

FOR PUBLICATION**DERBYSHIRE COUNTY COUNCIL****CABINET****14 MARCH 2024****Joint Report of the Executive Director for Children's Services and Director of Finance and ICT****Early Years Block Funding Settlement 2024-25
(Education)****1. Divisions Affected**

- 1.1 County-wide.

2. Key Decision

- 2.1 This is a key decision because it is likely to:

a) result in the Council incurring expenditure which is, or savings which are significant having regard to the budget for the service concerned (this is currently defined as £0.500m); and

b) be significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

- 3.1 To inform Cabinet of the Early Years settlement of the Dedicated Schools Grant (DSG) and the related decisions of the Schools Forum, and to seek approval to the Early Years funding formula for 2024-25.
- 3.2 To update the Cabinet on the expansion of entitlements from April 2024 (Appendix 3)

4. Information and Analysis

- 4.1 The early years funding rates for 2024-25, and implied funding totals, were published by the Department for Education on 19th December 2023. The

allocations are summarised in Table 1 below and further background details of each element are provided in Appendix 2.

Table 1 – Early Years Indicative Settlement 2024-25

Item	2024-25	2023-24	
Early Years Block:			
No. 3 & 4 year olds - universal prov'n (part time equiv, PTE)	9,477.02	9,399.71	
Universal entitlement - 3- & 4-year-old hourly rate	£5.33	£4.80	
Sub total universal hours 3- & 4-year-old funding (£m)	28.701	25.718	
Universal entitlement - 3- & 4-year-old TP&PG	0.754	0.375	
No. 3- & 4-year-olds - add'l 15 hours for working parents (PTE)	4750.27	4405.54	
Additional entitlement - 3- & 4-year-old hourly rate	£5.33	£4.80	
Sub total additional hours 3- & 4-year-old funding (£m)	14.432	12.054	
Additional entitlement - 3- & 4-year-old TPPG	0.379	0.176	
Total hours 3- & 4-year-old funding – Passporting baseline	44.266	38.322	a
No. 2-year-olds: assessment based PTE	1298.98	1449.03	
Universal entitlement: 2-year-old hourly rate	£7.53	£5.63	
Sub total univ. hours 2 yr-old assess. based funding (£m)	5.575	4.650	
No. 2-year-olds: working parents (DfE estimate PTE)	2901.03		
Universal entitlement: 2-year-old hourly rate	£7.53		
Sub total universal hours 2-year-old funding (£m)	12.452		
Total hours 2-year-old funding – Passporting baseline	18.027	4.650	b
No. 9 month - 2-year-olds: (DfE estimate PTE)	1737.07		
Universal entitlement: under 2-year-old hourly rate	£10.24		
Sub total universal hours under 2-year-old funding (£m)	10.139		
Total hours under 2-year-old funding – Passporting baseline	10.139		c
Other Early Years allocations:			
Maintained Nursery School (MNS) Grant (£m)	1.074	1.031	
Maintained Nursery School (MNS) Grant (£m) TPPG/TPAG	0.290	0.149	
Early Years Pupil Premium 3- & 4-year-old (£m)	0.560	0.501	
Early Years Pupil Premium 2-year-old (£m)	0.310		
Early Years Pupil Premium under 2-year-old (£m)	0.018		
Early Years Disability Access Fund (£m)	0.515	0.258	
Sub total – Other EY allocations	2.771	1.938	d

TOTAL EARLY YEARS BLOCK (£m)	75.203	44.910*	e=d +c+ b+a
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*The 2023-24 figures are those published in January 2023, before any corrections or supplementary grants have been taken into account. The published allocations for 2024-25 in Table 1 have been based on January 2023 census data except for the extended entitlements for working parents of 2-year-olds and under 2's which are based on a DfE estimate. The actual early years quantum for 2024-25 will be driven by the January 2024 and January 2025 census data.

4.2 From 2023-24, the teachers' pay grant and teachers' pensions employer contribution grant (TPPG) are no longer being paid directly to school-based nurseries, and instead this funding has been rolled into the overall quantum of 3 and 4-year-old entitlement funding. In addition, from 2024-25, the teacher's pay additional grant (TPAG) will also be rolled into the entitlement funding. As with all other supplements, it is for local authorities to determine the appropriate metric for allocating funding, however, the DfE encourages local authorities to consider the purpose for which the grants were originally introduced when designing their approach. With that in mind, Derbyshire proposes to continue to target the funding to take account of additional pressures that providers face from the need to pay increased pay and employer contributions to the teachers' pension scheme.

4.3 With the introduction of the extended entitlements for 2-year-olds and under from 2024-25, changes to the distribution of funding have been announced for 2024-25. A deprivation supplement for this new funding, although not mandatory, is favoured by the DfE. LAs will also continue to have to meet a passporting test. This test requires that at least 95% of the universal and additional hours funding for 3 and 4-year-olds must be delegated to providers, with a maximum of 5% allowed to be held centrally. In addition, at least 95% of the extended entitlements must also be delegated to providers. The DfE have signalled that both these thresholds are under review and anticipate a movement to 97% in the near future. The passporting percentage can be different for the 3 elements of funding, i.e. 3 & 4 year olds, 2 years old and under 2 year olds. In terms of decision making, early years central budgets are a matter for the Schools Forum whilst the Early Years Single Funding Formula is the responsibility of the Council.

4.4 Early Years Single Funding Formula (EYSFF)

This is the basis for funding nursery schools, nursery units attached to mainstream schools and private, voluntary and independent early years provision. The formula must include a basic hourly rate for all providers and a deprivation indicator for 3- & 4-year-olds, in addition LAs can include indicators for rurality/sparsity, flexibility, quality and a lump sum for nursery schools.

The Authority proposes the following for 2024-25:

- (i) A universal & extended hourly rate of £5.00, an increase of £0.20 on the 2023-24 rate after the 2023-24 supplementary grant is added (4.17%).
- (ii) An enhanced hourly rate for nursery schools of £0.62, an increase of £0.04 (6.9%), which absorbs some of the supplementary grant.
- (iii) The existing 3 & 4-year-old deprivation multiplier to remain at £1.35 per hour per eligible child.
- (iv) A nursery school lump sum of £109,500, an increase of £14,000 (14.6%). This figure absorbs an element of the 2023-24 supplementary grant and a proportion of the MNS increase due to TPAG.
- (v) The TPPG & TPAG supplement will be increased to £0.50 for nursery schools and other school settings to replace the specific grants previously allocated to these settings. This will be funded via universal and extended hours.
- (vi) The 2-year-old hourly rate for working parents and assessment based 2-year-olds to be set at £7.21 with a supplement of £0.32 per hour for deprivation for any pupil that qualifies. This combined rate allocates £7.53 per hour in total for 2-year-olds that qualify for the deprivation supplement for 2024-25 which mirrors the 100% pass through rate seen in previous years for this quantum.
- (vii) The under 2-year-old hourly rate to be set at £9.84 with a further £0.32 for deprivation.

The estimated costs of applying the above EYSFF multipliers to the January 2023 data used to calculate the income in Table 1 are set out in Table 2 below.

Table 2 – EYSFF Allocations 2024-25

3 & 4-year-olds	Nursery schools	Nursery units	PVI	Total	
Proposed Universal/additional hourly rate	£5.00	£5.00	£5.00		
Proposed Enhanced hourly rate	£0.62	£0.00	£0.00		
Proposed supplement	£0.50	£0.50	£0.00		
Proposed Overall hourly rate	£6.12	£5.50	£5.00		A
3 & 4-year-olds universal hrs	513	3025	5909	9447	B
3 & 4-year-olds additional hrs	204	970	3576	4750	C
<u>Delegated funding</u>	£m	£m	£m	£m	
Universal allocation	1.645	8.621	16.840	27.105	=AxBx570hrs
Additional hours allocation	0.655	2.765	10.191	13.611	=AxCx570hrs
TPPG allocation	0.205	1.133	0.000	1.338	

Subtotal - hourly rate allocations	2.504	12.518	27.031	42.053
Formula supplements:				
Lump sum	0.876	0.000	0.000	0.876
Deprivation	0.097	0.632	0.392	1.120
Rates	0.075	0.000	0.000	0.075
Subtotal - formula supplements	1.048	0.632	0.392	2.071
Contingency – delegated	0.040	0.000	0.000	0.040
Total delegated funding	3.592	13.150	27.423	44.165

2-year-olds	Nursery schools	Nursery units	PVI	Total	
Proposed Overall hourly rate	£7.21	£7.21	£7.21		A
Assessment based 2-year-olds universal hrs	36	119	1143	1299	B
2-year-olds universal hrs	81	265	2554	2901	C
Delegated funding	£m	£m	£m	£m	
Assess. based 2-year-old Universal allocation	0.149	0.488	4.701	5.338	=AxBx570hrs
2-year-old hours allocation	0.334	1.090	10.498	11.922	=AxCx570hrs
Subtotal - hourly rate allocations	0.483	1.579	15.199	17.261	
Formula supplements:					
Deprivation	0.007	0.022	0.209	0.237	
Subtotal - formula supplements	0.007	0.022	0.209	0.237	
Contingency – delegated	0.000	0.000	0.000	0.000	
Total delegated funding	0.490	1.600	15.408	17.498	

9 months to 2-year-olds	Nursery schools	Nursery units	PVI	Total	
Proposed Overall hourly rate	£9.84	£9.84	£9.84		A
Under 2-year-olds universal hrs	49	159	1529	1737	B
Delegated funding	£m	£m	£m	£m	
Under 2-year-olds universal allocation	0.273	0.891	8.579	9.743	=AxBx570hrs
Subtotal - hourly rate allocations	0.273	0.891	8.579	9.743	
Formula supplements:					
Deprivation	0.003	0.008	0.080	0.091	
Subtotal - formula supplements	0.003	0.008	0.080	0.091	
Contingency – delegated	0.000	0.000	0.000	0.000	
Total delegated funding	0.275	0.899	8.659	9.833	

4.5 Early Years Central Budgets

At its meeting on 29th January 2024 the Schools Forum agreed the central early years budgets in Table 3 below. The allocations meet the DfE's passporting test.

Table 3 – Central Early Years Budgets 2024-25

3- & 4-year-olds	Proposed	Approved
	2024-25	2023-24
Service	£m	£m
Central Services to fulfil EY duties*	1.386	1.316
Early Years SEN Service (part, balance funded by High Needs Block)	0.067	0.067
Nursery school licences & misc funds**	0.013	0.013
Total	1.466	1.396
Proportion of funding allocated for central EY service (for passporting purposes)	3.31%	3.64%
Under 3-year-olds		
Service		
Central Services to fulfil EY duties *	0.805	N/A
Early Years SEN Service (part, balance funded by High Needs Block)**	0.030	N/A
Total	0.835	N/A
Proportion of funding allocated for central EY service (for passporting purposes)	2.96%	N/A

*Including

- Information for families
- 2yr old assessment-based funding
- Sufficiency reports and data
- Contracts and Compliance
- Funding payments
- Continuous professional development, support, and challenge for the delivery of the EYFS framework

**This includes the estimated cost of various copyright licences negotiated by the DfE and recharged to local authorities, with the balance set aside to fund support to help address cyber security related IT issues.

Cabinet is asked to note the decisions of the Schools Forum in respect of central early years budgets for 2024-25.

4.6 Early Years – Overall funding and passporting tests

The cost of the proposed allocations in sections 4.4 and 4.5 would fully allocate the hours-based funding for 3 and 4-year-olds and the Maintained Nursery School Grant as shown in Table 4.

Table 4 – Summary of estimated income and proposed spend 2024-25

	3 & 4-year-old	2-year-old	Under 2-year-old
	£m	£m	£m
Delegated Allocations per Table 2	44.165	17.498	9.833
Central Budgets per Table 3	1.466	0.529	0.306
Total spend	45.631	18.027	10.139
Universal/additional hours grant – Table 1	44.266	18.027	10.139
Maintained Nursery School grant – Table 1	1.364		
Total grant	45.629	18.027	10.139

The comparison in Table 4 shows a balanced financial position, however, both the income and proposed delegated allocations are based on the hours in the settlement. The actual levels of income and expenditure in 2024-25 will be largely determined by the number of hours of provision recorded on the census returns. If the number of hours provided were to fall, this would result in a deficit being incurred as the marginal loss of grant would be greater than the reductions in allocations to providers. Equally, if the hours were to increase, then the reverse would be true and an underspend would be generated. Any over or underspend would need to be considered in future DSG allocation.

4.7. The proposals would meet the DfE's passporting test as shown in Table 5 below.

Table 5 – Estimated impact of allocations on passporting test

	3 & 4-year-old	2-year-old	Under 2-year-old
	£m	£m	£m
Delegated Allocations per Table 2	44.165	17.498	9.833
Less funded by MNS grant	(1.364)		
Delegated spend for passporting purposes	42.801	17.498	9.833
Universal/additional hours income – Table 1	44.266	18.027	9.833
Percentage of funds passported	96.69%	97.06%	96.99%

5. Consultation

- 5.1 The proposals were shared with the Schools Forum in January 2024 and were generally supported. The rates and the rationale for them were subsequently shared to all maintained schools and early years providers. The Schools Forum determined the level of centrally held early years budgets.

6. Alternative Options Considered

None.

7. Implications

Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Schools Funding settlement announcement 19th December 2023

9. Appendices

- 9.1 Appendix 1 - Implications.
9.2 Appendix 2 – Early Years Funding Components 2024-25

10. Recommendation(s)

That Cabinet:

- a) Notes the national early years funding rates for 2024-25;
- b) Notes the changes in TPPG & TPAG funding arrangements and funding rates for 2024-25
- c) Approves the changes to the Early Years Single Funding Formula allocations for 2024-25 as set out in section 4.4; and
- d) Notes the central early years budgets approved by the Schools Forum.

11. Reasons for Recommendation(s)

- 11.1 To ensure the Authority meets its statutory obligations in determining early years allocations for 2024-25.

12. Is it necessary to waive the call in period?

- 12.1 No.

Report Author: Eddie Grant

Contact details: Eddie.Grant@derbyshire.gov.uk

Implications**Financial**

- 1.1 As set out in the report. The cost of the proposed allocations in sections 4.4 and 4.5 would fully allocate the hours-based funding for 3 and 4-year-olds and the Maintained Nursery School Grant. However, both the income and proposed delegated allocations are based on the hours in the settlement. The actual levels of income and expenditure in 2024-25 will be largely determined by the number of hours of provision recorded on the census returns.

Legal

- 2.1 The proposed allocations are in accordance with the Department for Education guidance, 'Early years entitlements: local authority funding operational guide 2024 to 2025' dated 24 January 2024 which Local Authorities are required to follow when funding providers to deliver the early years entitlement.

Human Resources

- 3.1 None

Information Technology

- 4.1 None

Equalities Impact

- 5.1 None

Corporate objectives and priorities for change

- 6.1 The proposals will support the Council's objective to work creatively together to inspire and empower children, young people and their families and communities to be the best they can be: safe, healthy, happy, learning and working.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 None

Universal/additional hours for 3- and 4-year-olds - For 2024-25 the LA will receive £5.33, excluding TPPG, a £0.20 increase (3.9%) on the EYFF hourly rate after the Early Years Supplementary Grant (EYSG) is taken into account.

Funding for assessment based 2-year-olds – the rate for the LA have increased by £0.18 per hour to £7.53. Derbyshire's 2023-24 rate being £7.35 after EYSG, an increase of 2.45%. This funding is provided as part of a national scheme to support eligible pupils access childcare.

Funding for 2-year-olds of working parents– the rate for the LA is £7.53 for 2024-25. This funding is provided as part of the expansion of entitlements from April 2024.

Funding for 9-month-old up to 2-year-old of working parents– the rate for the LA is £10.24 for 2024-25. This funding is provided as part of the expansion of entitlements from September 2024.

Early Years' Pupil Premium (EYPP) - the DfE have also confirmed that the national rate for 2024-25 will be £0.68 per eligible child per hour an increase of £0.02 (3%) on 2023-24 after EYSG. The EYPP gives providers extra funding to support eligible 3- & 4-year-olds for up to 15 hours per week. From April this will be extended to eligible 2-year-olds and under 2-year-olds from September

Disability Access Fund (DAF) - the 2024-25 rate is £910 per eligible child per year, an increase of £29 (3.3%) on 2023-24 after EYSG. DAF supports 3 & 4 year olds in receipt of nursery entitlement and Disability Living Allowance to access provision. From April this will be extended to eligible 2-year-olds and under 2-year-olds from September

Maintained Nursery Schools (MNS) grant – supports the higher operational costs of nursery schools. The £1.364m for 2024-25 includes £0.290m for TPPG and TPAG. The 2024-25 grant has been calculated as the number of universal hours per year multiplied by £4.66 per hour, which includes £0.99 for TPPG and TPAG. The unit rate, excluding the roll in of TPPG and TPAG but including EYSG, is £0.13 (3.6%) higher than 2023-24.

Currently, all parents and carers of 3 and 4-year-olds are entitled to 15 hours a week childcare support with registered childcare providers. Eligible working parents and carers of children aged 3-4 can also get an additional 15 hours of childcare support, bringing their total up to 30 hours a week.

Some eligible parents of 2-year-old children are also entitled to 15 hours childcare support, if they receive some additional forms of government support (assessment-based funding)

From April 2024, existing support with the cost of childcare will be expanded. By September 2025, most working families with children under the age of 5 will be entitled to 30 hours of childcare funding.

The new entitlements will be introduced in phases:

- from April 2024, all working parents of 2-year-olds can access 15 hours per week.
- from September 2024, all working parents of children aged 9 months up to 3-years-old can access 15 hours per week.
- from September 2025, all working parents of children aged 9 months up to 3-years-old can access 30 hours free childcare per week.

The entitlements will continue to work on a termly basis. Therefore, children of eligible working parents will be able to receive the entitlement from the beginning of each term after they reach the relevant age.

