

SCHOOLS' FORUM

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Report title	Dedicated Schools Grant - Early Years Block 2024-2025
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Summary

This report provides details of the proposed use of the Early Years funding block of the Dedicated Schools Grant in 2024-2025

Decisions

Members of the Forum are asked to:

- Agree to the proposed use of the Early Years Block grant for 2024-2025

Schedule of background papers

- Schools operational guide 2024 to 2025 - December 2023
- Schools and Early Years Finance (England) Regulations 2023
- Early years entitlements: local authority funding operational Guide 2024-2025
- Dedicated Schools Grant allocation tables: 2024 to 2025 (www.gov.uk)
- Early years funding extension of entitlements: government consultation response (www.gov.uk)
- Early years funding rates and step-by-step calculations 2024 to 2025 (www.gov.uk)

1.0 Background

1.1 The Department for Education (DfE) introduced a National Funding Formula for Early Years (EYNFF) in 2017, and Schools' Forum agreed to wholly adopt the formula from its onset. Over summer 2023 the government consulted on proposals to ensure the funding system supports the delivery of the new working parent entitlements for children aged 9 months up and including 2 years old from 2024. The main changes are:

- introduction of a new national funding formula (NFF) covering both the existing 2-year-old entitlement for disadvantaged children and new working parent entitlements to be introduced in 2024 to 2025 for 2-year-olds and children aged 9 months to 2 years.
- extending the 95% pass-through requirement to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- extending local funding rules to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- a requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents.
- new deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements
- confirming the expectation that local authorities have special educational needs inclusion funds (SENIFs) for all children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken.
- extending eligibility for EYPP and DAF to eligible children aged 2 years old and under accessing the entitlements from 2024 to 2025 and increases to the value of both funding streams.

1.2 The Early Years block grant paid to the Council is mainly based on hourly rates from the EYNFF, and the initial Early Years Block grant for 2023-2024 was £20.0 million. In July 2023 the government announced a new early years supplementary grant (EYSG) from September 2023 for the financial year 2023 to 2024. The Wolverhampton allocation was £1.1 million.

1.3 In July 2023 the government announced support for early years with increased teacher workforce costs from 1 September 2023, covering the period September 2023 to March 2024. The value of the Early Years Teachers Pay Additional Grant (EY TPAG) was £135,983. Both the (EYSG) and (EY TPAG) grants are incorporated into local authorities' core funding arrangements through the Early Years funding block of the dedicated schools grant (DSG) from 2024-2025, meaning that settings will not receive these separate grants in 2024-2025.

- 1.4 The indicative allocation for 2024-2025 is shown in the table below. The new working parent entitlements for children aged 9 months up to and including 2 year olds is detailed, including the extended eligibility for Early Years Pupil Premium and Disability Access Fund entitlement to children aged 2 and under.

DEDICATED SCHOOLS GRANT	2024-2025	2023-2024
EARLY YEARS' BLOCK	allocations	allocations
	(indicative)	(indicative)
	£million	£million
Universal entitlement for 3 & 4 year olds	13.3	12.2
Additional 15 hours for eligible 3 & 4 year olds	3.6	3.1
2-year-old disadvantaged entitlement	4.3	3.0
2-year-old entitlement for working parents - NEW	3.2	
Under 2s entitlement - NEW	2.2	
Early Years Pupil Premium for 3- & 4-year-olds	0.4	0.4
Early Years Pupil Premium for 2-year-olds & under - NEW	0.2	
Disability Access Fund for 3- & 4-year-olds, includes 2 years olds & under - NEW	0.2	0.1
Maintained Nursery School Supplementary Funding	1.2	1.2
Total Early Years Block indicative allocation	28.6	20.0

2.0 Proposals for 2024-2025 hourly rates

- 2.1 The initial EYNFF paid to the Council for 3- and 4-year-old funding will be £5.74 for 2024-2025 (this was £5.50 in 23-24 allowing for the part-year supplementary grant increase from September 2023). The document Early years funding rates and step-by-step calculations 2024 to 2025 published by the ESFA shows how this rate is calculated.
- 2.2 Adjustments to this rate are made on an annual basis as shown in the table below, and the proposal is to maintain the existing adjustments for Special Education Needs and Deprivation Supplement funding at the same level as in 2023-2024. It is proposed to increase the centrally retained funding element from 0.04p to 0.17p per hour, this will support the costs of the Early years service and means 3% overall centrally retained funding compared to the maximum 5%. In 2023-2024 an element of 0.15p per hour relating to Pay and Pension costs at school nurseries was top-sliced, it is proposed that this continues for 2024-2025 with an amount paid to each School nursery, equivalent to that received in 2023-2024, via a quality supplement.
- 2.3 To ensure sufficiency of high quality provision in addition to the above supplement, it is proposed to introduce a one-off quality supplement to effectively increase the hourly rate for - & 4-year-olds in independent settings (PVI and childminder) by 15 pence per hour. This will be funded from the previous year's unspent DSG and will cost in the region of £175,000.

2.4 It is proposed the 3- and 4-year-old rate of £5.74 is utilised as below:

3- & 4-Year-Old Funding	2024-2025 Hourly Rate (£)	2023-2024 Hourly Rate (£)
Local Authority Settlement	5.74	5.19
Separate Teachers Pay and Pension element for School nurseries	0.15	0.15
Special Educational Needs Inclusion Fund Top Up Grant	0.09	0.09
Deprivation Supplement Funding	0.35	0.35
Centrally Retained Funding	0.17	0.04
Universal hourly rate for all settings	4.98	4.56

2.5 The Wolverhampton hourly rate for both disadvantaged 2-year-olds and 2-year-olds with working parents will be £8.24 in 2024-2025 which is an increase from 2023-2024 rate of £5.67. The 2-year-old hourly rate has previously been passed through in full to settings as per the guidance. From 2024-2025 the current framework of rules for the distribution of entitlements funded by local authorities for 3- and 4-year-olds has been extended to the 2-year rates and new under 2 rates. As a result, up to 5% of the hourly rate can be retained centrally. There are no proposed changes to the adjustments for deprivation or SENIF grants. The proposed rate ensures the funding rate paid for the 2-year-olds disadvantaged entitlement is at least equivalent to the rate for the 2-year-old working parent entitlement.

2.6 It is proposed the 2-year-old rate of £8.24 is utilised as below:

2 Year Old Funding for both disadvantaged entitlement and entitlement for working parents	2024-2025 Hourly Rate (£)	2023-2024 Hourly Rate (£)
Local Authority Settlement	8.24	5.67
Centrally Retained Funding	0.41	0
Universal hourly rate for all settings	7.83	5.67

2.7 The under 2's hourly rate entitlement Wolverhampton rate for 2024-2025 will be £11.27. From 2024-2025 the current framework of rules for the distribution of entitlements funded by local authorities for 3- and 4-year-olds has been extended for the 2-year rates and new under 2 rates. As a result, up to 5% of the hourly rate can be retained centrally.

2.8 It is proposed the Under 2's rates of £11.27 is utilised as below:

Under2's entitlement	2024-2025 Hourly Rate (£)	2023-2024 Hourly Rate (£)
Local Authority Settlement	11.27	N/A
Centrally Retained Funding	0.56	N/A
Universal hourly rate for all settings	10.71	N/A

2.9 Local Authorities are expected to "pass-through" a minimum of 95% of the above hourly rates funding to providers and the proposed formula for 2024-2025 will result in pass through rates of 97% for 3- & 4-year olds and 95% for both 2-year-old entitlements and

the under 2's entitlement. The centrally retained element proposed from the 3- and 4-year-old and disadvantaged 2-year-old entitlement is estimated to be in the region of £700,000 and this will support the current cost of the existing Early years team and the increased staffing required to implement the changes to Early years provision in 2024-2025. The 2024-2025 take up of the extended 2-year-old and under 2 funding is unknown at this stage, however all central income will be ringfenced to support costs related to Early years. The pass-through rates will be reviewed annually against costs to ensure all centrally retained funding is used appropriately.

2.10 The table below sets out the proposed hourly rates for Early years funding in 2024-2025 :

Proposed Hourly Rates (2024-2025)	Hourly Rate (£)
Base Hourly rate (3 & 4 years olds - Universal and additional entitlement)	4.98
2 Year Old Funding for both disadvantaged entitlement and entitlement for working parents	7.83
Under2's entitlement	10.71
Maintained Nursery supplementary funding	4.64

As noted above the Deprivation and Inclusion funding is passed to settings in addition to the base rate for 3- and 4-year-olds.

2.11 The following table sets out the Early years block budgets for 2024-2025 based on the indicative settlement and allowing for the use of previous years underspend for the proposed quality supplement for Independent settings:

DEDICATED SCHOOLS GRANT	2024-2025 allocations (indicative)
EARLY YEARS' BLOCK	£million
Distributed to settings at base rate £4.98 per hour	14.7
Maintained Nursery School Supplement £4.64	1.4
2 year old disadvantaged funding - distributed to settings at £7.83 per hour	4.0
2 year old working parent funding - distributed to settings at £7.83 per hour	3.0
Under 2s - distributed to settings at £10.71 per hour	2.0
Early Years Pupil Premium at £0.68 per hour	0.4
Early Years Pupil Premium for 2 year olds & Under 2's	0.2
Total Distributed to Providers	25.7
RETAINED CENTRALLY FOR DISTRIBUTION BASED ON ELIGIBILITY	
SEN Inclusion Fund supplement at £0.09 per hour	0.3
Deprivation Funding Distribution £0.35 per hour	1.0
Disability Access Fund	0.2
Quality Supplement 1 - School Nurseries 22-23 TPECG & TPG	0.4
Quality Supplement 2 - Independent Setting Quality Supplement	0.2
RETAINED FOR CENTRAL SUPPORT SERVICES	
3&4 year olds - £0.17p	0.5
2year olds disadvantaged - £0.41p	0.2
2 year olds working parents & under 2s - £0.41p	0.3
TOTAL EARLY YEARS BLOCK	28.8

3.0 Disability Access Fund

3.1 Disability Access Fund (DAF) is distributed at a rate of £910 per eligible pupil. If a pupil attends more than one setting using their free entitlement, the parent must nominate the main setting to receive the supplement. If a pupil moves from one setting to another after the DAF has been paid, the new setting will not receive the grant for this pupil until the anniversary of the initial payment has been reached. There are no amendments to the distribution of this fund, as it is clearly defined by DfE and DWP eligibility criteria.

4.0 Maintained Nursery School Supplementary Grant

4.1 The maintained Nursery School Supplementary grant continues to be available in 2024-2025, as detailed above the hourly rate will be £4.64 (£3.80 in 23-24) and the total indicative allocation is £1.4 million. The uplift for 2024-2025 as in 2023-2024 is subject to the EFSA funding floor which for 2024-2025 is £4.34. With the annual increase of 3.3% and the notional rate for the Teachers pay and pension grant the rate would only be £4.34, the EYNFF funding floor moves this rate up to £4.64.

4.2 The maintained nursery supplement is considered as ringfenced by the Council and so any overall underspend at the end of the financial year (once confirmed by the final Early years block allocation in the July following the end of the financial year in March) will be paid to settings in line with grant funding in year.

5.0 SEN Inclusion Funds

5.1 Each Local Authority is required to have SEN Inclusion Funds for all three- and four-year-olds with special educational needs (SEN) who are taking up free entitlements, regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to address the needs of individual children with SEN. This fund also supports local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.

5.2 SEN Inclusion funds are targeted at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.