

<h1>BRIEFING</h1>	TO:	Schools Forum
	DATE:	19 th January 2024
	LEAD OFFICER:	Aileen Chambers Head of Service – Early Years and Childcare
	TITLE:	Early Education Funding Proposals 2024-25

1. Background

1.1	The purpose of this report is to detail the statutory guidance in place for the allocation of early education funding and proposals for the local funding formula for 2024/25.																
1.2	<p>The report covers:</p> <ul style="list-style-type: none"> • The changes to the National Funding Formula and expanded entitlements • The Early Years Block and increase in DfE funding rates from 2023/24 • LA’s central retention from the Early Years Block • Funding for 9 month old entitlement • Inclusion Support Grant • Early Years Teachers Pay Additional Grant – proposals to distribute 																
1.3	The Department for Education (DfE) have consulted on changes to the National Funding Formula for 2024-25 with the introduction of an entitlement for 2 year olds of working parents from April 2024 and children from 9 months from September 2024.																
1.4	<p>Local Authorities (LAs) are required to allocate the funding to early education providers based on a local funding formula as detailed below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Funding Stream</th> <th style="text-align: left;">Base Rate Requirements</th> <th style="text-align: left;">Supplement Requirements</th> </tr> </thead> <tbody> <tr> <td>3 / 4 year olds (Universal and Extended entitlements)</td> <td>Single base rate across all provider types</td> <td>Mandatory deprivation supplement</td> </tr> <tr> <td>2 year olds – disadvantaged</td> <td rowspan="2">Different rates can be set for disadvantaged and working 2 year olds.</td> <td rowspan="2">DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for these entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds.</td> </tr> <tr> <td><i>2 year olds – working parents*</i></td> </tr> <tr> <td><i>9 months – 2 years working parents**</i></td> <td>Single base rate across all provider types</td> <td>Deprivation supplement can be applied but is not mandatory</td> </tr> <tr> <td>Early Years Pupil Premium (EYPP)</td> <td>Fixed Amount for children from 9 months to 4 Years subject to eligibility</td> <td>None</td> </tr> </tbody> </table>	Funding Stream	Base Rate Requirements	Supplement Requirements	3 / 4 year olds (Universal and Extended entitlements)	Single base rate across all provider types	Mandatory deprivation supplement	2 year olds – disadvantaged	Different rates can be set for disadvantaged and working 2 year olds.	DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for these entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds.	<i>2 year olds – working parents*</i>	<i>9 months – 2 years working parents**</i>	Single base rate across all provider types	Deprivation supplement can be applied but is not mandatory	Early Years Pupil Premium (EYPP)	Fixed Amount for children from 9 months to 4 Years subject to eligibility	None
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Disability Access Fund (DAF)	Fixed Amount for children from 9 months to 4 Years subject to eligibility	None
Maintained Nursery School Lump Sum	Identified Rate	None

**new entitlement being introduced in April 2024/25*

*** new entitlement being introduced in September 2024/25*

- 1.5 Significant changes:
- LA's can now retain up to 5% across 3 / 4 year old, 2 year old and 9 month entitlements (reducing to 3% in future years)
 - EYPP will now apply across all age ranges (previously 3 / 4 year olds only)
 - DAF will now apply across all age ranges (previously 3 / 4 year olds only)

1.6 The total EY Block funding in 2023-24 was £19m. The projected EY Block for 2024-25 is £29m. This is distributed to 250 schools / providers in line with DfE guidance, on actual take-up of places captured through twice a term submission of headcount / adjustment data for each funding stream. Payments are then distributed on a monthly basis.

1.7 The 23/24 and 24/25 rates are detailed below:

Funding Stream	DfE Rates 23/24 (Sept 23 increase)	Rotherham Rates to Providers 23/24 – base rate	Rotherham Supplement rate – 23/24	DfE Rates 24 / 25
3 / 4 year olds	5.20	4.87	17p / 12p	5.47
2 year olds	7.44	7.44		7.91
9 month – 2 year olds				10.78
EYPP	66p	66p		68p
DAF	881	881		910
MNS lump sum	6.45	6.45		7.06

1.8 LAs could previously retain a maximum of 5% of the 3 / 4 year old early years funding allocation to fund central services. From 2024-25 LA's can retain a maximum of 5% from each funding stream. This percentage will reduce to 3% in future years when the new entitlements are embedded.

1.9 We currently retain 5% to contribute to the cost of delivery of the EY&CS. It is proposed to retain 5% from 3 / 4 year old funding and 3% from 2 year old and 9 month funding in 2024/25. It is proposed to recruit three additional staff within the Early Years and Childcare Team to meet the increased workload.

1.10 Local authorities are required to consult providers on annual changes to their local formula. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February, although the final decision rests with the local authority.

1.11 A number of formula options have been modelled. The current model includes distribution of 2% of the 3 / 4 year olds funding stream through High /Medium deprivation supplements to providers with an average Index of Multiple in the 30% most deprived. This equates to 62% of all children receiving 3 / 4 year old funded places.

1.12 The Early Years Block funding for 2024/25 will be allocated initially as an ‘indicative’ allocation in January 2024. The usual process is for the ESFA to allocate an indicative funding allocation based on the previous year January Census data with two further adjustments - one during the year (July) based on the January 2024 Census data and further adjusted in July 2025 based on 5/12ths of January 2024 Census and 7/12ths of January 2025 Census.

1.13 **Early Education Funding for 9 month old children:**
As the entitlement for children from 9 months old comes into force in September 24, the DfE will provide indicative allocations based on DfE’s estimated take-up numbers for the new working parent entitlements. Final allocations will be adjusted on the basis of actual take-up for each term, collected through an additional headcounts in autumn term and through the January 2025 census. *Whilst the additional headcounts could mean extra administration for local authorities, this will be offset by the reassurance that they will be fully funded for the hours they deliver.*

1.14 **Inclusion Support Grant:**
It is proposed to retain the current three tier ISG allocation which was implemented in September 2024.

Tier	Funding
Tier 1	advice and guidance from the EY&CS
Tier 2	additional funding to contribute to 1:2 staffing levels
Tier 3	additional funding to contribute to 1:1 staffing levels

1.15 The projected Inclusion Support Grant spend for 2024/25 is £490,829. Any changes to the proposed early education funding rates following consultation would affect the ISG budget projections.

1.16 The rate of £15 has been identified as the cost of a member of staff (real living wage plus additional on costs / delivery costs). Income settings receive from early education / parental fees are taken into account and ‘ISG contributions’ are awarded to enable additional staffing at a cost of £15 / hour. The increased 2 year old early education rates mean that income from two children is higher than £15, as a result, no ISG would be allocated for Tier 2 two year olds.

1.17 This budget is profiled on expected demand, The projected cost is significantly lower than 2023/24 forecast (£670k). This is due to implementation of our 3 Tier model of support in September 2023 and DfE increase in the early education funding rates in September 2023 and April 2024.

1.18 **Early Years Teachers Pay – Additional Grant 2023-24:**
The DfE have recently (16.11.23) announced an additional grant in this financial year which will be provided to local authorities to support early years providers delivering the government’s early years entitlements with increased teacher workforce costs from 1 September 2023. This funding will be distributed via the early years teachers’ pay additional grant (EY TPAG) to cover the 7-month period between 1 September 2023 and 31 March 2024.

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

1.20	<p>The grant amounts have been calculated using part-time equivalents (PTE) count, based on January 2023 3 / 4 year old universal and additional hours, to produce each authority's total allocation under the grant (including a separate grant amount for Maintained Nursery Schools). The amounts allocated to Rotherham are:</p> <table border="1" data-bbox="215 257 1189 380"> <thead> <tr> <th data-bbox="215 257 359 302">Amount</th> <th data-bbox="375 257 1189 302">Basis of Allocation</th> </tr> </thead> <tbody> <tr> <td data-bbox="215 302 359 347">£89,184</td> <td data-bbox="375 302 1189 347">Jan 23 census numbers in schools / PVI providers</td> </tr> <tr> <td data-bbox="215 347 359 380">£12,949</td> <td data-bbox="375 347 1189 380">Jan 23 census numbers in Maintained Nursery Schools.</td> </tr> </tbody> </table>	Amount	Basis of Allocation	£89,184	Jan 23 census numbers in schools / PVI providers	£12,949	Jan 23 census numbers in Maintained Nursery Schools.
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1.21	<p>The DfE are providing local authorities with the flexibility to determine the most appropriate way of allocating EY TPAG funding locally.</p>						
1.22	<p>Local authorities must pass on the funding in a clear and transparent way, so that providers can understand how allocations have been determined locally. Local authorities must ensure that all of the EY TPAG funding they receive is distributed to their early years providers.</p>						
1.23	<p>The EY TPAG must not be used for contingency funding or local authority central or administration costs</p>						
1.24	<p>Given the importance of providers receiving notification of their allocations promptly, local authorities do not need to consult with their schools forum on passing on the EY TPAG funding to early years providers. Nonetheless, DfE encourage local authorities to consult with providers, where this is possible and does not create excessive delays in finalising allocations and making payments to providers.</p>						
1.25	<p>A similar additional grant was provided in advance for the whole of this financial year in relation to Teacher Pay and Pension. We consulted the sector on distribution of this grant and it was agreed to distribute it evenly across all providers.</p>						
1.26	<p>Due to the relatively small amount of funding and timescales of receiving it, it is proposed to distribute it in February 2024 as a lump sum across all providers based on take-up of 3 / 4 year olds places in the Autumn and Spring term 2023/24.</p>						

Proposals

2.1	<p>It is proposed to consult the sector on the following funding models. In all models it is proposed to :</p> <p>Option 1:</p> <p>Retain the current local funding formula in 2024/25 with the addition of a Central Retention on 2 year old and 9 month old funding streams.</p> <table border="1" data-bbox="215 1758 1380 2105"> <tbody> <tr> <td data-bbox="215 1758 742 1915">Retention for Central Spend</td> <td data-bbox="758 1758 1380 1915">5% of 3 / 4 year old & 30 hour funding, 3% of 2 year old (working and disadvantaged) and 9 month funding</td> </tr> <tr> <td data-bbox="215 1915 742 1993">3 / 4 year old hourly rate</td> <td data-bbox="758 1915 1380 1993">£5.09 plus deprivation supplement if eligible (increase of 22p)</td> </tr> <tr> <td data-bbox="215 1993 742 2105">3 / 4 year old Deprivation Supplements</td> <td data-bbox="758 1993 1380 2105">Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as deprivation supplement (17p high / 12p medium).</td> </tr> </tbody> </table>	Retention for Central Spend	5% of 3 / 4 year old & 30 hour funding, 3% of 2 year old (working and disadvantaged) and 9 month funding	3 / 4 year old hourly rate	£5.09 plus deprivation supplement if eligible (increase of 22p)	3 / 4 year old Deprivation Supplements	Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as deprivation supplement (17p high / 12p medium).
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3 / 4 year old Deprivation Supplements	Up to 2% of 3 / 4 year old and 30 hour budgets to be distributed as deprivation supplement (17p high / 12p medium).						

2 year old hourly rate	£7.51 (increase of 7p per hour)
2 year old Deprivation Supplements	Up to 2% of 2 year old budget to be distributed as deprivation supplement (high / medium).
9 month – 2 year olds	£10.24
9 month – 2 year old year old Deprivation Supplements	Up to 2% 9 month – 2 year old budget to be distributed as deprivation supplement (high / medium).
Nursery Stability Funding	Lump sum to be passported to 3 nursery schools based on take-up levels as required by guidance.

2.2

Option 2:

Central Retention of 5% of 3 / 4 year and 30 hour funding and 3% from 2 year old and 9 month funding streams. Retain 1% of 3 / 4 year old budgets to distribute as a deprivation supplement

Retention for Central Spend	5% of 3 / 4 year old & 30 hour funding, 3% of 2 year old (working and disadvantaged) and 9 month funding
3 / 4 year old hourly rate	£5.14 plus deprivation supplement if eligible (increase of 27p)
3 / 4 year old Deprivation Supplements	Up to 1% of 3 / 4 year old and 30 hour budgets to be distributed as a single deprivation supplement (10p)
2 year old hourly rate	£7.59 (increase of 15p per hour)
2 year old Deprivation Supplements	Up to 1% of 2 year old budget to be distributed as a single deprivation supplement
9 month – 2 year olds	£10.35
9 month – 2 year old Deprivation Supplements	Up to 1% of 9 month – 2 year old budget to be distributed as a single deprivation supplement
Nursery Stability Funding	Lump sum to be passported to 3 nursery schools based on take-up levels as required by guidance.

2.3

Benefits: this model maximises the 3 / 4 year old base rate to all providers and still provides the mandatory additional deprivation supplement to all providers who would have qualified under Option 1 but at a single rate. There are 9% of providers who receive 2p / hour less increase than Option 1 however 91% of providers benefit from an increased base rate.

2.4

Option 3:

2.5	<p>Either Option 1 or 2 for 3 / 4 year olds and no deprivation supplements to be introduced for 2 year olds or 9 month – 2 year olds – single rates for all providers as detailed below:</p> <table border="1" data-bbox="220 190 1380 336"> <tr> <td data-bbox="220 190 742 257">2 year old hourly rate</td> <td data-bbox="742 190 1380 257">£7.67 (increase of 23p per hour)</td> </tr> <tr> <td data-bbox="220 257 742 336">9 month – 2 year olds</td> <td data-bbox="742 257 1380 336">£10.46</td> </tr> </table> <p>Early Years pupil premium has been introduced on the 2 year funding this year which will increase the hourly rate by 68p for eligible families therefore impacting positively on the disadvantaged 2 year olds. Maximising the base rate across all providers will have a more positive impact on sustainability.</p>	2 year old hourly rate	£7.67 (increase of 23p per hour)	9 month – 2 year olds	£10.46
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3. Key Actions and Timelines					
3.1	<p>January 2024: proposals presented to DLT January 2023: EE formula proposals presented to Schools Forum January 2024: Consultation on EE formula with early education providers February 2024: 2024/25 funding rates confirmed to early education providers February 2024: Teachers Pay Award Grants distributed to schools / providers February – April 2024: Recruitment to new posts</p>				
4. Recommendations					
4.1	<p>It is recommended that</p> <ul style="list-style-type: none"> • Approval is given to retain 5% of 3 / 4 year old & 30 hour funding and 3% of 2 year old (working and disadvantaged) and 9 month funding to cover central Early Years and Childcare Service running costs • Approval is given to consult on the Early Education funding options presented. • Approval is given to continue to distribute ISG based on the current model. • Approval is given to distribute the TPAG in a lump sum to all providers • Approval is given to fund the above entitlement for the EY Block with any shortfall being funded through the High Needs Block. 				
5. Finance Comments					
5.1	<p>The Early Education proposed options would be funded by the Dedicated Schools Grant Early Years Block. Further clarification will be required to ensure any calculated deprivation rates fall within the proposed indicative formula and allocation.</p>				
5.2	<p>It is proposed to use DSG Early Years Block carry forward/in year surplus to fund the Inclusion Support Grant in 2024/25, with any shortfall funded by DSG High Needs Block.</p>				
5.3	<p>TPAG allocation would be distributed to Providers in full on the agreed basis.</p>				
5.4	<p>Financial implications of any staffing proposals would be reviewed against any subsequent business cases. Any approvals would be within the available centrally funded allocation.</p>				
6. HR Comments					
6.1	<p>Any recruitment for additional staff will be subject to RMBC recruitment procedures.</p>				