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<b>Report title:</b>	<b>Dedicated Schools Grant 2024-25 Early Years Block</b>
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## **Dedicated Schools Grant 2024-25 Early Years Block**

### **PURPOSE OF REPORT**

1. This report sets out the provisional Early Years Block, Dedicated Schools Grant (DSG) allocation for 2024-25 and provides details of the changes in comparison to 2023-24. It asks for Forum members to confirm the funding rates for early year's providers.

### **Recommended actions for school forum**

2. The Schools Forum is asked to agree:
  - i) The funding rates for Early Year providers of
    - 3 and 4 year olds base rate of £6.15 per hour (Section 8.1)
    - 2 year old (deprived households) base rate of £9.00 per hour (Section 8.1)
    - 2 year old (working households) base rate of £9.00 per hour (Section 8.1)
    - Under 2's funding rate of £12.28 per hour (Section 8.1)
    - Deprivation rates for all age groups as set out in Section 8.2
    - Disability Access Funding rate for all age groups of £2,000 per year (Section 8.3)
    - Early Years Pupil Premium rate for all age groups of £0.68 per hour. (Section 8.5)
    - 3 and 4 year old rate to distribute the TPAG funding is raised to £0.40 per hour (Section 8.4).
  - ii) That the central retentions budget should be set at £915k as per Section 5.2.
  - iii) That the forum accept the changes to the Early Years formula following the results of the consultation as discussed in Section 4.
  - iiii) Agree the increase of the SENDIF budget to £518,000

### **Background**

3. The Dedicated Schools Grant (DSG) is broken down into four blocks; one of those blocks is called the Early Years Block. The Department for Education (DfE) initially estimates each Local Authority's (LA's) 2024/25 funding based on the January 2023 pupil numbers. The DfE estimated 2024-25 early years funding for Southwark is £34.9m.
  - 3.1 The DfE will amend the funding during the financial year to reflect the January 2024 census numbers and again after the financial year has finished to reflect the January 2025 census.
  - 3.2 The details of the settlement are included in Appendix A.

- 3.3 As can be seen in Appendix A there is a significant change brought about by the implementation of the expanded age ranges, with the total indicative Early Years block allocation increasing by £10.9m.
- 3.4 The funding rate for 3 and 4 years olds has increased by 54 pence, which includes the merging of the 2023/24 Teacher Pay and Pensions grant in to the funding for the early years block.

There are two complications in the calculation and distribution of the Early Years Block that need to be borne in mind.

Firstly, the summer term is funded on the basis of the previous spring term pupil numbers. As at least with 3&4 year olds, you would expect pupil numbers to be higher in the summer term, the funding will not cover the amount given out to settings. The autumn and spring terms are funded on the basis of that second spring term's pupil numbers. As before pupil numbers for the spring term would be expected to be higher than for the autumn term, so for the autumn term funding would exceed the amount distributed and for the spring term the two would match. This means that Local Authorities are not funded for the same number of pupils that they are having to cover and the balance between the summer overspend and autumn underspend is a major element of the Early Years block outturn. Further to this, as 7 months of the year are funded on the basis of the spring term that falls in the year, if the spring numbers are higher or lower than estimated, the impact is exaggerated (e.g. if spring numbers are lower than anticipated, spring and autumn funding falls, but only spring spend reduces). This results in volatility in Early Years block estimates.

The second complication is that the DfE/ESFA fund on the basis of months, meaning that 42% of LA funding is for the summer term (5/12), 33% for the autumn term (4/12) and 25% for the spring term (3/12). Southwark's funding of Early Years providers is on the basis of weeks, where the summer term represents 34% (13/38), the autumn term represents 34% (13/38) and the spring term represents 32% (12/38). This means there is a significant mismatch between the funding for a term and the spend for that term, which is particularly problematic when new provision starts in the autumn term, as the DfE/ESFA will provide funding for 58% of the year, but Southwark will need to fund 66% of the year.

### **Early Years Funding Arrangements Consultation Response**

4. As a result of the expansion of the age ranges covered by the free early entitlements, Southwark carried out a consultation with providers on proposed amendments to its Early Years Funding Arrangements, which closed just before Christmas. A total of 60 responses were received.
  - With regard to the proposal to set up two separate funding formulas for 2 year olds, one for the deprived households provision and one for the working households provision, 62% of respondents voted in support. As members will see from the proposed rates, we are funding both the deprived and working households 2 year-old provisions at the same rate. The separate formulas have been established in case of future need for flexibility.

- With regard to the proposal to extend the Deprivation supplement to the additional age ranges, 85% were in support.
- With regard to the proposal to use the same Deprivation supplement rates on all age ranges, there was a 65% vote of support.
- For the proposal for the Teacher Pay & Pension supplement to remain only for 3&4 year old pupils, only a fifth voted No, 35% voting Yes and a number were Unsure. This supplement distributes the former Teacher Pay and Pension Grants to settings that employ a qualified teacher in line with teacher pay and conditions. As such, many settings will be unfamiliar with this supplement which may explain the larger number of “Unsure” responses for this question. The purpose of this supplement is to pass to schools the funding that was previously distributed by the grants, whilst not excluding other settings from receiving the additional funding (a number of PVI settings are in receipt of this supplement). The supplement achieves this aim at present, whilst applying solely to 3&4 year-old provision. The DfE distributed further early years teacher pay funding to LA’s in 2023/24 and did so using just 3&4 year old pupil numbers. The supplement does not and is not intended to cover the full additional cost of a teacher.

4.1 As a result of the positive support from the consultation, each of the recommendations have been implemented when building this year’s formula.

### **Maintained Nursery Schools (MNS) Supplementary Funding**

5. The average MNS Supplementary Funding hourly rate across the country has increased by 20% and this is reflected in the rates for Southwark which have increased from £6.27 to £7.52. This includes the additional funding announced in 2023/24 which was delivered via the Early Years Supplementary Grant. The indicative supplementary funding now stands at £1.492m, but there is a well-established downward trend in MNS 3&4 year–old numbers, which this funding is based on, so the final figure is expected to be lower. As agreed at the last meeting the nursery schools will be asked how they want this distributed amongst themselves.

### **Teachers Pay Additional Grant**

6. For the 2024 to 2025 financial year, £22.5m funding for teachers’ pay in early years will be incorporated into local authorities’ core funding arrangements nationally, through the early years funding block of the dedicated schools grant (DSG), rather than through a separate teachers’ pay grant.

This funding will be added to the existing Teacher Pay & Pension supplement which is distributing earlier grants of this nature.

### **Disability Access Fund**

7. Part of the Early Years block is funding for the Disability Access Fund. This funding is passed to providers that enrol children that are eligible for Disability Living Allowance and is intended to remove the barriers that these pupils face when trying to access the 3&4 year old free entitlement.

The funding provided to Southwark is based on the number of DLA eligible 3&4 year olds in the borough, but the number of these pupils in settings is far lower. This means that the funding passed to settings is lower than the funding received. To address this rates were increased in 2023-24 to £2,000, up from £800 the previous year.

So far in 2023-24, funding has been provided to 50% more pupils, achieving the aim of increasing the number of DAF awards and potentially increasing the number of DAF pupils accessing early years provision. Even with these additional numbers it is predicted that this higher rate will still be affordable within the funding total, although this will continue to be monitored. As a result, it is proposed to retain the rates at £2,000 per year in 2024/25, the same rate as in 2023-24.

### Funding Rates for 2024/25

8. The tables below show the proposed hourly rates for under 2's, 2, 3 and 4 year. Funding rates for all provider types are the same.

#### Early Years Single Funding Formula (EYSFF) - Base Rates

Base Rates	24/25 Rates	23/24 Rates
3 & 4 yr olds	£ 6.15	£ 6.15
2 yo (Deprived)	£ 9.00	£ 6.80
2 yo (Working)	£ 9.00	
Under 2's	£ 12.28	

- 8.1 Children will attract this amount of funding to their setting for each hour recorded on the termly census.

As well as funding this base rate, the DfE/ESFA hourly rate for each age group also funds supplements, SENDIF, central spend and contingency.

#### EYSFF - Deprivation Rates

- 8.2 Deprivation rates are the same for all provider types and across all age groups. These amounts will be paid out per hour recorded on the census dependent upon the child's home postcode.

Deprivation	3 & 4 yr old	2 yo (Deprived)	2 yo (Working)	Under 2's	2023-24 Rates
IDACI Band 1	£ -	£ -	£ -	£ -	-
IDACI Band 2	£ 0.41	£ 0.41	£ 0.41	£ 0.41	£ 0.31
IDACI Band 3	£ 0.65	£ 0.65	£ 0.65	£ 0.65	£ 0.62
IDACI Band 4	£ 0.94	£ 0.94	£ 0.94	£ 0.94	£ 0.94
IDACI Band 5	£ 1.25	£ 1.25	£ 1.25	£ 1.25	£ 1.25
IDACI Band 6	£ 1.55	£ 1.55	£ 1.55	£ 1.55	£ 1.55

The 2023-24 rates show applied to 3&4 year old provision and 2 year old deprived household provision.

Deprivation rates have remained unchanged for a number of years. Rate 2 and 3 have been increased this year to better reflect the costs of deprived pupils in these IDACI ranges.

### Teachers Pay Additional Grant

8.3 These amounts will be paid out per hour recorded on the termly census, dependent upon the setting having a qualified teacher on its payroll, paid in accordance with teacher pay and conditions.

TPAG	2024-25	2023-24
3&4 yr olds	£ 0.40	£ 0.34

See section 6 for further detail.

### Disability Access Fund

DAF	2024-25	2023-24
3 & 4 yr olds	£ 2,000	£ 2,000
2 yo (Deprived)	£ 2,000	
2 yo (Working)	£ 2,000	
Under 2's	£ 2,000	

8.4 See section 7 for detail.

### EYPP

8.5 These amounts will be paid out per hour recorded on the termly census for eligible pupils, up to a maximum of 15 hours per week.

EYPP	2024-25	2023-24
3 & 4 yr olds	£ 0.68	£ 0.62
2 yo (Deprived)	£ 0.68	
2 yo (Working)	£ 0.68	
Under 2's	£ 0.68	

These amounts match the rates set by the DfE/ESFA

### Special Educational Needs & Disability Inclusion Fund (SENDIF)

9. Local Authorities are currently required to establish a SENDIF to work with providers to address the needs of individual children with SEN who are taking up the 3&4 year old entitlements. From April 2024 this requirement will be extended to children taking up the 2 year-old entitlement, and from September 2024 to children taking up the under-2 entitlement.

- 9.1 It is expected that LA's will pass the majority of their SENDIF to providers on a case by case basis, but it can also be used to fund specialist SEN services. The SENDIF is open to all providers of the early years entitlements and does not preclude providers from making Education, Health & Care Plan (EHCP's) applications.
- 9.2 As Southwark currently benchmarks near the bottom of Inner London authorities, it is proposed that the SENDIF budget is increased to move towards the Inner London average by increasing the budget as detailed in the table below:

<b>SENDIF</b>	<b>2024-25 Budget Proposed</b>	<b>2023-24 Budget</b>
SENDIF Total	£ 518,000	£ 250,000

- 9.3 As well as increasing the available SENDIF for 3&4 year old children, this increase will also cover the expansion of provision to 2 year olds and under 2's.
- 9.4 In addition to the increase from the EY block, a further increase is proposed funded by the High Needs Block which is presented in item 5 on this agenda.

### **Early Years Central Retentions**

10. The LA retains a proportion of the Early Years Block in order to meet its statutory duties in respect of early education and childcare as set out in the Childcare Act of 2016 and related guidance. These include:
- Duty to secure free early education for all 3 and 4 year olds and specified 2-year-olds
  - Duty to collect information about individual children receiving early years provision and supply that information to DfE (school and early years census)
  - Duty to fund early education places in all sectors using a locally-determined, transparent formula: the early years single funding formula
  - Duty to secure information, advice, and training for childcare providers in their area
  - Duty to provide information, advice, and assistance to parents and prospective parents on the provision of childcare in their area.

These duties are delivered through three small teams within Children's & Adults services:

- The Free Early Learning Team (3 staff) manages the free early education offer process, including termly headcount/claims process, funding to early years settings and promoting the free entitlement to parents.
- The Early Years Quality Improvement Team (5 staff) provides information, advice, and support to the 150 early years group care settings and 350 childminders in Southwark.
- The Early Years Consultants (1 EY advisor, 2 consultants) in the Standards team provide information, advice, and support to schools in relation to the Early Years Foundation Stage.

10.1 For 2024-25 the limit for central retentions on the Early Years Block continues to be 5%. A £40k (4%) increase has been included in the Early Years team's retention to reflect the additional work anticipated as a result of the age range expansion and to reflect inflationary pressures. The central retention percentage remains safely within the 5% limit.

	<b>2024-25 Central Retention on Early Years Block</b>	<b>2023-24 proposed Central Retention on Early Years Block</b>
	<b>£000</b>	<b>£000</b>
Early Years Teams Staffing	579	539
Early Help Service (See below)	336	336
<b>Total</b>	<b>915</b>	<b>875</b>

10.2 The Family Early Help (FEH) and Transformation Service provides a team of 68 staff, directly delivering a whole family approach, and supports the integration of Under 5s work within Children & Family Centres (CFCs) commissioned by the Local Authority. The whole family approach delivered by FEH Practitioners and CFC Family workers ensures that all children and adults within a household are offered support.

10.3 The average monthly contacts from external agencies requesting early help for children has increased from 235 per month in 2019/20 to over 400 per month in 22/23 (a 76% increase) This is alongside approximately 100 children a month transferred from statutory services to this level 2 provision.

10.4 The majority of early help support (as measured by assessments completed) supports children of secondary school age (66 – 70% over the last 4 academic years). The proportion of under 5s receiving support ranges from 23 – 30% over the last 4 years.

### **Termly Calculations – 2025-26 Financial Year Changes**

11. The purpose of this section is to give early notice of our intention to bring proposals to Forum regarding changes to the number of weeks that are funded in each term of the financial year. This change would take effect in April 2025.

Currently providers are funded for 13 weeks of provision based on the summer term census, 13 weeks based on the autumn term census and 12 weeks based on the spring term. This split does not mirror well the actual numbers of weeks in each term or the termly split in the funding provided by the DfE/ESFA.

11.1 The changes will not affect the total amount of funding that is distributed to providers as regulations ensure this is at least 95% of the funding we receive and this funding would not be affected by such a change.

Bringing the split in line with the number of weeks in a term will mean that the funding provided would be more in line with provider costs. Bringing it in line with the DfE/ESFA funding split will reduce the volatility in Early Years block projections, making modelling less risky and reducing the amount of contingency that needs to be held back. It will also reduce the downward pressure on hourly rates caused when new provision starts in September.

11.2 Before making these changes we will first consult with early years providers on proposals, and we intend to do this during the 2024-25 financial year, to have proposals ready for implementation in 2025-26.

11.3 In the simplest terms, we will be extending the number of weeks for the Summer term, and shortening the Spring term and Autumn term. More detail will be provided for consideration prior to a decision on consultation.



## Appendix A

<b>Early Years Block - Indicative Allocation Detail</b>	<b>2024-25</b>	<b>2023-24</b>	<b>Change</b>
Hourly rate for 3 and 4 year old entitlements	7.60	7.06	0.54
Number for 3 and 4 year old universal entitlement funding	3,727.13	3,727.13	0.00
Indicative funding allocation for universal entitlement for 3 and 4 year olds	16,145,928	14,998,717	1,147,211
Number for 3 and 4 year old additional 15 hours entitlement for eligible working parents	1,196.51	1,196.51	0.00
Indicative allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds	5,183,282	4,814,996	368,286
Hourly rate for 2 year old entitlement	10.97	7.56	3.41
Number for 2 year old disadvantaged entitlement funding	590.80	590.80	0.00
Indicative funding allocation for 2 year old disadvantaged entitlement	3,694,214	2,545,876	1,148,338
Estimated number for 2 year old entitlement for working parents	730.72		731
Indicative funding allocation for 2 year old working parent entitlement	4,569,120		4,569,120
Hourly rate for under 2s entitlement	14.98		15
Estimated number for under 2s entitlement	370.23		370
Indicative funding allocation for under 2s entitlement	3,161,246		3,161,246
Number for 3 and 4 year old early years pupil premium funding	838.00		838
Indicative funding allocation for early years pupil premium for 3 and 4 year olds	324,809	296,150	28,659
Estimated number for 2 year old early years pupil premium funding	477.94		478
Indicative funding allocation for early years pupil premium for 2 year olds	185,250		185,250
Estimated number for under 2s early years pupil premium funding	23.90		24
Indicative funding allocation for early years pupil premium for under 2s	9,264		9,264
Estimated number for 3 and 4 year old disability access funding	140.00		140
Funding allocation for disability access fund for 3 and 4 year olds	127,400	111,780	15,620
Estimated number for 2 year old disability access funding	26.00		26
Funding allocation for disability access fund for 2 year olds	23,660		23,660
Estimated number for under 2s disability access funding	8.00		8
Funding allocation for disability access fund for under 2s	7,280		7,280
Hourly rate for supplementary funding for maintained nursery schools	7.52	6.27	1.25
Number for supplementary funding for maintained nursery schools	348.00	348	0
Indicative supplementary funding allocation for maintained nursery schools	1,491,668	1,243,718	247,950
<b>Total early years block</b>	<b>34,923,121</b>	<b>24,011,237</b>	<b>10,911,884</b>