

Dudley Schools Forum 27 February 2024

Report of the Director of Children's Services

Early Years Single Funding Formula and Early Years SEN Inclusion Funding and the Proposed Changes for 2024/25

Purpose

1. To inform Schools Forum of the Early Years funding arrangements and Early Years SEN Inclusion Funding and the proposed changes to Dudley's local funding for Early Years providers for 2024/25.

Schools Forum Role and Responsibilities

2. The Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.

Recommendation

3. Schools Forum to:

Note the publication of information about proposed Early Years Funding Allocations: Funding Arrangements and Changes for 2024/25. And the introduction of the new entitlements for working parents from April 2024 through to September 2025 as follows.

- From **April 2024**, working parents of 2-year-olds will be able to access 15-hours childcare.
- From **September 2024**, 15-hours childcare will be extended to all children of working parents from age of 9-months.
- From **September 2025**, working parents of children under the age of 5, will be entitled to 30-hours childcare per week.

Background

4. In March 2023, the Chancellor advised that additional funding a 'supplementary grant' of £180m nationally for all early years providers would be available from September 2023 for two terms; this additional funding was to top up their hourly rates to support the increasing costs they were facing to deliver their service such as service charges, staff charges and food charges. The first supplementary grant was paid to providers in autumn term 2023 the final payment will be received by providers in spring term 2024.

5. The Chancellor also announced in March 2023, that government was investing an additional £288m into the early year entitlements for 2024-25 on top of the additional £180m received for 2023-24. Taken together, this will help support early years providers at a national level with the additional National Living Wage costs. And are using this additional £20m to uplift all of the early years funding streams, with the majority going through the early years funding formulae.

6. Schools Forum are advised of the increase in funding for early years provision as per the spending review announcement in 2023, to increase the hourly funding rates paid for next financial year 2024/25 to childcare providers for the governments free childcare entitlements.

7. Dudley's Dedicated Schools Grant funding allocated to the local authority for the three- and four-year olds in early education through the Early Years Block will increase by £0.27 to £5.47 per hour in 2024/25 from an hourly baseline rate of £5.20 in 2023/24.

a) It is intended that providers will receive for the 3- and 4-year-old rate the full increase of £0.27 to £5.07 per hour, from the current £4.80 which will allow Dudley to continue to retain £0.30 centrally for other early years associated costs and retain £0.10 to fund the historic teachers pay and pensions (TPP), grant allocation.

b) The 2-year- old LA allocated rate has increased to £7.78 per hour from April 2024. It's proposed that Dudley will retain £0.20 to support the additional associated administrative costs and to create a contingency fund, it is therefore intended to pass on £7.58.

c) The new 9month-old LA allocated LA rate from September 2024 will be £10.61** It's proposed that Dudley will retain £0.20 to create a contingency fund and therefore pass on £10.41 to providers.

** This funding rate is for a new demographic and have been calculated using a new funding formula. This means that there is no baseline against which they should be compared.

8. It is a requirement that at least 95% of the Early Years funding received by the local authority is allocated directly to the provider. Thus, the amount Dudley can hold back centrally in respect of early years expenditure is a maximum of 5%. Dudley MBC will achieve an overall pass rate of 98.76% for 24/25. The full financial detail and impact of this has been assessed and is presented to Schools Forum in readiness for the necessary approvals in respect of 2024/25 central expenditure to be met from the Dedicated Schools Grant and as part of the Stage 2 DSG Budget Planning 2024/25 report.

9. All Early Years provision receives funding based on the same Basic Hourly Rate. The DfE introduced one mandatory deprivation factor and several supplementary factors which local authorities can include in their Early Years Funding Formula (EYFF) which are subject to a maximum of 10% of the total funding allocated and can include:

- Deprivation – a mandatory factor (Dudley only use this measure) *.
- Sparsity/ rurality
- Flexibility
- Quality
- English as an additional language (EAL)

* The rate for disadvantage is paid at £0.10 per hour per child from disadvantaged postcode and is paid annually in Spring term as a lump sum to all providers

Funding Implications

10. The current 2023/24 Early Years Funding Formula for 3 and 4-year-olds in Dudley comprises of Basic Hourly Rate, a supplement for Deprivation (based on IDACI) and a Lump Sum for Dudley's Maintained Nursery School (Netherton Park) * The 23/24 basic hourly rates for all providers of 3- and 4-year-olds, including Netherton Park is £4.48.

* The local authority will continue to receive supplementary funding for the 2024- 25 financial year, this will increase by 9.45%. This funding is provided in order to enable the local authority to protect the 2016- 17 funding rates for the universal 15-hour entitlement for MNS (that is, the rates that existed before the EYNFF) and the government expects it to be used in this way.

11. Netherton Park Nursery School is funded at the same base rate as all other providers. The provision will be in receipt of £0.390m of Maintained Nursery Supplement (MNS) funding to protect against the reduction in base rate funding which also now includes Teachers Pay & Pension Grant (TPPG).

12. For 2024 to 2025 £0.345m will be ring fenced within the contingency to distribute to the previous recipients of the TPP grant.

13. In the light of the LA funding to be received from DfE it is proposed to inform stakeholders of the following changes for 2024/25:

- To continue to fund childminders, maintained nursery classes and private, voluntary and independent (PVI) providers at the same Basic Hourly Rate and,
- To increase the hourly rate by £0.27 per hour for 3 and 4-year-olds; therefore, the new hourly rates for all providers of 3-and 4-year-olds, including Netherton Park is **£5.07**
- To increase the hourly rate by £0.19 per hour for 2-year-olds; therefore, the new hourly rates for all providers of 2-year-olds, including Netherton Park is **£7.58**
- To introduce a new hourly rate for 9month-olds from September 2024 of **£10.41**
- To maintain the current methodology and amount funded for deprivation for 2024/25.
- To maintain a contingency budget for 2024/25 to support the lagged funding approach, whereby the final Early Years block is not confirmed until the following July and to support any adjustments in relation to termly payments to providers. Based on indicative modelling the contingency budget for 2024/25 is estimated to be £0.866m which includes £0.345m TPPG allocation.
- Funding is available for 2024/25 Early Years SEN Inclusion Fund as follows.
 - o Early years block £0.120m
 - o High needs block £0.641m

Early Years SEN Inclusion Funding.

Background

14. Local authorities are required to have Early Years SEN (Special Educational Needs) Inclusion Funds to provide additional top up funding to providers to improve outcomes for children with special educational needs. Local Authorities are required to establish a Special Educational Needs (SEN) Inclusion Fund for 3- and 4-year-olds with SEN. In addition, Dudley also offers this funding to providers where a child with emerging need is in receipt of 2-year-old funding (Time for Two's), to enable a timelier graduated response and early intervention.

15. Dudley's Early Years SEN Inclusion Fund is therefore provided to Dudley's private, voluntary, and independent pre-school settings including childminders and for schools with early years provision as a contribution towards meeting the additional needs of children with special educational needs and disabilities.

16. The funds are intended to enable local authorities to work with early years providers and schools to meet the needs of individual children with SEN to support children's learning and development. National guidance also states local authorities should target the fund at children with "lower level or emerging SEN."

17. Dudley continues to be committed to promoting equality and inclusion for children with Special Educational Needs and Disabilities (SEND) by removing barriers that prevent children from accessing free places and working with parents to give each child support to fulfil their potential.

18. In order to establish the Early Years SEN Inclusion Fund, Dudley combines funding from the early years block and high needs block of the DSG to meet the needs of children with and without EHCPs (Education, Health & Care Plan).

19. The value of the fund must consider the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children.

20. The growth in Education, Health, and Care (EHC) plans and budget pressure is a national and local issue. The number of requests for EHC plans in Early Years continues to rise, with a further % increase year on year. Building capacity and strengthening SEN support is key to ensuring children get early intervention that will inform any future assessment and improve outcomes.

21. The review of the Integrated Early Years' Service completed in 2022, centres around a core team and five locality-based teams situated to better engage with local early years and childcare providers, connect with Family Hubs, Education Outcomes colleagues and community assets to ensure a more responsive, seamless, and inclusive Service for Dudley's youngest children.

22. The established locality-based Team around the Setting approach is underpinned by an inclusive philosophy that enhances knowledge, builds capacity and strengthens SEN provision in the early education sector. As well as strengthening multi-agency working and supporting families in their key transitions from home to early years provision and school.

23. The review of the current model of Early Years SEN Inclusion Funding highlighted that requests for Lower Level and Emerging funding have predominantly been for resources that are expected to be found within good quality early years provision.

24. The Early Years SEN Inclusion Fund is designed to meet the needs of children in receipt of early education funding to enhance their access to the EYFS (Early Years Foundation Stage) curriculum. There may be some occasions where it is necessary for allocation of funding outside the agreed criteria due to the level of need or individual circumstances. This includes.

- Discretionary funding, which is considered where criteria may not be met, or panel feel the levels need to be adjusted for a specific reason that will support the inclusion of a particular child.
- Discretionary funding may be allocated for one term or more and like all Inclusion Funding will be subject to review. Some examples of when Discretionary funding may apply is to support a child with complex medical needs where they require support to transition into provision. Or where a child has high support needs and parental choice is that they remain at their local early years setting. Discretionary funding may also be considered for small project work to enhance the provision for a cohort of children with a particular area of need. E.g., to set up an intervention to support complex communication and interaction.

Inclusion Fund Support Packages

25. Support packages are agreed in consultation with Integrated Early Years team members and Providers to enable a bespoke support package that is in response to need in conjunction with Early Education Funding. (See below)

Funding	Termly Amount	Annual (Max)	+	Early Education Funding (EEF)*
Level 1	£750	£2,250	+	EEF = £2,889.90
Level 2	£1,000	£3,000	+	EEF = £2,889.90
Discretionary	Case by case Variable depending on application and circumstances e.g., 30 hours, transition support, project to set up intervention.	Termly or One Off		

*Based on new hourly rate of £5.07 for all providers at 570 hours annually (1,140 hours if child accessing 30hrs).

Early Years Inclusion Hubs 2024.

Dudley has established 4 new Early Years Inclusion Hubs these are located in 4 townships and complement the existing specialist early years pre-school which is a registered charity supported by DMBC.

We are currently exploring options for a fifth hub.

Early Years Inclusion Hub Funding Model 2024-25. See Appendix A

Annual Early Education Stakeholder Consultation 2024-25

26. The annual stakeholder consultation will run from 05 February 2024 until 16 February 2024, seeking views on the proposals. The outcome from the consultation will be reported to Schools Forum at the meeting on 27 February 2024. However, stakeholders will be advised of the new rates for 2024-25 by 20 February 2024.

Other Early Years Funding 2024-25

27. In addition to the new base rates for the 9month-old, 2-year-old and 3- and 4-year-old funding DfE have introduced a new deprivation supplement for disadvantaged 2-year-olds (current Time for Two's), and the new working parent entitlement. Using a basket of measures approach which uses a combination of free school meals (FSM) and a measure based on income deprivation affecting children index (IDACI). In addition, an Area Cost Adjustment (ACA) has been applied to reflect variations in costs (premises) across the country.

DfE have extended eligibility for both EYPP and DAF to all children aged from 9months accessing the new expanded entitlements from 2024-2025.

- Early Years Pupil Premium (EYPP) – increased by to £0.68 pence per hour which is £388 per eligible child, per financial year.
- Disability Access Fund (DAF) – increased by £29 to £910 per eligible child, per calendar year.

Childcare Sufficiency and Quality

28. Under Sections 6 and 7(as substituted by section 1 of the Education Act 2011) of the Childcare Act 2006; Dudley MBC has a responsibility to ensure, as far as reasonably practicable, that there is sufficient childcare to enable families to:

- access the free early education entitlement for their child.
- take up, or remain in work, or
- undertake education or training, which could reasonably lead to work.

29. The local authorities' role in supporting sufficiency and providing support and challenge to improve quality in the early years is more crucial than ever since the global pandemic. Improving the quality of provision helps the local authority to improve long term outcomes and school readiness for children. Ensuring sufficient high quality, affordable, accessible, flexible and sustainable provision through good market management to meet local needs is therefore key.

30. However, there is currently a risk to ensuring sufficiency; in that if the amount of funding made available per hour to be paid to providers does not increase sufficiently early years providers will continue to struggle to remain viable; many report that the current rate offered does not cover their costs, with the increase to the National Living Wage, NI contributions increasing from April 2024 and Gas and Electric Service charges and food charges will not be anywhere near to their usual hourly paid for fee rate; although many providers see early education funding as guaranteed income and, if they were not to offer the free entitlement many parents would not use their services.

HTCF - Budget Working Group Discussed

Yes - 20 February 2024.

Finance

31. From 1 April 2006, the schools' budget has been funded by a direct grant: Dedicated School Grant (DSG).

Law

32. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2023.

33. The Schools Forum is a statutory decision making and consultative body constituted in line with the School Standards and Framework Act 1998, and its associated regulations, including the Schools Forum (England) Regulations 2012, to enable members of the local school community to work in partnership with Dudley Metropolitan Borough Council when making decisions about school funding and finances.

Risk Management

34. There are no material risks to the Council's Risk Management Framework resulting from the contents of this report.

Equality Impact

35. This report has no direct implications for the Council's commitment to equality and diversity.

Human Resources /Organisational Development

36. This report has no direct implications for organisational development, human resources or service transformation.

Commercial/Procurement

37. There is no impact on the potential to commercially trade and no impact on our customer base.

Environment / Climate Change

38. This report has no direct implications on the environment or the Council's work in addressing Climate and achieving Net Zero target by 2030.

Council Priorities and Projects

39. The 2022/2025 Council Plan is clear in its ambitions for educational outcomes including raising skills, educational and work potential, increasing good or better schools and closing the gap for disadvantaged pupils. This report relates to the use of the Dedicated Schools Grant funding to support the educational outcomes of children and young people in the borough.



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Appendix A

Early Years Inclusion Hub Funding 2024 - 25

	Rate per Child	Annual Payment per Child	Maintained School	Academy	PVI
Place Funding	£6,000	£6,000	Annual payment in March	Termly	Termly
Early Years Child Funding	£5.07 P/Hour	£2,889.90	Termly	Termly	Termly