

NORTH LINCOLNSHIRE COUNCIL

SCHOOLS FORUM

EARLY YEARS – DEDICATED SCHOOLS GRANT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report proposes the base rate and supplements of the Early Years Single Funding Formula (EYSFF) for the year 2024/25 for early education of under two's, two-year-olds, three and four-year olds from the early years block of the Dedicated Schools Grant (EYDSG). The paper is for consultation as the final decision lies with the council.

2. BACKGROUND INFORMATION

- 2.1 Early Years funding is participation based. Funding allocations are currently provisional for 2024/25. Allocations are determined by three census counts (January 2023, 2024, and 2025) for disadvantaged two-year-olds and three and four-year olds, with final allocations published July 2025. Two additional funding streams will be available in 2024, for working parents of two-year-olds and children over nine-months, from April and September 2024, respectively. To ensure allocations for Local Authorities are as accurate as possible, the new working parent funding will be adjusted based on the submission of actual take-up data for the summer and autumn terms 2024 and the January 2025 census.
- 2.2 Funding allocations have increased for existing entitlements for the 2024/25 financial year with an additional 28 pence and 27 pence per hour per child on the hourly rate for two-year olds (£7.56) and three and four-year olds (£5.47) respectively. Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) have both increased (2p) to 68p per hour per child and (£29) £910 per annum, respectively. EYPP and DAF funding are extended to include the new working parent funding.
- 2.3 Children over nine months of working parents may become eligible for 15 hours of funded early learning and care from the term after they become nine months from April 2024 for 38 weeks of the year. Parents will apply to Childcare Choices for an eligibility code to access a funded place. In the summer of 2023.

2.4 Disadvantaged two-year olds are eligible for a maximum of 15 hours funded early learning and care where:

- their family circumstances mean that they are eligible for free school meals (FSM),
- the family is in receipt of Universal Credit/Tax Credits with an income of approximately £16,000,
- the child is in or has left the care of a local authority; is in receipt of Disability Living Allowance or the child has an Education, Health, and Care Plan.

Approximately 400 children are eligible each term in North Lincolnshire. Additionally, children of working parents may be eligible for a maximum of 15 hours funded early learning and care from April 2024 to support them with the cost of childcare. They too apply to Childcare Choices for an eligibility code to access a funded place. In the summer of 2023, it is estimated that 473 families of two-year olds were paying for childcare

2.5 All three and four-year olds are entitled to a maximum of 15 hours funded early education in the maintained, private, or voluntary sector for 38 weeks of the year. Children of working parents may also be eligible for an additional 15 funded hours. Approximately 52 per cent of funded children take-up the additional funded hours in North Lincolnshire.

2.6 Provider payments for all funding streams are determined using the Early Years Single Funding formula (EYSFF), comprised of a base rate and supplements. EYPP and DAF are ring fenced funding supplements for children that meet eligibility criteria.

3. FINANCIAL AND OTHER RESOURCE IMPLICATIONS

3.1 Funding allocations

The provisional funding allocations for the 2024/25 financial year are:

	Funding Allocation (£)	Part-time Equivalent (pte) Number of children
Under two's (£10.29 per hour per child)	1,692,257	582.18
Disadvantaged 2-year-old funding (£7.56 per hour per child)	1,752,294	406.64
Working parent 2-year-old funding (£7.56 per hour per child)	2,453,918	569.46
Universal Hours 3- & 4-year-old funding (£5.47 per hour per child)	6,467,180	2,074.21
Extended Hours 3- & 4-year old funding (£5.47 per hour per child)	2,907,318	932.46

A higher hourly rate is payable for under two's and two-year-olds to reflect a higher practitioner to child ratio required, 1:3 and 1:4, respectively.

	Funding Allocation (£)	Part-time Equivalent (pte) Number of children
Early Years Pupil Premium (EYPP) 68p per hour per child – ring fenced		
3- &4-year-olds	225,653	582.18
2-year-olds	129,629	334.44
Under two's	6,481	16.72
Disability Access Funding (DAF) £910 per annum lump sum – ring fenced		
3&4 year olds	69,160	76
2 year olds	42,770	47
Under two's	7,280	8
Total EYDSG	15,753,940	-

For children to be eligible for EYPP their families must meet the FSM criteria and/or the child must be in care or have left care under an adoption, child arrangements or special guardianship order. The funding is payable for universal hours only. DAF is payable for children with a disability in receipt of Disability Living Allowance, to support inclusion.

The council are required to pass-through a minimum of 95% of EYDSG to providers of funded early education, it should be noted that the pass-through rate will increase to 97% in coming years. It is proposed to retain the following:

Funding stream	Pass-through rate %	Allocation £
Under two's (working families)	95	84,613
Disadvantaged two-year olds	97	52,330
Working families two-year olds	97	71,968
Three and four-year olds	96	374,980
Total Centrally Retained		583,891
Increase of		190,891

Retained funds support early years services provided by the council and will provide a small grant fund to enable settings to extend their operating hours and create additional places required for the expansion. The proposals comply with the requirement to pass through at least 95% of all funding streams.

3.2 Sector consultation

The Department for Education consulted on the methodology for the new funding streams. The response to the consultation, funding rates and operational guidance were published on 29 November 2023.

All settings were consulted in relation to the structure of the local funding formula. Almost all respondents (92%) agreed that the new funding streams should follow the same structure the as existing formula, that the funding for disadvantaged children be differentiated through EYPP and Deprivation supplements (88%) and that the eligibility and supplement rate be consistent for deprivation across all funding streams (100%). However, there was a low response rate of just 25 settings.

Members should consider the proposed funding formula for the 2024/25 financial year for under two's, two, three and four-year-olds. It should be noted that other scenarios were modelled; however, the models presented in the report provide the highest base rate for the sector.

3.3 Supplements

The EYSFF must include a deprivation supplement for three and four year olds, other supplements can be tailored to the local childcare market. Supplements must be no more than 12 per cent of the total value of planned funding to be passed through to providers.

During the consultation, it was proposed to extend the deprivation supplement to all funding streams, settings were in favour of this. A rate of 12p per hour per child is proposed. This is payable for a maximum of 15 hours only. The funding criteria will match that of EYPP.

3.4 Under two's

The EYDSG provisional allocation for children over nine months to two years after the centrally retained deduction is £1,607,644 (38 weeks allocation).

Funding projections use pte numbers of children from the DfE estimates and are illustrated below.

Base rate: £9.75 per hour per child
Deprivation: 12p per hour per child
EYPP: 68p per hour per child

Projected numbers of under two's	Estimated budget required (£)
Autumn 2024 14 weeks (pte number – 288.52 children)	591,236
Spring 2025 12 weeks (pte numbers – 288.52 children)	506,851

Total Expenditure	1,098,178
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Projections demonstrate an underspend of £509,467, however the funding allocation is based on a full calendar year and funding is not applied until September 2024. In the summer term 2023, it is estimated that 472 families of children over nine months were paying for childcare. If the families of these children were eligible for a funded place there would be an overspend of £188,903, however funding is adjusted termly by the ESFA to reflect actual take-up.

3.5 Two-year-old funding

The EYDSG provisional allocation for two-years after the centrally retained deduction is £4,018,980. It is proposed to recognise disadvantaged children through the introduction of a deprivation and EYPP supplement.

Funding projections using pte numbers of children from the calendar year 2023 and working family estimates are illustrated below:

Base rate: £7.46 per hour per child
 Deprivation: 12p per hour per child
 EYPP: 68p per hour per child

Projected numbers of two-year-olds	Estimated Disadvantaged children £	Estimated children of working family's £	EYPP £
Summer 2024 (pte numbers – 393 children)	532,820	635,962	4,631
Autumn 2024 (pte number – 376 children)	594,641	741,955	5,404
Spring 2025 (pte numbers – 410 children)	555,762	635,962	4,632
Total Expenditure	1,683,223	2,013,878	14,666

Projections demonstrate an underspend of £384,811; this ensures affordability of the formula and flexibility to fund an increasing number of children.

3.6 Three and four-year old funding

The EYDSG provisional allocation for three and four-year olds after the centrally retained deduction is £8,999,518 for the universal and extended funded hours.

To project funding and ensure affordability of any proposed funding, formula scenarios have been modelled using pte numbers of children in the calendar year 2023. It should be noted the pte numbers of children in

the projections are fractionally lower than those in the EYDSG funding allocation, as such with all scenarios there is a contingency (£454K). This ensures affordability of the formula and flexibility to fund an increasing number of children.

Proposal:

Base rate: £5.18 per hour per child (27p increase)

Deprivation: 12p per hour per child

EYPP: 68p per hour per child

Sufficiency Lump Sum: £7000/£4500 The council have a duty to ensure that there are sufficient childcare places to meet demand. For a provider to be eligible there must be no other 0-5-year-old childcare provision within 1½ miles of the provider, and they must not benefit from economies of scale.

Projected numbers of three and four-year olds	Estimated Universal children		Estimated Extended children		EYPP
	pte	£	pte	£	£
Summer 2024	2382	2,310,577	1114	1,038,260	81,963
Autumn 2024	1518	1,661,816	668	726,321	59,036
Spring 2025	2065	1,938,432	947	883,137	71,902
Total Expenditure		5,910,825		2,647,178	212,901

3.7 Population projections

Population projections are presented for three and four-year-olds for three terms of the financial year 2024/25. The projections are based on doctor registrations in each ward of North Lincolnshire; adjusted to reflect average take-up of funding for both universal and extended hours.

If take-up of the population is as estimated the initial funding allocation will be roughly correct with limited adjustment.

Population Projections

	Universal 15 Hours		Extended 15 Hours	
	Population	Funded Hours	Population	Funded Hours
Summer 2023	2,417	435,060	1,210	217,800
Autumn 2023	1,544	324,240	785	131,880
Spring 2024	2,067	372,060	1,050	189,000
Total – PTE Hours (estimated North Lincs)	2009.33		1015	
Dedicated Schools Grant – PTE Hours	2,074.21		932.46	

4. OTHER IMPLICATIONS

- 4.1 The statutory guidance states that all Ofsted registered childcare is eligible to deliver funded early education places, including schools, academies, private and voluntary day nurseries and pre-schools, as well as childminders and after school clubs. Each provider is subject to an agreement that includes diversity and equality.
- 4.2 The Disability Access Fund supports accessibility for children with a disability at their chosen setting. An Early Years Inclusion Fund is also available for providers to apply for additional funds to support children with emerging SEND. Additional funding is also paid to named settings on a child's Education, Health, and Care Plan (both funded from High Needs Block of Dedicated Schools Grant). Of the centrally retained funding from the early years block £208K supports SEN and inclusion of children in the sector.
- 4.3 The funding is participation based, as such providers receive funding based on registered children's hours each term. Supplements recognise and tailor the funding to the differentiated cost of delivery where applicable. Deprivation funding and the EYPP support providers to target cohorts of children to narrow the gap in educational achievement.

5. RECOMMENDATIONS

- 5.1 That members note the provisional funding allocation in relation to the Early Years Block of the DSG for 2024/25.
- 5.2 That members support the proposed pass-through rates for the centrally retained funding and a small grants programme to extend early years places.
- 5.2 That members support the proposed base rates of:
- Under two's - £9.75 per hour per child
 - Two-year-olds - £7.46 per hour per child
 - Three and four-year-olds - £5.18 per hour per child
- 5.3 That members support the proposed local supplements of the EYSFF – deprivation (12p per hour per child) and sufficiency lump sum (£7000/£4500).
- 5.3 That members support an increase in EYPP and DAF to nationally funded rates (68p per hour and £910 lump sum respectively).

EARLY YEARS MANAGER SUFFICIENCY AND QUALITY

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Background Papers used in the preparation of this report –

Dedicated schools grant (DSG): 2024 to 2025 financial year allocations

Early years entitlements: local authority funding operational guidance 2024 to 2025