

Birmingham City Council

Early Years Forum / Schools Forum

18 January 2024



Subject: Early Years Rate Review 2024/25

Report of: Helen Ellis, Director for SEND and Inclusion – Directorate for Children and Families

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Decision to be made by: Early Years and Primary Representatives

1 Purpose

- 1.1 This report details the findings of the Early Years Rates Review Focus Group and recommends the amendments to be made to the Early Years DSG Funding for the final year of the 3-year financial period 2022-2023; 23-24; and 24-25. The review and recommendations are to cover the 2024/25 period.

2 Recommendations

That Early Years/Schools Forum supports the recommendations to:-

- 2.1 Note the funding that will be retained centrally to support the Councils delivery of the Statutory Duties for early years, will be 3.7% rather than the maximum 5% the LA is able to retain (as set out in section 3.5).
- 2.2 Maintain the current level of Deprivation and FSM supplements and increase the entitlement to the wider age-groups as set out in section 3.6.
- 2.3 Agree the use of the former Teachers Pay & Pensions Grant funding following a task and finish co-design workgroup as set out in section 3.7.
- 2.4 Increase the amount allocated to ISEY by increasing to £2m in 24/25 as set out in section 3.8. To also note the request for the increase to be maintained from the High Needs Block and matched in subsequent years.
- 2.5 Agree the funding rates to be applied to providers as set out for the next year in section 3.11.

3 Background

- 3.1 Within the framework for the Early Years block of the DSG there are several requirements for LAs which are intended to ensure that funding is fairly distributed to providers. The Council has a commitment to undertake an annual early years rates review of the current formula, with the intention of linking any large-scale

changes to national changes usually agreed for a three-year period in line with the governments Comprehensive Spending Review (CSR) timetable.

3.2 Previously (in January 2022) Schools Forum have approved the local Birmingham Formula for each of the 3 years covered by the government spending review, subject to an annual review in years 2 and 3. The review for 2024-25 is the third year within the three-year settlement HM Treasury announced in the CSR of November 2021 for the period 2022 – 2025.

3.3 At the Spring Budget in March 2023 the Government set out large-scale childcare reforms to increase availability, reduce costs and increase the number of parents using it by helping working families with their childcare costs. The new entitlements will be introduced in phases from April 2024 as follows:-

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

3.4 Annual Review Process 2024/2025:

3.4.1 There are 5 different aspects that make up the Early Years Block and all have been considered as part of the annual review. These are: -

- Centrally Retained Element – The DfE rules allow for a maximum of 5% to be retained and this does not require agreement/permission from Schools Forum. It is within what is allowable by the LA.
- Deprivation / FSM Supplements – These form part of the pass-through requirements and are capped at 12% of the overall allocation.
- Inclusion Funding (ISEY) – This is a required element of funding but is up to each LA to allocate the quantum in agreement with Schools Forum. This forms part of the pass-through calculation.
- Rates to providers for 2, 3- and 4-year-olds – The 2-year-old funding has always been required to be passed through at 100% and is therefore in/out. The 3- and 4-year-old rate has been calculated once the centrally retained and supplements amounts have been accounted for. This is also part of the pass-through calculation.
- Funding for specific purposes (Maintained Nursery School Supplementary funding, Early Years Pupil Premium, and Disability Access Fund) – These are based on a specific criterion which are set by the DfE and must be passported at 100%.

3.4.2 The budget announcements also needed to be considered as part of the rates review focus group work for 2024/25 and would have an impact on what was

previously agreed by Schools Forum as part of the 3-year funding from 2022 to 2025. The DfE have also changed some of the funding requirements as part of the reforms.

- 3.4.3 The main changes are concerned with the centrally retained element and pass-through requirements. From 2024/25 all age groups funding will be within the scope of the centrally retained/pass-through requirements (historically the 2-year-old funding was excluded) and the maximum that can be retained will be decreased from 2025/26 to 3%. Other changes requiring consideration are the expectation that Inclusion Funding (ISEY) should be available for all children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken, and EYPP and DAF will be extended to eligible children aged 2 years old and under accessing the entitlements from 2024 to 2025, with increases to the value of both funding streams within the LA allocation.
- 3.4.4 It is a requirement that funding is based on actual participation and all payments to schools and settings are adjusted to reflect this during the year.
- 3.4.5 The focus group met on 3 occasions and had representation from all sectors at each session (day nurseries; pre-school playgroups; childminders; maintained nursery schools; and primary schools). Altogether 124 people attended one of the three meetings, and 15 people attended all three.
- 3.4.6 The following requirements from the focus group have been modelled, calculated or identified and used in the preparation of this report:
- Quality supplement – Continue to passport via base rate. No clear method to offer a Quality supplement. Priority is to maximise the base rates to all providers.
 - Free School Meal Supplement – Model what this looks like particularly to include for the disadvantaged 2-year-old offer. Modelling included funding all eligible 2-,3- and 4-year-olds plus wider offer to see impact on base rate.
 - Deprivation Supplement – As the deprivation rates is linked to child's home postcode it is not always targeted to those most in need. The rate should be maintained at current level and prioritise widening access to include all offers. Model this for 2,3 and 4 year olds –split for both offers AND for wider age-groups.
 - ISEY – SEND is still a top priority. Preference was to look at the impact on the funding needed to widen the access to all children eligible to one of the early years or childcare entitlements (9mths to 4 year olds). Model what the increased numbers to identify if the ISEY pot needs a further increase than previously agreed.
 - Monthly Payments – As the offers are widened this may impact on the cashflow of some providers. Suggested a future focus group for Childminders to explore monthly payments.

- 3.4.7 There will continue to be a separate element of Protection Funding for Maintained Nursery Schools. This also now includes the additional element of funding for the maintained nursery school portion of the teachers' pay and pensions grant, which has been rolled in to MNS supplementary funding.
- 3.4.8 In addition to the rates review for the EY Formula, the focus group was also used to confirm the distribution of the Teachers Pay and Pensions Grant for 2023/24 and subsequent years. From the 2023/24 financial year the DfE have mainstreamed the early years elements of this funding, bringing early years in line with schools and high needs, and the funding has rolled into the overall quantum of the 3- and 4-year-old entitlements funding. The DfE encourage local authorities to continue to use this funding to support some of the costs for which the grants were originally introduced. The Maintained Nursery Schools element of this funding has been put into the MNS Supplementary Funding so are not impacted by this.
- 3.4.9 A specific focus group was held between March and May 2023 to consider how to use this funding. The recommended model was identified as:-
- A Fixed rate per Qualified Teacher working in a School Nursery Class of £3,598
 - Fund PVI if they have a Qualified Teacher being paid Teacher Terms and Conditions.
 - Funding rate determined by the number of teachers to use the whole pot.
- 3.4.10 This recommendation was not put forward to Schools Forum as planned due to the unexpected absence of the Head of Service, so has been picked up within the Rates Review report for 2024/25 and will seek retrospective agreement for 23/24 to allow for payments to be made before the end of March as a lump sum.

3.5 ***Centrally Retained Funding:***

- 3.5.1 The LA can retain a maximum of 5% of the Early Years block to support central functions. This may be reduced to 3% in future years (subject to confirmation from the DfE).
- 3.5.2 This funding covers the costs of the EYCC central team; Early Years Inclusion and Early Years Quality Improvement and Networks. ISEY funding that is paid out to settings is included in the pass-through 95% and NOT included in the 5% centrally retained as it is actually paid out to providers.
- 3.5.3 The DfE have changed the rules in 2024/25 and will now incorporate the funding for all age groups (i.e. a larger financial envelope). As a result the percentage to be retained will be reduced to 3.7% in 2024/25 as opposed to the 5% previously agreed. The larger envelope will still allow an increase of £1.15m to £4.55m to support the Council to deliver the increased Statutory Duties for Early Years and Childcare. This also supports transition to a maximum of 3% in future years.

3.5.4 Table 1: Maximum of Centrally Retained

	22/23 £m	23/24 £m	24/25 £m
Allocation	65.2	71.65	130.9
Central Team	2.7	3.15	4.3
ISEY - Central	0.25	0.25	0.25
Total	2.95	3.4	4.55
CR%	4.5%	4.75%	3.70%

3.6 ***Rates to Providers: Supplements – Deprivation and Free School Meals:***

- 3.6.1 Two supplements are offered within the formula and these relate to deprivation and free school meals (FSM).
- 3.6.2 The FSM and Deprivation supplements should be held at 23/24 rates. The current rate of FSM is £218 per child (Max 2/5 of £545) in 2023/24.
- 3.6.3 The FSM criteria should be widened to incorporate 2 year old children as it is currently only applied to 3 and 4 year olds. A commitment also to review the number of hours it is applied to for 2025 onwards so that 30 hour children can have 5 days rather than the current cap of 2 days when applied only to 15 hours.
- 3.6.4 The deprivation supplement is added to the base rate when a child lives within an identified postcode according to the Index of Multiple Deprivation as follows: -
- 0-5% SOA - £0.61
 - 5-10% SOA - £0.29
 - 10-20% SOA - £0.08
- 3.6.5 The deprivation rate will be applied to all funded children (currently applied only to 3 and 4 year olds).

3.7 ***Supplements – Use of the Teachers Pay and Pensions Grant contribution:***

- 3.7.1 A Fixed rate per Qualified Teacher working in a School Nursery Class of £3,598. PVI settings should also be funded if they have a Qualified Teacher being paid Teacher Terms and Conditions. Evidence will be requested to support the payment.
- 3.7.2 The final funding rate will be determined by the number of teachers to use the whole pot. The payment will be made as a lump sum at a single point in the year.
- 3.7.3 Maintained nursery schools will not be included as the TPPG has been included separately within the MNS supplementary funding.

3.8 ***Inclusion Funding – ISEY:***

- 3.8.1 The review this year has again confirmed that this area has a very high and increasing demand. The Schools Forum report last year set out the 3 year plan to increase the ISEY funding from the EY DSG block to £1.75m in 24/25. The

previously agreed increase of £0.25m from each of the EY DSG and HNB for an additional £0.5m of funding altogether to be upheld.

3.8.2 In addition, in recognition that the funding should be made available to all funded children (children from 9 months to 4-year-old) an additional £0.5m to be added from the EY DSG block with a desire for this to be matched from the High Needs Block if possible.

3.8.3 This will bring the overall total from the EY block to £2m plus £0.25m specifically within the centrally retained amount. Overall the ISEY funding will have a total fund of £3.75m in 2024/25 (including the £1.75m from the HNB) for payments to providers to support children with SEND.

Financial Year	EY Block ISEY (centrally retained) £	EY Block ISEY Allocation £	Increase £	HNB Contribution £	Total ISEY £
2022 - 2023	0.25m	0.75m	0	1.5m	2.5m
2023 - 2024	0.25m	1.25m	0.5m	1.5m	3.0m
2024 - 2025	0.25m	2m	0.75m	1.75m*	3.75m*

3.8.4 *This is done on the basis that the 2023/24 level from the HNB will be maintained and the previously agreed increase of £0.25m will take place. It is hoped that the EY Block input will be matched by the HNB in subsequent years.

3.9 **Disability Access Fund (DAF):**

3.9.1 The DAF was introduced to support disabled children's access to the entitlements for 3 and 4-year-olds. The distribution of this funding is straight in/out and is defined by the DfE. This will be required to be widened to all eligible children within the widened age groups (9 months to 4 years).

3.9.2 Providers receive at least £910 per eligible child per year. The DAF is payable as a lump sum and is not pro-rated according to hours taken up. This will continue to be the case for 24/25.

3.10 **Early Years Pupil Premium (EYPP):**

3.10.1 The EYPP gives providers additional funding to support disadvantaged 3 and 4 year old pupils. Local authorities must fund all eligible early years providers in their area at the national rate of 68 pence per hour per eligible pupil up to a maximum of 570 hours (£388 per year). Where a child is also eligible for the additional 15 hours entitlement for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year. The distribution of this funding is straight in/out and (as with the DAF) is defined by the DfE. This will continue to be the case for 24/25 and the EYPP will be extended to all 2-year-olds and under accessing the entitlements and meeting the eligibility criteria.

3.11 **Base Rates for Providers:**

3.11.1 The strong driver from all those engaged in the focus group was to maximise the base rates to providers for each age group. The rates are calculated once the

centrally retained amounts, supplements and inclusion funding have been taken into account. The remaining funding then drives the hourly rates.

3.11.2 The 95% pass through amount also must take account of the funding allocated to ISEY, deprivation and Free School Meals.

3.11.3 The DfE have already confirmed the allocations for the year 2024/25 to each Local Authority which means that we can confirm the rates for 24/25 to be as follows:-

Age of Child	Rate £	Change from 23/24
3 and 4 year olds	5.42	+37p or 7%
2 year olds	8.16	+46p or 6%
Under 2 year olds	11.44	New for 24/25

4 Any Finance Implications

4.1 The Dedicated Schools Grant Allocations for 24/25 were published to Local Authorities on the 19 December 2023.

4.2 The Early Years Block 2024/25 Indicative Allocation was confirmed as £135,744,519, an increase of over £35million compared to 2023/24. The increase is due to the additional 2-year-old offer and Under 2s offer being phased in from April 2024 as well as inflationary increases on hourly rates.

4.3 The funding allocation for Birmingham's Early Years Block is broken down as per the below:-

Birmingham Early Years Allocation 2024/25			
Funding Type	Total Children Funded	Hourly Rate funded from DfE	Allocation 2024/25 (£)
2 Year Olds - Disadvantaged Entitlement	4,029	8.67	19,909,212
2 Year Olds - Working Parents Entitlement	3,267	8.67	16,148,844
3 and 4 Year Old Universal	18,000	5.95	61,046,899
3 and 4 Year Old Extended	5,351	5.95	18,147,058
Under 2S Offer	1,656	11.85	11,182,885
Pupil Premium	5,995	0.68	2,324,338
DAF - Annual	1,149	910.00	1,045,590
Supplementary Funding	2,246	4.64	5,939,692
Total Early Years 24/25	41,692		135,744,519

- 4.4 The above funding shows how the grant allocation is calculated that comes into the Local Authority and Local Authorities can retain up to 5% of certain funding streams to support central service costs.
- 4.5 Due to the changes in offers from April 2024, we are still waiting for further guidance on how our allocations will be updated in year to reflect actual activity rather than estimated take up. As a service, our termly payments are based on actual take up and not estimated numbers and therefore any adjustment to the allocation in year will not have a financial impact on our budgets.
- 4.6 As discussed at the provider forums it has been agreed to pay out the Early years funding as per the below table.

The proposed hourly rates ensure the Local Authority retains sufficient funding to cover all Central Support costs and enables the service to hold enough funds to provide budgets for all supplements including Free School Meals, ISEY and Deprivation Funding. The 2024/25 hourly rates proposed to be paid to providers still ensures a sufficient increase compared to the 2023/24 hourly rates.

Deprivation Funding. The 2024/25 hourly rates proposed to be paid to providers still ensures a sufficient increase compared to the 2023/24 hourly rates.

Funding Type	Total Children Estimated to be Funded	Proposed Hourly Rate 2024/25 to be paid to Providers	Estimated Budget Required 2024/25 (£)
2 Year Olds - Disadvantaged Entitlement	4,029	8.16	18,738,082
2 Year Olds - Working Parents Entitlement	3,267	8.16	15,195,470
3- and 4-Year-Old Universal	18,000	5.42	55,609,107
3- and 4-Year-Old Extended	5,351	5.42	16,530,582
Under 2S Offer	1,656	11.44	10,795,967
Pupil Premium	5,995	0.68	2,324,338
DAF - Annual	1,149	910.00	1,045,590
Supplementary Funding	2,246	4.64	5,939,692
Free School Meal Funding			483,149
Deprivation Funding			1,338,065
ISEY Funding			2,000,000
Teachers Pay and Pension Grant			1,064,792
Centrally Retained Funding			4,679,685
	41,692		135,744,519

5 Any Legal Implications

None

6 Any Equalities Implications

- 6.1 The funding rates to providers are increasing so there should not be any adverse impacts. However, the introduction of the new entitlements will have an equalities impact assessment undertaken as part of the strategic planning.