation affecting children index (IDACI) as proxies for deprivation, rather than FSM only.

Supporting children from disadvantaged backgrounds remains a priority. For this reason, the government require local authorities, through regulations, to ensure that the total funding rate (that is the provider base rate, plus supplements if applicable) for the disadvantaged 2-year-old entitlement is at least equivalent to the total funding rate for the 2-year-old working parent entitlement.

Because the national funding formula rates include an amount to reflect deprivation, it is suggested that the Kirklees provider base rate for disadvantaged 2-year-olds and for the new working parent entitlement for 2-year-olds is the same, however provider feedback is welcomed. Refer to pros and cons in the table on pages 5 and 6 for more information.

**2. Discretionary deprivation supplement for the disadvantaged 2 year old entitlement, the working parent 2 year old entitlement and the working parent under 2 year old entitlement.**

Funding supplements are amounts of funding paid to providers in addition to the provider base rates to reflect local needs or policy objectives. Local authorities may apply a permitted supplement to the base rate for any of the entitlements.

For the 3 and 4-year-old entitlements, it is mandatory for local authorities to include a deprivation supplement in their local funding formula, all other permitted supplements are delegated to local authority discretion.

For the 2-year-old entitlements and the entitlement for children aged 9 months up to 2 years old, all permitted supplements including deprivation are delegated to local authority discretion.

Local authorities are expected to ensure funding for deprivation is reflected in their approach to funding the entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. This could be achieved through a deprivation supplement, particularly if a single provider base rate is used for both 2-year-old entitlements.

As mentioned above, because the national funding formula rates include an amount to reflect deprivation, it is suggested that the Kirklees formula does not include a deprivation supplement for the disadvantaged 2-year-olds and for the new working parent entitlement for 2-year-olds and under, however provider feedback is welcomed. Refer to pros and cons in the table below for more information.

<b>Pros and Cons for proposals 1 and 2</b>
<p>Notes to consider:</p> <ul style="list-style-type: none"> <li>• The national funding formula rates include an amount to reflect deprivation.</li> <li>• Early Years Pupil Premium is being extended to all of the entitlements hence funding will be supplemented for deprived children via this funding.</li> <li>• A deprivation supplement is <b>mandatory</b> for the 3- and 4-year-old entitlements.</li> <li>• A deprivation supplement will be <b>discretionary</b> for the entitlements for 2-year-olds and under.</li> <li>• There is uncertainty around the preparedness for April 2024 of third-party IT systems used by the local authority to administer early years funding.</li> </ul>

	Options	Pros	Cons
1	<p><b>Same base rate for both 2-year-old entitlements</b> e.g. the disadvantaged 2-year-old entitlement and the working parent 2-year-old entitlement.</p>	<p>Simpler for all. Only one provider headcount required for all 2-year-olds. Hence providers will submit one estimate and one actual claim for all 2-year-olds.</p> <p>No confusion over which headcount to add a child.</p>	<p>No additional funding built into the provider base rate for disadvantaged 2-year-olds.</p>
2a)	<p><b>No deprivation supplement for any of the entitlements</b> e.g. the disadvantaged 2-year-old entitlement, the working parent 2-year-old entitlement and the working parent under 2-year-old entitlement</p>	<p>Simple to administer.</p> <p>Funding maximised through the base rates.</p>	<p>No additional deprivation funding for children most in need.</p>
2b)	<p><b>Deprivation supplement for the disadvantaged 2-year-old entitlement only</b></p>	<p>Additional deprivation funding for children most in need.</p>	<p>Less funding passed through the base rate.</p> <p>Current IT system would require two separate provider headcounts hence greater administration burden for all.</p>
2c)	<p><b>Deprivation supplement for all the entitlements</b> e.g. the disadvantaged 2-year-old entitlement, the working parent 2-year-old entitlement and the working parent under 2-year-old entitlement</p>	<p>Funding formula would align with the 3- and 4-year-old entitlement as a deprivation supplement is mandatory for 3- and 4-year-olds.</p>	<p>Less funding passed through the base rates.</p> <p>As the deprivation supplement is based on the income deprivation affecting children index (IDACI), funding may not be targeted at children most in need.</p>

### 3. Central retention

Local authorities are required to pass through 95% of the early years funding to providers, for 2024-25, the 95% pass-through requirement will apply separately to the entitlements for:

- 9-months-old children up to 2-year-olds of working parents
- 2-year-old children of working parents
- 2-year-old children from disadvantaged families
- 3 and 4-year-olds (universal and additional hours)

For 3 and 4-year-olds, there is no change, and the pass-through requirement will apply to the universal and additional hours in combination. But for 2-year-olds and under, the requirement will apply to each of the entitlements individually.

The 95% includes the following formula elements for each of the above entitlements separately:

- base rate funding for all providers
- supplements for all providers
- the funding paid directly to providers from the special educational needs and disabilities inclusion fund (SENDIF)
- contingency funding

Due to the significant expansion of the early years entitlements commencing in April 2024, it is proposed to increase the amount retained centrally by £123,800 to support administration and distribution of the early years funding, and to ensure sufficient, sustainable high quality provision. This is an increase of 16.6% compared with an increase of 60.6% to the Early Years Block. Also included in the proposed amount is the cost of administering the SENDIF panels, this is subject to the consultation on the SENDIF which is detailed in part B. The proposed amount also includes a 5% increase overall for inflation. After considering the proposed amounts to be retained centrally, the funding pass through would be 96.9% of the total early years block funding which exceeds the requirement of 95%. See table below for details.

Budget area	2023-24	Additional resources for 2024-25	5% increase on 2023-24	Proposed amount 2024-25	Description
Early Learning and Childcare	£614,300	£123,800	£36,905	<b>£775,005</b>	Free Early Education Funding, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£74,800		£3,740	<b>£78,540</b>	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£42,400		£2,120	<b>£44,520</b>	Contribution to the Inclusion Officer team
Miscellaneous	£12,600		£630	<b>£13,230</b>	Contribution to admissions, maternity, union duties etc.
SENDIF Panels *		£54,531	£2,727	<b>£57,258</b>	Administration of the SENDIF Panels *
<b>Total</b>	<b>£744,100</b>	<b>£178,331</b>	<b>£46,122</b>	<b>£968,553</b>	

\* Subject to the provider consultation on SENDIF detailed in part B.

#### 4. Setting a contingency

It is prudent to set aside a contingency given the size of the Early Years block and due to the significant expansion of the entitlements over the next two years which will inevitably bring some volatility. However, it is likely to take longer than two years for the entitlements to become fully embedded and take-up stabilise.

In addition to the above, with the rollout being staggered over three parts, the second and third taking place in September 2024 and September 2025 respectively, there is a risk of a shortfall of funding from the Department for Education (DfE). The reason being due to the difference between how funding is calculated for local authorities and then distributed from local authorities to providers. For example, the DfE will provide funding for 22 weeks for the autumn term 2024 and spring term 2025 whereas the local authority fund providers for a total of 26 weeks in the autumn and spring terms. To mitigate against this, alongside the proposal to set a contingency fund, the base rate for under 2s has been adjusted (reduced). The same risk will be applicable in September 2025 when the entitlements for working parents of 2-year-olds and under increase from 15 hours to 30 hours. From April 2026, the risk should be eliminated as there will be no changes mid-year.

It is proposed that a contingency fund of 0.8% from each funding stream is created. This is intended as funds which will be paid to providers and not used for any other purpose.

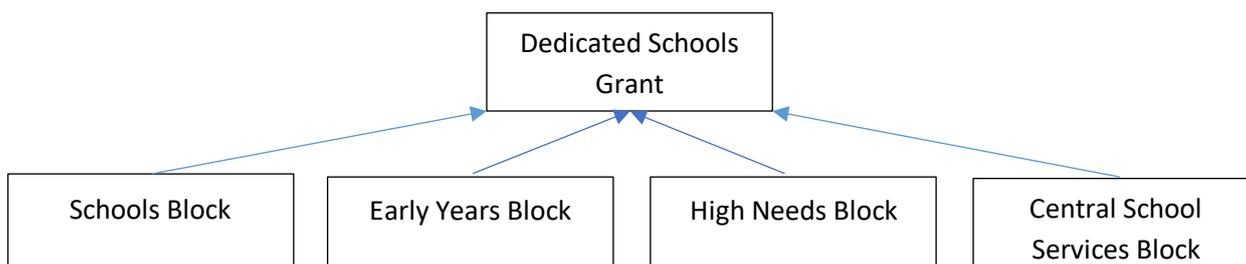
#### 5. 2024-25 transfer from the Early Years Block to the High Needs Block

The SEND Inclusion Fund (SENDIF) has historically been funded from the Council’s General Fund Budgets. Education and Skills Funding Agency (ESFA) guidance states that SENDIF should be funded from the High Needs (HN) Block and/or the Early Years (EY) Block of the Dedicated Schools Grant (DSG). A decision was taken by the council in the financial year 2022/23 to transfer the funding of SENDIF to the HN Block from April 2023 onwards.

It is proposed, in line with ESFA guidance, that from the financial year 2024/25 a block transfer of £0.5 million from the EY Block to the HN Block will be made to help fund the costs relating to SENDIF. As a result of overspending on the whole HN Block, the Council is working with the Department for Education (DfE) under an agreement, referred to as the Safety Valve agreement, which is expected to run until the financial year 2027/28. Whilst this will bring additional funding, the Council have agreed in principle with the DfE for an EY Block Transfer and for this to continue for the duration of the Safety Valve agreement to support financial sustainability, but this will be subject to review and consultation each year.

For context, the Council have also agreed in principle with the DfE for a Block Transfer from the Schools Block of the DSG which is expected to be £2.6 million in 2024/25.

#### Visual illustration of the make-up of the Dedicated Schools Grant



## Formula options for 2024-25

The current funding formula can be found in Appendix B.

Note: Example models using indicative rates are provided to demonstrate how changing one element of the formula could impact on other elements.

		Illustrative rates based on options for the deprivation supplement		
		Option A	Option B	Option C
* 2024-25 options Includes administration cost of SENDIF panels £57,258, this is subject to provider consultation on the allocation method for SENDIF	<b>Current formula &amp; rates 2023-24</b>	No deprivation supplement for any of the entitlements i.e. 2 year olds and under	Deprivation supplement for the disadvantaged 2-year-old entitlement only	Deprivation supplement for all the entitlements
<b>Total Early Years Block Funding</b>	<b>£32,300,000</b>	<b>£49,011,424</b>	<b>£49,011,424</b>	<b>£49,011,424</b>
Deprivation allocation	£320,000	£320,000	£364,600	£457,600
Early Years Contribution to SENDIF	£50,000	See section B		
Central retention *	£744,100	£968,553	£968,553	£968,553
Under 2s provider base rate (from Sept 2024)	n/a	£8.90	£8.87	£8.85
2-year-old (disadvantaged) provider base rate	£7.29	£7.39	£7.38	£7.34
2-year-old (working parent) provider base rate	n/a	£7.39	£7.38	£7.34
3- & 4-year-old (universal & extended) provider base rate	£5.03	£5.27	£5.27	£5.27

## SECTION B – The special educational needs and disabilities inclusion fund (SENDIF)

### Introduction

This section aims to provide a clear understanding of SENIF, its current allocation approach, and the proposed changes, inviting feedback from early years providers. Your input is invaluable in shaping the future direction of support for young children with special educational needs and disabilities (SEND) in our community. Please note within Kirklees, the SENIF is referred to as 'SENDIF'.

### Overview

The objective of this consultation is twofold:

1. Consulting on the **value** of SENDIF: Setting the value of SENDIF through contributions from the Early Years block funding.
2. Consulting on the **approach** to allocating SENDIF: Seeking feedback on proposed options in the method of allocating SENDIF.

### Background and Context

As mentioned at the beginning of this document, the government have confirmed that from April 2024 local authorities should establish SENDIFs for all children with SEN taking up the free early years entitlements, currently this requirement applies to children aged three and four only.

SENDIF is intended to support local authorities to work with providers to address the needs of individual children with lower level or emerging SEN who are taking up the entitlements. Funding for SENDIF can come from both the Early Years block and High Needs block funding of the Dedicated Schools Grant. This fund will also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.

All early years providers are required to have arrangements in place to identify and support children with SEN and/or disabilities and to promote equality of opportunity for children in their care. Kirklees Local Authority have invested in a number of initiatives to increase the support available for settings to meet SEND needs. This includes investment in enhancing the Early Years SEND outreach team, Inclusion Counts, and an enhanced SEND training offer which includes access to Dingley's Promise; all of which supports and empowers settings to promote inclusion and meet the needs of young children with SEND.

Kirklees has historically provided extensive financial support compared to other Local Authorities in the Yorkshire and Humber region. Whilst our commitment to support inclusion within our local early years settings remains unchanged, the current strategy is under review and we welcome your feedback to inform changes to SENDIF.

It is acknowledged that demand for SENDIF in Kirklees has increased significantly over recent years. Expenditure on SENDIF in the financial year 2021-22 was £1.9 million and in 2022-23 was £2.3 million, with an estimated increase to £3.1 million for the current financial year (2023-24). The spend on SENDIF has increased each year and is not sustainable under the current funding model.

Since the introduction of the Early Years National Funding Formula in 2017, a contribution of £50,000 from the Early Years block funding and £50,000 from the High Needs block funding has been allocated each financial year to the SENDIF budget. Kirklees Local Authority has subsidised the difference, therefore funding the vast majority of the SENDIF.

It is proposed that £1,000,000 is a reasonable contribution from the High Needs block to support SENDIF from April 2024. It is recognised that this is less than current and previous spend on SENDIF and so any increases to this will need to be allocated from the Early Years block. An increased contribution from the Early Years block will mean slightly less funding passed through the provider base rates for the new and existing entitlements hence your feedback is important.

In line with the changes to Government guidance there is a proposal to provide SENDIF for children accessing the free entitlements only subject to cabinet approval. Illustrative figures presented are in line with those proposals. Individual children who receive SENDIF outside of these entitlements will be reviewed.

## **1. Setting the Value of the SENDIF**

The following options are proposed for the value of the SENDIF.

- a) £1 million (£1 million from the High Needs block funding and £0 from the Early Years block funding).
- b) £2 million (£1 million from the High Needs block funding plus £1 million from the Early Years block funding).
- c) £3 million (£1 million from the High Needs block funding plus £2 million from the Early Years block funding).

The table below shows the Early Years Block Funding allocation and formula elements for the current financial year (2023-24) and the impact on the provider base rates for each of the proposed options above.

The funding amounts and provider base rates are for illustrative purposes, final formula funding and the provider base rates will be confirmed after this consultation.

		Illustrative rates based on options for the SENDIF value in 2024-25		
		Option A	Option B	Option C
* 2024-25 options Includes administration cost of SENDIF panels £57,258, this is subject to provider consultation on the allocation method for SENDIF	<b>Current formula &amp; rates 2023-24</b>	£1 million from the High Needs block funding and £0 from the Early Years block funding	£1 million from the High Needs block funding plus £1 million from the Early Years block funding	£1 million from the High Needs block funding plus £2 million from the Early Years block funding
<b>Total Early Years Block Funding</b>	<b>£32,300,000</b>	<b>£49,011,424</b>	<b>£49,011,424</b>	<b>£49,011,424</b>
Deprivation allocation	£320,000	See section A		
Early Years Contribution to SENDIF	£50,000	£0	£1,000,000	£2,000,000
Central retention *	£744,100	£968,553	£968,553	£968,553
Under 2s provider base rate (from Sept 2024)	n/a	£8.85	£8.71	£8.56
2-year-old (disadvantaged) provider base rate	£7.29	£7.34	£7.20	£7.05
2-year-old (working parent) provider base rate	n/a	£7.34	£7.20	£7.05
3- & 4-year-old (universal & extended) provider base rate	£5.03	£5.27	£5.14	£5.01

## 2. Process for allocating the SENDIF to settings

The current process for accessing SENDIF involves childcare providers submitting applications for additional funding to the termly SENDIF Panels for approval and subsequent allocation. This is time intensive and bureaucratic for everyone involved. There may be alternative ways to allocate the money to providers that will continue to support providers to be inclusive to those children with SEND.

The following options are proposed for the allocation of SENDIF.

- Funding allocated solely through the Early Years Funding on an hourly basis in a similar way to the provider base rates.
- Children identified at SEN Support without the need for a Panel process. It is anticipated providers would submit details alongside their early years funding claims.
- Funding allocated by application based on individual need, i.e. continuing with a Panel approach. (Note, this will require more funding to be retained centrally hence reducing funding passed through to Early Years providers).

Option	Pros	Cons
<b>A) SENDIF funding allocated solely through the Early Years provider hourly rates</b>	<ul style="list-style-type: none"> <li>No need for application or panel therefore time efficient</li> </ul>	<ul style="list-style-type: none"> <li>Funding is not determined specifically by individual SEND needs</li> </ul>

<p><b>B) SENDIF funding allocated to children identified with SEN Support without the need for a Panel process</b></p>	<ul style="list-style-type: none"> <li>• Funding is directed to children with identified SEND</li> </ul>	<ul style="list-style-type: none"> <li>• There would need to be a process established to claim for these children and allocate funding</li> <li>• Would be a marginal increase to funding that is retained centrally for administration</li> </ul>
<p><b>C) SENDIF funding allocated by application based on individual need, i.e. continuing with a Panel approach.</b></p>	<ul style="list-style-type: none"> <li>• Funding is directed to children with identified SEND</li> </ul>	<ul style="list-style-type: none"> <li>• Time consuming for all</li> <li>• Would increase funding that is retained centrally for administration hence less funding passed through the provider base rates</li> </ul>

## Summary

Provider participation in this consultation through the accompanying online survey questions is crucial. Your feedback will help shape the future allocation and utilisation of SENDIF, ensuring its effectiveness in supporting children with special educational needs.

Thank you for your engagement in this consultation process. Your input is instrumental in fostering an inclusive environment for all children in Kirklees.

Kirklees Early Years Funding Formula rates recent history

Year	2 year olds		3&4 year olds Universal and Extended hours	
	Kirklees LA Base Rate	Provider Base Rate	Kirklees LA Base Rate	Provider Base Rate
2021-22	£5.36	£5.17 £5.33 <sup>1</sup>	£4.44	£4.27 £4.43 <sup>1</sup>
2022-23	£5.57	£5.38 £5.45/£5.50/£5.43 <sup>2</sup>	£4.61	£4.48 £4.55/£4.60/£4.53 <sup>2</sup>
2023-24	£5.63 £7.32 <sup>4</sup>	£5.60 £5.70 <sup>3</sup> £7.29 <sup>4</sup>	£4.87 £5.20 <sup>4</sup>	£4.70 £4.80 <sup>3</sup> £5.03 <sup>4</sup>

Year	Under 2s		Disadvantaged 2 year olds		Working parent 2 year olds		3&4 year olds Universal and Extended hours	
	Kirklees LA Base Rate	Provider Base Rate	Kirklees LA Base Rate	Provider Base Rate	Kirklees LA Base Rate	Provider Base Rate	Kirklees LA Base Rate	Provider Base Rate
2024-25	£10.41	TBC	£7.65	TBC	£7.65	TBC	£5.47	TBC

<sup>1</sup> Temporary increase of 16p from Summer 2021 to Spring 2022, using the balance carried forward from 2020-21.

<sup>2</sup> Varying temporary increases from Summer 2022 to Spring 2023, using the balance carried forward from 2021-22.

<sup>3</sup> Temporary increase of 10p for Summer 2023, using the balance carried forward from 2022-23.

<sup>4</sup> Increase from Department for Education from September 2023. 33p for 3&4 yr olds, £1.69 for 2 year olds.

## Appendix 1B

### Current Early Years Funding Formula (2023-24)

#### Base rates

- £5.60 (permanent) Summer £5.70\* / Autumn & Spring £7.29\*\* for two-year olds
- £4.70 (permanent) Summer £4.80\* / Autumn & Spring £5.03\*\* for three- and four-year olds (universal and extended hours)

\* Temporary uplift added to the permanent base rates using the balance carried forward from 2022-23.

\*\* Increase to the funding rates from the Department for Education from September 2023.

#### Deprivation

The allocation is £312,000, funding is allocated using the current metric IDACI (Income deprivation affecting children index) the rates are:

- Band A: £0.27
- Band B: £0.21
- Band C: £0.20
- Band D: £0.18
- Band E: £0.11
- Band F: £0.09

#### SEN Inclusion Fund for three- and four-year olds

£50,000 contribution for low level and emerging needs SEN to support providers from all sectors delivering the free entitlement.

#### Central retention

£744,100 is retained to fund quality improvement, administration costs associated with delivery of the free entitlements and SEN support. Kirklees retains only 2.5%, see table below. Local Authorities are permitted to retain 5% of the Early Years budget. The retention amount has remained the same since the introduction of the early years formula in 2017 with no adjustments for inflation for 5 years. In April 2023, a 5% increase was added for inflation.

Budget area	Budget	Description
Early Learning and Childcare	£614,300	Free Early Education, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£74,800	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£42,400	Contribution to the Inclusion Officer team
Miscellaneous	£12,600	Contribution to admissions, maternity, union duties etc
<b>TOTAL</b>	<b>£744,100</b>	

#### Additional funding for eligible three- and four-year olds

100% of additional funding is passed directly onto providers.

- Early Years Pupil Premium, applicable to universal entitlement hours only, the hourly rate is £0.62 (April to August) £0.66 (September to March).
- Disability Access Funding (DAF), a lump sum payment of £828 (April to August) £881 (September to March), available each year to funded children in receipt of Disability Living Allowance (DLA).