

Agenda Item 3



Title of meeting: Cabinet Member for Children, Families and Education

Date of meeting: 9 February 2024

Subject: Early Years Dedicated Schools Grant Budget 2024-25

Report by: Sarah Daly, Director of Children Families and Education

Cabinet Member: Councillor Suzy Horton, Cabinet Member for Children, Families and Education

Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1 Purpose of report

1.1 The purpose of this report is to:

1.1.1 Inform The Cabinet Member of the progress towards the initial determination of the Early Years Block of the schools budget for 2024-25 and to seek the necessary approvals required.

2 Recommendations

2.1 It is recommended that the Cabinet Member:

2.1.1 Approve the Early Years Funding Formula for under twos, two, three and four year olds as set out in section 5, and the budget in Appendix 1.

3 Background

3.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant for education and can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance and Childcare (Provision of information about Young Children) (Amendment) (England) Regulations

3.2 The School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024 require each local authority, by no later than 29 February 2024, to:

3.2.1 Make an initial determination of the schools budget, and



3.2.2 Give notice of that determination to governing bodies of the schools it maintains.

3.3 In January 2024 the Cabinet Member and Schools Forum approved and endorsed several decisions regarding the Schools Block, including mainstream school, budgets, the Central Schools Services Block and High Needs places for Special Schools, Inclusion Centres and Alternative Provision settings.

3.4 On 7 February 2024 Schools Forum endorsed the 2024-25 Early Years funding arrangements and hourly funding rates for providers. This report provides the Cabinet Member with the background and proposed changes to the Early Years Block budgets to enable the authority to notify providers of the 2024-25 hourly rates no later than the 20 February 2024, in line with the Government request.

4 Dedicated Schools Grant

4.1 The determination of the 2024-25 Early Years Block of the Dedicated Schools Grant for 2024-25 is set out in Appendix 1.

4.2 On the 19 December 2023 the ESFA announced the initial Dedicated Schools Grant Allocation for Portsmouth for 2024-25. Details of which were reported to the Cabinet Member and Schools Forum in January 2024.

5 Early Years

Extension of entitlements 2024-25

5.1 In March 2023 the Government announced the extension of early years entitlements starting in April 2024 and the roll out completing in September 2025. The Table below sets out the planned implementation.

Table 1: Extension of funded childcare hours		
Implementation date	Age group	No. of hours per week
April 2024	Working parents of 2 year olds	15
September 2024	Working parents of 9 months to 3 year olds	15
September 2025	Working parents of 9 months to 3 year olds	30

5.2 On 29 November 2023 the DfE released the Early years entitlements: local authority funding operational guide 2024 to 2025¹ along with the local authority hourly rates for 2024-25. The proposed funding formulae are set out in the paragraphs below.

¹ [Early years funding: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118211/early-years-entitlements-local-authority-funding-operational-guide-2024-to-2025.pdf)

Three and Four year old funding formula

- 5.3 The DfE have confirmed that the DSG hourly funding rate for Portsmouth City Council 2024-25 will increase by £0.85 to £6.13 for three and four year olds.
- 5.4 The three and four year old allocation includes funding for the Teacher's pay grant and the Teacher's employers contribution grant (Teacher's pay and pensions grant). This equates to £0.03 per hour, leaving £6.10 to be distributed through the three and four funding formula. There are no proposed changes to the funding formula factors when compared to 2023-24 and the Table below sets out the proposed funding values for 2024-25.

	2023-24	2024-25
	£	£
Basic rate	4.69	5.50
Deprivation	0.20	0.20
SEN Inclusion Fund	0.04	0.04
Growth contingency	0.06	0.06
Total funding passed to settings	4.99	5.80
Centrally retained	0.26	0.30
Total funding per hour	5.25	6.10

Two year old funding formula (Deprivation and working parents)

- 5.5 The DfE have confirmed that the DSG hourly funding rate for 2024-25 will increase by £2.60 to £8.98 for two year olds. This includes the both the current entitlement for two year olds with parents in receipt of certain benefits and the new entitlement for two years with working parents from April 2024. Whilst there are no proposed changes to the formula factors for 2024-25, it is proposed that the funding value for the Growth Contingency is set at zero, the reasons for which are explained in paragraphs 7.7 and 7.8. The Table below sets out the proposed funding values for 2024-25.

	2023-24	2024-25
	£	£
Basic rate	5.90	8.49
SEN Inclusion Fund	0.04	0.04
Growth contingency	0.13	0.00
Total funding passed to settings	6.07	8.53
Centrally retained	0.31	0.45
Total funding per hour	6.38	8.98



Under 2s funding formula

5.6 The Under 2 year old formula covers the new entitlement to funded childcare from September 2024 for pupils aged 9 months up to 2 years old of working parents. The DfE have confirmed that DSG hourly funding rate will be £12.24 for 2024-25. The proposed funding formula factors mirror the two year old funding formula and contain a Growth Contingency. For 2024-25 the funding value of the Growth Contingency is set at zero as explained in paragraphs 7.7 and 7.8. The table below sets out the proposed funding values for 2024-25.

Table 4: Under 2 year old funding formula 2024-25 from September 2024	
	2024-25
	£
Basic rate	11.59
SEN Inclusion Fund	0.04
Growth	0.00
Total funding passed to settings	11.63
Centrally retained	0.61
Total funding per hour	12.24

Growth Contingency two year olds and Under 2s.

5.7 The methodology for funding the local authority for the new entitlements has changed for 2024-25. Normally the authority would receive an adjustment to the allocation in July based on the previous January census. As these pupils won't be included on the January 2024 census, the DfE will instead, fund local authorities through a termly head count which reduces the need for a growth contingency as the funding the local authority receives should more closely follow the numbers in Early years settings for 2024-25.

5.8 The position of the growth contingency will be reviewed each year to consider any changes in methodology and actual attendance compared to the funding received.

Consultation with providers

5.9 Portsmouth has undertaken a consultation with Early Years settings regarding the proposed funding formula and hourly rates paid to providers. The consultation closed on 5 January 2024, of 165 providers contacted, 14 responded (8%), The table below provides a summary of the responses. And the details are set out in Appendix 2.

Question	Yes	No	N/A	Total
Do you agree with the proposed 2024-25 funding formula for three and Four year olds?	9	5	0	14
Do you agree with the proposed 2024-25 funding formula for two year olds?	9	5	0	14
Do you agree with the proposed 2024-25 funding formula for under 2 year olds?	8	5	1	14

- 5.10 Of those that responded the majority were in favour of the proposed changes. Several respondents raised comments around the 5% retention and the teachers' pay and pension grants.
- 5.11 The local authority can hold up to 5% of the hourly rate to pay for central services for Early Years, the Formula funding proposals above include the 5% retention rate. The Early Years Team within the local authority are funded from this retention rate and provide a range of services to Early Years providers. This support is expected to increase as the entitlements are extended over the 2024-25 and 2025-26 financial years. The 5% retention rate is reviewed and consulted on annually as part of the formula consultation.
- 5.12 In 2023-24 the DfE has moved the separate grant paid to mainstream school nursery unit providers for teachers pay and pension grant into the Early Years block funding. This was a national change which impacted mainstream school nursery units only. This has provided funding of £71,500 for 2024-25. It is proposed that this is distributed to schools through the "Quality" discretionary supplement for three and four year olds.
- 5.13 It is proposed to distribute the grant at on the same basis as 2023-24 at £181 per pupil as per the number on roll for N1 and N2 in the October 2023 census.
- 5.14 In addition to the funding formula providers will see an increase in the funding paid via the disability access fund which has increased to £910 per eligible child per year.
- 5.15 From April 2024 the Early Years pupil premium for eligible three and four year olds will be extended to disadvantaged two year olds and children aged two years of working parents. This will be further extended to include the under twos from September 2024. The rate per hour has increased from £0.62 per hour to £0.68 per hour up to a maximum of 570 hours per year, from 1 April 2024.

6 Reasons for recommendations

- 6.1 The recommendations within this report seek to allocate DSG resources appropriately and fairly, and to provide the best possible outcomes for pupils in Portsmouth City. They are consistent with the requirements contained within the updated School and Early Years Finance and Childcare (Provision of Information about Young Children) (Amendment) (England) Regulations 2024. Local Authorities



are required to make an initial determination of their schools' budget no later than the 29 February 2024.

7 Integrated impact assessment

7.1 This report and the proposals within form part of, and are consistent with, the national implementation of the schools and high needs National Funding Formula as directed by the Department of Education and set out in the School and Early Years Finance (England) Regulations 2024.

7.2 The funding system does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.

8 Legal implications

8.1 Regulation 5 of the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024(coming into force on 13 February 2024) requires local authorities to (a) make an initial determination of their Schools Budget and (b) give notice of that determination to the governing bodies of the schools which they maintain, by no later than 29 February 2024. The recommendations in this report are consistent with the requirements contained in those updated regulations, based on operational guidance published by central government, and in particular identify elements of the proposals in respect of which the Cabinet Member's specific approval or endorsement is required.

9 Director of Finance's comments

9.1 Financial comments and implications are included in the body of this report.

Signed by: Sarah Daly, Director of Children, Families and Education

Appendices:

Appendix 1: Dedicated Schools Grant Original budget 2024-25

Appendix 2: Results of the 2024-25 Early Years Funding Formula consultation

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
School and Early Years Finance and childcare (Provision of Information about	The School and Early Years Finance and Childcare (Provision of Information About



Young Children) (Amendment) (England) Regulations 2024	Young Children) (Amendment) (England) Regulations 2024 (legislation.gov.uk)
The National Funding Formulae for Schools and High Needs 2024-25 (published 6 October 2023) - Policy Document	National funding formula for schools and high needs 2024 to 2025 (publishing.service.gov.uk)
Early Years Entitlements: local authority funding operational guide 2024 to 2025 (published 29 November 2023)	Early years entitlements: local authority funding operational guide 2024 to 2025 - GOV.UK (www.gov.uk)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by Councillor Suzy Horton, Cabinet Member for Children, Families and Education:

Appendix 1: Dedicated Schools Grant Early Year Original budget 2024-25

	Approved 2023-24 Budget - Oct 2023 (inc. Academies)	Proposed Budget Revisions	2024-25 Schools Budget Feb 2024 (Including Academies)	2024-25 Schools Budget Feb 2024 (Excluding Academies)
	£000	£000	£000	£000
Early Years Block				
3 & 4 Year Old Provision ¹	12,237	2,190	14,427	14,427
2 Year Old Provision	1,910	4,590	6,500	6,500
Under 2s	0	2,644	2,644	2,644
Central Expenditure on under 5's	718	480	1,198	1,198
Early Years Block Total	14,865	9,903	24,769	24,769
Total Expenditure	14,865	9,903	24,769	24,769
Income				
Early Years Block	(14,865)	(9,903)	(24,769)	(24,769)
DSG Income ²	(14,865)	(9,903)	(24,769)	(24,769)
Total Income	(14,865)	(9,903)	(24,769)	(24,769)

¹Includes early years pupil premium

² 2024-25 per ESFA allocations December 2023



Appendix 2: Feedback from the 2024-25 Early Years Funding Formula Consultation

Question	Total Yes	Total No	Total N/A
<p>1. Do you agree with the proposed 2024-25 funding formula for three and four year olds, as set out in Table 1?</p>	9	5	0
<p>If not, what would you change</p>			
<p>The rate is an improvement and I have no real concerns on the main deductions however I do not feel money for the children should be used to contribute towards the teachers' pension payments! This money is intended for early years and should be used for the children and the providers giving that service. This is more principle based than the actual 3p figure. I do not agree with it. (Nursery Setting 3)</p>			
<p>The rate is an improvement and I have no real concerns on the main deductions however I do not feel money for the children should be used to contribute towards the teachers' pension payments! This money is intended for early years and should be used for the children and the providers giving that service. This is more principle based than the actual 3p figure. I do not agree with it. (Nursery Setting 4)</p>			
<p>The rate is an improvement and I have no real concerns on the main deductions however I do not feel money for the children should be used to contribute towards the teachers' pension payments! This money is intended for early years and should be used for the children and the providers giving that service. This is more principle based than the actual 3p figure. I do not agree with it. (Nursery Setting 5)</p>			
<p>The rate is an improvement and I have no real concerns on the main deductions however I do not feel money for the children should be used to contribute towards the teachers' pension payments! This money is intended for early years and should be used for the children and the providers giving that service. This is more principle based than the actual 3p figure. I do not agree with it. (Nursery Setting 6)</p>			
<p>The rate is an improvement and I have no real concerns on the main deductions however I do not feel money for the children should be used to contribute towards the teachers' pension payments! This money is intended for early years and should be used for the children and the providers giving that service. This is more principle based than the actual 3p figure. I do not agree with it. (Nursery Setting 7)</p>			
<p>Although I agree there is something not quite right with the breakdown as £6.13 is the amount the LA receive but 90% of that is £5.51(.7) so would it be £5.52 as the 90% figure? (Childminder 6)</p>			



Question	Total Yes	Total No	Total N/A
2. Do you agree with the proposed 2024-25 funding formula for two year olds, as set out in Table 3?	9	5	0
If not, what would you change			
<p>I feel with the increase in the rate provided is welcome, I feel the need to keep the deduction rate at 5% is unfair, as the rate still isn't where it should be and the 5% equates to approximately £71.25 per child per annum based on calculating the extra 5% from just the £2.50 rise. This money imo would be better sent to the providers to help with the huge costs we've had to soak up and the extra £1+ an hour rise in the minimum wage in April. I feel 4% of the new overall rate would still increase the actual figure retained by the council and give us much needed extra income. (Nursery setting 3)</p>			
<p>I feel with the increase in the rate provided is welcome, I feel the need to keep the deduction rate at 5% is unfair, as the rate still isn't where it should be and the 5% equates to approximately £71.25 per child per annum based on calculating the extra 5% from just the £2.50 rise. This money imo would be better sent to the providers to help with the huge costs we've had to soak up and the extra £1+ an hour rise in the minimum wage in April. I feel 4% of the new overall rate would still increase the actual figure retained by the council and give us much needed extra income. (Nursery setting 4)</p>			
<p>I feel with the increase in the rate provided is welcome, I feel the need to keep the deduction rate at 5% is unfair, as the rate still isn't where it should be and the 5% equates to approximately £71.25 per child per annum based on calculating the extra 5% from just the £2.50 rise. This money imo would be better sent to the providers to help with the huge costs we've had to soak up and the extra £1+ an hour rise in the minimum wage in April. I feel 4% of the new overall rate would still increase the actual figure retained by the council and give us much needed extra income. (Nursery setting 5)</p>			
<p>I feel with the increase in the rate provided is welcome, I feel the need to keep the deduction rate at 5% is unfair, as the rate still isn't where it should be and the 5% equates to approximately £71.25 per child per annum based on calculating the extra 5% from just the £2.50 rise. This money imo would be better sent to the providers to help with the huge costs we've had to soak up and the extra £1+ an hour rise in the minimum wage in April. I feel 4% of the new overall rate would still increase the actual figure retained by the council and give us much needed extra income. (Nursery setting 6)</p>			
<p>I feel with the increase in the rate provided is welcome, I feel the need to keep the deduction rate at 5% is unfair, as the rate still isn't where it should be and the 5% equates to approximately £71.25 per child per annum based on calculating the extra 5% from just the £2.50 rise. This money imo would be better sent to the providers to help with the huge costs we've had to soak up and the extra £1+ an hour rise in the minimum wage in April. I feel 4% of the new overall rate would still increase the actual figure retained by the council and give us much needed extra income. (Nursery setting 7)</p>			

Question	Total Yes	Total No	Total N/A
3. Do you agree with the proposed 2024-2025 funding formula for under 2's as set out in Table 4	8	5	1
If not, what would you change			
<p>I appreciate the fact this is new and the figure is workable but again the 5% maximum is being withheld? This is £347.7 per child over the 38 weeks! We wish to remain sustainable and PPC taking the maximum 5% every opportunity isn't helping the sector. (nursery setting 3)</p>			
<p>I appreciate the fact this is new and the figure is workable but again the 5% maximum is being withheld? This is £347.7 per child over the 38 weeks! We wish to remain sustainable and PPC taking the maximum 5% every opportunity isn't helping the sector. (nursery setting 4)</p>			
<p>I appreciate the fact this is new, and the figure is workable but again the 5% maximum is being withheld? This is £347.7 per child over the 38 weeks! We wish to remain sustainable and PPC taking the maximum 5% every opportunity isn't helping the sector. (nursery setting 5)</p>			
<p>I appreciate the fact this is new, and the figure is workable but again the 5% maximum is being withheld? This is £347.7 per child over the 38 weeks! We wish to remain sustainable and PPC taking the maximum 5% every opportunity isn't helping the sector. (nursery setting 6)</p>			
<p>I appreciate the fact this is new, and the figure is workable but again the 5% maximum is being withheld? This is £347.7 per child over the 38 weeks! We wish to remain sustainable and PPC taking the maximum 5% every opportunity isn't helping the sector. (nursery setting 7)</p>			
Additional comments			
<p>I would like further clarification about point 6.2 around the support for providers. Please can this be more transparent about what support is available to us and what this 5% is used for. Thank you (Childminder 2)</p>			

This page is intentionally left blank