

ITEM 5

Early Years Dedicated Schools Grant (DSG) Funding and Options for 2024/25

Summary

Local authorities are required to consult with Early Years providers on annual changes to their local formula, which are then agreed with our School Forum.

This paper sets out the annual review undertaken and recommendations for the allocation of the 2024/25 Early Years DSG budget, considering the government's childcare reform.

Recommendations

Schools Forum is requested to:

- a) Agree the rate to be paid to early years providers in 2024/25, including the extended entitlement for working parents for two year old children from April 2024; and under 2 year olds from September 2024.
- b) Note the Early Years Working Group preference for Option 3.
- c) Note the DfE indicative DSG Early Years budget for 24/25
- d) Agree the proposed option for the distribution of the Maintained Nursery School Supplement for 2024/25.
- e) Note information on the indicative numbers for funded children in 2024/25.

Members of Forum allowed to vote: All school and academy members are able to vote. Only early years representatives from the non-schools members are able to vote. Non-school members, even if represented by school staff, are not eligible to vote.

1. Background

- 1.1 The Childcare Act 2006 places a duty on local authorities to secure sufficient early years provision free of charge, including wraparound childcare for eligible working parents of 3- and 4-year-olds; and disadvantaged 2-year-olds. It also supports the introduction of the expanded childcare entitlements for working parents:
 - a) 15-hour entitlement for the most disadvantaged 2-year-olds
 - b) 15-hour entitlement for parents of 3- and 4-year-olds
 - c) working parent entitlements, which include the 30-hour entitlement for eligible working parents of 3- and 4-year-olds
- 1.2 The Chancellor announced a range of measures in the Spring 2023 budget to reform childcare to expand the availability of the childcare offer to working parent using a phased approach. The introduction of new entitlements for eligible working parents are as follows:

- a) from April 2024, the 15-hour entitlement for children aged 2 years of eligible working parents
- b) from September 2024, the 15-hour entitlement for children aged 9 months of eligible working parents
- c) from September 2025, the 30-hour entitlement for children aged 9 months of eligible working parents.

- 1.3 Local Authorities are required to secure the free hours set out above, a year over no fewer than 38 weeks of the year and up to 52 weeks of the year, for eligible children in their area. All children who meet the eligibility criteria are able to take up a free place if their parent wants one.
- 1.4 These entitlements can be provided by a maintained nursery school, nursery class in a primary school, private, voluntary, or independent sector or a childminder.
- 1.5 Appendix A glossary defines the acronyms and terms used in this paper and their meaning.

2. Department for Education (DSG) indicative DSG budget for Early Years

- 2.1 Early Years education and childcare are funded through the Early Years Block of the DSG and funds the universal and extended provision for all 3- and 4-year-old children and disadvantaged 2-year-old children. Funding is also currently used to support the costs for children with emerging levels of Special Educational Needs and Disabilities (SEND).

Local authorities can retain up to 5% of these funding to support the provision of central early years-related services.

- 2.2 The are requirements in early years block of the DSG that local authorities must adhere to in order to be compliant with the DfE Early years entitlements: local authority funding operational guide 2024 to 2025. These are:

- a) A minimum amount of 95% funding must be passed through to providers
- b) A universal base rate for all types of providers
- c) Supplementary funding for Maintained Nursery Schools
- d) A Disability Access Fund (DAF)
- e) Special Educational Needs Inclusion Fund (SENIF) from Early Years and or High Needs block
- f) Deprivation supplement for universal 3&4
- g) A top slice of no more than 5%.

- 2.3 The 95% includes:

- a) A universal hourly base rate, which is paid to all providers.
- b) Supplements for deprivation, rurality or sparsity, flexibility, quality, and English as an additional language (although this extra money cannot be more than 12% of the total funding to providers). These are paid based on providers meeting certain eligibility criteria. Deprivation is the only required supplement for universal 3&4YO
- c) Special educational needs inclusion fund (SENIF), which should be targeted at children with lower level or emerging special educational needs (SEN).

- d) Contingency funding, which is extra money set aside for changes in the number of children taking up the entitlements throughout the year.

2.4 On 29th November 2023, the DfE released the rates and the early years indicative budget funding entitlements for 2024/25 financial year. The indicative budget reflects the four entitlements that are to be funded during the course of the year:

- a) 9 months to 2-year-olds (Under Twos)
- b) 2-year-olds (Working Parents)
- c) 2-year-olds (Disadvantaged Families)
- d) 3- and 4-year-olds (Universal and Extended)

2.5 The Under Twos and 2-year-olds Working Parents' entitlements are new for 2024/25 financial year.

3. Early Years Single Funding Formula (EYSFF)

3.1 Following the notification of local authorities funding allocation for 2024/25, which included substantive changes, a new Early Years Single Funding Formula (EYSFF) is required for Croydon. The options outlined below have been discussed with the Early Years Working Group, and they have expressed their preference for Option 3.

3.2 Listed below are the three options presented to the Early Years Working Group, the indicative budget and base rate:

3.3 Summary of options

- a) Option 1: 95% passthrough to providers. 1.5% deprivation applied.
- b) Option 2: 95% passthrough to providers for 3- & 4-year-olds; and 9mth; 97% pass through for 2-year-olds; and 1.5% deprivation applied.
- c) Option 3: 97% passthrough to providers. 1.2% deprivation and 1.3% SENIF fund contribution applied, and a 0.5% contingency fund applied.

3.4 Local authorities are required to set a local formula for the new entitlements for 2-year-old and under 2s and these are reflected in the above options. **The rate to be paid to providers in 2024/25 will need to be agreed by Schools Forum.**

a) Working Parent of 2-year-old – this is a new offer of 15 hours free childcare for eligible 2-year-old from the term after their 2nd birthday for a maximum of 38 weeks per year, from April 2024. Funding received is £10.12 per hour in line with the Disadvantaged 2-year-old offer.

b) Working Parent of 9 months to 2-year-old – this is a new offer of 15 hours free childcare for eligible children from the term after they are 9 months for a maximum of 38 weeks per year. This offer will be introduced in September 2024 so the maximum number of weeks available in 2024/25 is 26 rather than 38. Funding received is £13.79 per hour which reflects the higher level of staffing required for this cohort.

3.5 Local authorities can now centrally retain funds for all early years entitlements (*only 3 and 4 years old previously*) Currently, local authorities can retain up to 5%, however, the DfE intend to increase the passthrough rate to providers from 95% to 97% once

the new entitlements are sufficiently embedded. Based on the above options, the paper proposes a centrally retain funds of between 3.5% and 5% for Croydon to support the increasing resource required during 2024/25. Please note that the Early Years Working Group indicated a preference for Option 3.

- 3.6 The aim is to achieve a balanced position for the funding available for distribution to the early years sector, support for disadvantaged children, children with additional needs, and funding required for central council functions.
- 3.7 Croydon’s indicative Early Years DSG budget is a total of £47,704,118. Table 1 below sets out the funding type and amount allocated for the different age groups. Table 2 sets out the funding type and base rate for each age group.
- 3.8 The indicative budget for each age group can be seen in Table1 and the base rate can be seen in Table 2.

| Table 1 - DSG | |
|----------------------|--------------------------|
| Funding type | Indicative budget |
| 3yo | £22,884,117 |
| 30 H 3yo | £8,406,989 |
| Disadvantaged 2yo | £5,096,093 |
| Working parent 2yo | £7,686,163 |
| 9mth* | £3,360,756 |
| Total | £47,704,118 |

| Table 2 - Rates | |
|------------------------|------------------|
| Funding type | Base rate |
| 3yo | £6.76 |
| 2yo | £10.12 |
| 9mth | £13.79 |

**This figure differs from the one stated on the DSG. The DSG provides a budget for 38 weeks of the year, however the DfE are only paying for 26 weeks of the year for 9mth funding. The LA (Local Authority) has recalculated the budget based on 26 weeks and have queried this with the DfE.*

- 3.9 At present Croydon only apply the Deprivation Supplement to the 95% which is set at 1.5%. This means the pass-through hourly rate is 93.5%. Special Educational Needs Inclusion Funding (SENIF) is paid via the high needs block and no contingency fund is applied.
- 3.10 The DfE have also announced that Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and SENIF will be accessible to all children who meet the eligibility criteria. This is a change from the current situation where only children accessing 3-year-old and 30 hours 3-year-old funding can access these funding streams.
- 3.11 EYPP, DAF and the high needs indicative budgets are not known at the time of writing this paper. Without being informed of the indicative budget for SENIF it is advised to consider how the SENIF budget will be distributed, and from which DSG funding streams, when setting the LA formula. The number of SENIF applications is almost certain to rise. EYPP & DAF funding will be provided by a set indicative budget via the DSG so does not need to be a consideration when setting the formula.

However, consideration must be given to LA resources for processing claims as the volume of claims will most certainly rise considerably.

3.12 Deprivation *must* be distributed to 3-year-old and 30 hours 3-year-old but can also be distributed to other funding entitlements should the LA decide to do so.

4. Detail

4.1 In response to the childcare reform announcement and taking into account the considerations required regarding SENIF, it is proposed that the formula at Local Authority level is reviewed. Further details on the three options are outlined below. Please note that this does not take into account the likely increase SENIF needed to support all funded age groups.

a) Option 1:

- i. 95% pass through to providers. 1.5% deprivation supplement to be applied. Deprivation for all funded 3&4YO children in receipt of EYPP and an uplifted rate for disadvantaged 2YO children (D2YO).
- ii. Indicative 5% top slice: £2,385,206
- iii. Indicative deprivation budget: £445,898
- iv. Indicative D2YO uplift budget £182,147

Pass through hourly rates:

| Funding type | 23/24 | 24/25 | Difference |
|--------------|-------|--------|---------------|
| 3YO | £5.99 | £6.32 | +£0.33 |
| D2YO | £9.63 | £9.76 | +£0.13 |
| W2YO | N/A | £9.46 | N/A |
| 9mth | N/A | £12.89 | N/A |

| | |
|------------------------------------|----------------|
| Deprivation – 3 & 4 YO - Universal | £1.25 Per hour |
| EYPP | £0.68 Per hour |
| DAF | £910 Annually |

b) Option 2:

- i. 95% pass through to providers for all 3&4, and 9mths, and 97% for 2YO. Deprivation for 3&4YOs only and an uplift rate calculated for D2YO. SENIF and a contingency fund to be allocated from 5% (amount to be decided) & rolled over to following year if not used.
- ii. Indicative top slice: **£1,746,093**
- iii. Indicative deprivation budget: **£445,898**
Indicative D2YO uplift budget: **£185,892**

| Funding type | 23/24 | 24/25 | Difference |
|--------------|-------|-------|------------|
|--------------|-------|-------|------------|

| | | | |
|------|-------|--------|---------------|
| 3YO | £5.99 | £6.32 | +£0.36 |
| D2YO | £9.63 | £9.96 | +£0.33 |
| W2YO | N/A | £9.66 | N/A |
| 9mth | N/A | £12.89 | N/A |

| | |
|----------------------------------|----------------|
| Deprivation – 3&4 YO - Universal | £1.20 Per hour |
| EYPP | £0.68 Per hour |
| DAF | £910 Annually |

c) Option 3

- i. 97% pass through to providers. 1.2% deprivation budget for 3&4YO; 1.2% D2YO uplift fund; 1.3% SENIF and 0.5% contingency.
- ii. Indicative top slice: £1,431,124
- iii. Indicative deprivation budget: £364,228
- iv. Indicative D2YO uplift budget; £191,047
- v. Indicative SENIF budget: £601,549
- vi. Indicative contingency budget: £231,365

| Funding type | 23/24 | 24/25 | Difference |
|--------------|-------|--------|---------------|
| 3YO | £5.99 | £6.35 | +£0.36 |
| D2YO | £9.63 | £9.81 | +£0.18 |
| W2YO | N/A | £9.51 | N/A |
| 9mth | N/A | £12.89 | N/A |

| | |
|------------------------------------|----------------|
| Deprivation – 3 & 4 YO - Universal | £1.00 Per hour |
| EYPP | £0.68 Per hour |
| DAF | £910 Annually |

5. **Numbers of children accessing funding**

From April 2024 there will likely be a rise in the number of children accessing funding entitlement and supplementary funding.

- 5.1 Table 3 shows the DfE data on the current number of children accessing funding and the number that will be accessing funding from April 2024.

Table 3

| Funding type | 2024/25 nos (DfE data) | 2023/24 nos (DfE data) | Difference |
|--------------|------------------------|------------------------|-------------|
| 3YO | 5938 | 5900 | 38 |
| 30H 3YO | 2181 | 2018 | 163 |
| 2YO | 2215 | 849 | 1366 |
| 9mth | 675 | 0 | 675 |
| Total | 11009 | 8767 | 2242 |

5.2 The data shows that in 2024/25 there is likely to be an additional 2,242 funding claims to process. There will also likely be an increase in DAF, EYPP, Deprivation & SENIF claims & payments to be processed. The FIS part of the service is also very likely to encounter increased traffic as the new funding entitlement require parents to obtain codes. This will increase queries the team will receive and the number of codes to process.

5.3 Recruitment is underway to ensure adequate staff resource is available to meet the additional demand and the council's statutory duties. This role will be funded for from the DfE reform support fund for one year. After this the staffing resource will be assessed.

6. Other budgets:

6.1 Disability Access Fund (DAF) rate has risen to a yearly rate: £910.00. Table 4 shows the indicative budget for the various age groups.

Table 4

| Age | Budget |
|--------------|-----------------|
| 3 & 4YO | £185,640 |
| 2YO | £49,140 |
| U2YO | £14,560 |
| Total | £249,640 |

6.2 Early Years Pupil Premium has risen to an hourly rate of £0.68. Table 5 shows the indicative budgets for the various age groups.

Table 5

| Age | Budget |
|--------------|-----------------|
| 3 & 4 YO | £179,021 |
| 2yo | £102,866 |
| U2yo | £5,144 |
| Total | £287,031 |

7. Maintained Nursery School Supplement

7.1 Maintained Nursery Schools (MNS) receives Supplementary Funding which is additional funding that was initiated as part of the move to the NFF (National Funding Formula) to provide funding protection with respect to historic duties to 3- and 4-year-olds.

7.2 For 2024/25 the DfE have included the Teachers Pay Additional Grant (TPAG) in the overall MNS supplement. The indicative budget is: £851,626 which includes £100,000 TPAG. There are two MNS options to consider.

- a) Option 1: split the amount provided into an hourly rate of £4.64 (based on 322 children). If less children are recorded on the January 25 census the rate will be recalculated accordingly).
- b) Option 2: provides £751,626 to be split on child numbers and £100,000 to be split equally 5 ways between the 5 nursery schools. The Early Years Working Group indicated their preference for this option.

7.3 Tables 6 and 7 show the 2 options based on illustrative figures from the DfE. Any surplus amount will be distributed amongst the 5 schools.

Table 6 - Option 1

| Nursery School | Numbers on roll | Total MNS |
|----------------|-----------------|--------------------|
| N1: | 40 | £105,792.00 |
| N2: | 60 | £158,688.00 |
| N3: | 32 | £84,633.60 |
| N4: | 95 | £251,256.00 |
| N5: | 95 | £251,256.00 |
| Total | 322 | £851,625.60 |

Table 7 - Option 2

| Nursery School | Numbers on roll | Total MNS | TPPG (Teachers Pay and Pensions Grant) | Combined total |
|----------------|-----------------|--------------------|--|----------------|
| N1: | 40 | £93,252.00 | £20,000 | £113,252.00 |
| N2: | 60 | £139,878.00 | £20,000 | £159,878.00 |
| N3: | 32 | £74,601.60 | £20,000 | £94,610.60 |
| N4: | 95 | £221,473.50 | £20,000 | £241,473.50 |
| N5: | 95 | £221,473.50 | £20,000 | £241,473.50 |
| Total | 322 | £750,678.60 | £100,000 | £850,678.60 |

Summary

Local authorities are required to consult with Early Years providers on annual changes to their local formula, which are then agreed with our School Forum.

This paper sets out the annual review undertaken and recommendations for the allocation of the 2024/25 Early Years DSG budget, considering the government's childcare reform.

Recommendations

Schools Forum is requested to:

- f) Agree the rate to be paid to early years providers in 2024/25, including the extended entitlement for working parents for two year old children from April 2024; and under 2 year olds from September 2024.
- g) Note the Early Years Working Group preference for Option 3.
- h) Note the DfE indicative DSG Early Years budget for 24/25
- i) Agree the proposed option for the distribution of the Maintained Nursery School Supplement for 2024/25.
- j) Note information on the indicative numbers for funded children in 2024/25.

Appendix A - EARLY YEARS EDUCATION AND CHILDCARE – GLOSSARY OF TERMS - ACRONYMS / TERMINOLOGY / DEFINITIONS

The Early Years Education and Childcare glossary defines terms used in this paper and their meaning.

| ACRONYMS / TERMINOLOGY | WHAT IT STANDS FOR | DEFINITION |
|--------------------------------------|---------------------------|---|
| EY | Early Years | Under five years old |
| EY Block | Early Years Block | Dedicated Schools Grant early years funding for free early education and childcare entitlements. |
| EYB | Early Years Budget | Financial resource allocation for early years from Department for Education to deliver free early years entitlements. |
| EYWG | Early Years Working Group | Representative and consultative group of registered Early Years providers to discuss strategic issues and financial matters relating to Early Years; support the delivery of the funded early education and childcare in Croydon; and makes recommendation to Schools Forum for decision. |
| DfE | Department for Education | Responsible for children's services and education, including early years. Provides local authorities with relevant funding streams which together form the early years block of the dedicated schools grant. |
| DSG | Dedicated Schools Grant | Ring-fenced specific grant allocated to the Local Authority by the Government to support a range of education related services. |
| Under 2-year-old – from 9 months Old | | Extended entitlement from September 2024 - funding for the 15 hours for 9-month-old up to 2-year-old children of eligible working parents. |
| 2 years old | | Extended Entitlements – from April 2024, 2-year-olds working parents |

| | | |
|------------------------|------------------------------|---|
| | | funding for the 15 hours entitlement for 2-year-old children of eligible working parents. |
| Disadvantaged 2YO | | Where families meet the eligibility criteria to receive early years education from the funding period after their second birthday. |
| 3-year-olds | | Funding for the universal 15-hour entitlement for all 3 and 4-year-olds. funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents |
| 30 Hours | | Working parents/carers can receive 30 hours a week of funded childcare for their 3- and 4-year-old children. |
| EYPP | Early Years Pupil Premium | Extra funding to providers to support education for 3 and 4-year-olds, 2-year-olds and under 2s, if parents on certain benefits. |
| EYFS | Early Years Foundation Stage | Sets standards for the learning, development and care of children from birth to 5 years old. |
| DAF | Disability Access Fund | Funding paid for 3 and 4-year-olds, 2-year-olds and under 2s. National rate for DAF is £910 per eligible child per year. |
| Deprivation supplement | | Local authorities must use this supplement to recognise deprivation in their areas to support any disadvantaged or vulnerable children. |
| LA | Local Authority | Local authorities also have a range of statutory duties, including, as far as reasonably practicable to secure sufficient childcare in their area for working parents. |
| MNS | Maintained Nursery School | A local authority school and is funded and controlled by |

| | | |
|---------------------------|---|--|
| | | the local authority to provide early education and childcare to under 5s. |
| MNS Supplementary Funding | Maintained Nursery School Supplementary Funding | Additional funding in recognition of the higher costs they face. |
| PVI | Private, Voluntary and Independent | Privately owned early years providers who offer care to children under 5 years old. |
| SEND | Special educational needs and disabilities | Children with learning difficulty and/or a disability that means they need special health, childcare and education support. |
| SENIF | Special Educational Needs Inclusion Fund | Statutory requirement made available to enable settings supporting pre-school children with special educational needs to secure better outcomes |
| Indicative budget | | DfE estimation of amount of money that is needed for early years. |
| Passthrough rate | | Local authorities are required by law to pass on 95% of the early years funding they receive from central government to providers. |
| Top slice | Centrally retain funds by local authorities | Central retention of funding from early years block. Council are allowed to top slice this funding up to 5% to support staffing and other early years support. |
| TPAG | Teachers Pay Additional Grant | Extra funding to help schools cover the cost of the teachers' pay award |
| Contingency fund | | Extra money set aside for changes in the number of children taking up the entitlements throughout the year. |
| Universal Funding | | All 3- and 4-year-olds are entitled to 15 hours per week of funded places from the term after turning 3 years old. |
| Local funding formula | | funding rates paid to early years providers for each age group – under 5s – from the pass through rate. |