

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information

**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

This report provides an update on Early Years Block formula funding matters. We are now working to present a consultation document to the Forum's meeting to be held on 10 January. On this basis, our period of consultation on the 2024/25 EYSFF will need to extend beyond the 10 January (the meeting at which the Schools Forum makes its recommendations on the 2024/25 DSG and formula funding arrangements). As we have done in the last few years therefore, we anticipate presenting to the Forum on 10 January a planned Early Years Block budget for 2024/25, which will be based on assumptions and estimates that are made prior to the completion of our consultation.

**Date (s) of any Previous Discussion at the Forum**

The Schools Forum made its recommendations on the 2023/24 Early Years Block and Early Years Single Funding Formula on 11 January 2023. An update was presented on 8 March (Document PT). A report on the March Budget announcements was presented on 17 May (Document PW) and again on 12 July (Document QC). Reports on the DfE's consultation and on the Early Years Supplementary Grant were presented on 13 September (Documents QE and QF).

**Background**

On 15 March 2023, the Chancellor announced that new early entitlements will be introduced in phases:

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

The Chancellor also announced additional entitlement funding to increase the funding that is paid to early years entitlement providers for the delivery of the existing entitlements, above the 2023/24 Early Years Block funding rates that were announced by the DfE on 16 December 2022. We presented a report to the Forum on 13 September on the allocation of this Early Years Supplementary Grant. On 16 November, the DfE announced a small value of additional grant allocated for the period September 2023 to March 2024 following the teachers' pay award.

The DfE has conducted a consultation, which set out proposals for the approach to the funding of the new and extended entitlements and which gave sight of indicative rates of funding for these entitlements. The deadline for responses to the consultation was 8 September and we submitted a response. A copy of this response was presented to the Forum on 13 September. We explained that this consultation has direct implications for our Early Years Block and local Early Years Single Funding Formula arrangements, from April 2024. We explained that:

- The DfE essentially proposes to extend the local framework that currently exists for the funding of the 3&4-year-old entitlement to the new and extended under 2s and 2-year-old entitlements. This means the establishment of 3 discrete streams of funding / 3 discrete Early Years Funding Formulae within the Early Years Block, that will operate the 5 entitlements separately, but in broadly the same manner using a consistent set of rules (the contain some flexibility), and that will carry different values of per hour funding for providers that will be set according to the values that each authority receives from the DfE's national formula for each of the entitlements.
- Our indicative 2024/25 DfE rate of funding for the combined 2-year-old entitlement is £7.93 per hour.
- Our indicative 2024/25 DfE rate of funding for the new under 2s entitlement is £10.82 per hour.
- The DfE's consultation did not give sight of 3&4-year-old entitlement funding values for 2024/25, with these expected to be confirmed after the November Autumn Statement.

We met with the Early Years Working Group on 19 October to begin to discuss these matters and indicative 2024/25 proposals and modelling.

### **Background (continued)**

One of the key matters that we raised for the Forum's attention on 13 September was that the DfE has indicated that, for the introduction of the under 2s entitlement at September 2024, local authorities will be funded for 22 weeks of delivery for the period September 2024 to March 2025. This will also be the case for the further extension of the entitlements to 30 hours at September 2025 (for the period September 2025 to March 2026). We expressed to the DfE our concern about this approach and its implications for our DSG. Our issue is that we fund our entitlements on a termly basis, using a 12 (summer) / 14 (autumn) / 12 (spring) weeks profile. We generally understand that, other than for slight variation in the number of weeks, many local authorities do the same. This means that we fund 12 weeks in summer, compared with the DfE's Early Years Block DSG-level funding profile of 5/12ths (16 weeks), but we fund 26 weeks in autumn and spring, compared with the DfE's Early Years Block DSG-level funding profile of 7/12ths (22 weeks). Our profile quite closely matches the timing of school holidays. When the new under 2s old entitlement for working parents begins at September 2024, for the period September 2024 to March 2025, we will fund providers for 26 weeks, but will only receive Early Years Block funding for 22 weeks. We have modelled that this will cost us in the region of £1.1m. When the under 2s entitlement is extended to 30 hours at September 2025, and the 2-year-old entitlement is also extended to 30 hours for working parents at September 2025, we also will fund 26 weeks but receive funding for 22 weeks for these for the period September 2025 to March 2026. We have modelled that this will cost us in the region of a further £2.1m. So, in total, across 2024/25 and 2025/26, we estimate that we will have an additional £3.2m of unfunded cost. This is significant and goes beyond 'normal business' in terms of managing fluctuations in numbers, albeit that it is a 'one off cost', which will not be present when the entitlements are fully extended for a full financial year. In terms of mitigation, it does not feel to sense for us to re-profile our way of funding providers in order to manage this short-term situation to remove the cost. For example, this would require us to fund 16 weeks in summer, which is not realistically practical to deliver due to the summer holidays (especially in providers that more generally deliver on a term time only basis) and would require providers to adjust their delivery models. We explained to the Forum that whether or not the DfE responds to our concern on this matter will significantly influence our DSG Early Years Block position and our use of brought forward surplus balances.

### **Details of the Item for Consideration**

The Autumn Statement, which was presented on 22 November, did not give any further details of the Early Years Block settlement for the 2024/25 financial year. We have been informed that the DfE will publish on 29 November the outcomes of the consultation, the Early Years Block rates of funding for local authorities for 2024/25 and the operational guidance that authorities must follow in their allocation of funding to providers in support of the delivery of the existing and new entitlements. The DfE is holding a webinar for local authorities on 7 December. Unfortunately, due to the timing of these announcements and the deadlines for reports needing to be ready for the Schools Forum, it has not been possible to write a report for this meeting, which sets out the details and implications of the DfE's announcements. An update will be provided verbally. The Early Years Working Group is scheduled to meet on 14 December. The timeline for turn-around of our responses to these announcements is very short, with the intention that worked up proposals will be presented to the Forum on 10 January and go out for wider consultation with providers following this.

We anticipate being able to provide a verbal update to this meeting on the following crucial matters:

- Our rate of funding for the delivery of the 3&4-year-old entitlement for the 2024/25 financial year.
- Our rate of funding for the delivery of the 'combined' 2-year-old entitlement for the 2024/25 financial year.
- Our rate of funding for the delivery of the new 'under 2s' entitlement for the period September 2024 to March 2025.
- The rules and regulations that authorities must follow regarding the operation of their Early Years Single Funding Formula in 2024/25. This include:
  - Confirmation of whether a deprivation supplement will be optional or mandatory for the funding of the under 2s and 2-year-old entitlements.
  - Confirmation of whether Early Years Inclusion Fund (EYIF), Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) will be extended to the under 2s and 2-year-old entitlements.
  - The restriction on the retention of funds within the Early Years Block (the '95% rule').
  - Whether the regulations are more prescriptive about how authorities operate EYIF funds.
- Whether we can differentiate in our approach the funding of the 'deprivation' 2-year-old-entitlement from the 'working parents' 2-year-old entitlement.
- Generally, how the DfE will approach funding the Early Years Block for the new and extended entitlements in 2024/25, on a temporary basis, (given that January Census numbers will not be available for the new entitlements until January 2025).
- Specifically, and very crucially, whether the DfE's funding of the Early Years Block covers 26 weeks of delivery cost for the under 2s entitlement, or whether the DfE will still only fund 22 weeks (7/12ths) of delivery. For our DSG planning / modelling, which is presented under other agenda items to this meeting, we have assumed that we will receive funding only for 22 weeks.
- The value of the Maintained Nursery School Supplement, which is used to support the funding of the delivery of the 3&4-year-old entitlement in our maintained nursery schools.

### **Details of the Item for Consideration**

Alongside responding to the DfE's announcements, our proposals for the 2024/25 financial year must pick up the following 'local' matters, which we have already flagged with the Early Years Working Group:

- The latest benchmarking of funding rates for providers. The 2023/24 Early Years Pro-forma detail has still to be published, but early benchmarking of the Section 251 Budget information suggests that our 3&4-Year-Old Universal Base Rate value has dropped against national and other median averages. We suspect (access to the Early Years Pro-forma detail will confirm this or otherwise) that this is because the majority of other local authorities, unlike Bradford, did not put in place a new supplement for the continuation allocation of the former Teacher Pensions Grant monies to classes in primary schools and academies in 2023/24. We suspect that the majority of local authorities simply added these grant funds into their Universal Base Rates for all providers, in support of wider funding pressures. This is something that we wish to specifically review for 2024/25, especially in the context of the feedback from the Early Years Working Group that the value of the Universal Base Rate for the 3&4-year-old entitlement is the most crucial aspect of the Early Years Single Funding Formula.
- We have set out (in consultations in recent years) the intention to reduce our spending on the Deprivation & SEND Supplement within our 3&4-year-old Early Years Single Funding Formula down to the average of our statistical neighbours, with a third step to be taken in 2024/25. Our modelling currently works on the basis that we will reduce the spending on this Supplement in 2024/25 to 5.5% of 3&4-year-old entitlement funds. Whilst the final position needs to be informed by the Early Years Block settlement and by the latest benchmarking information, we do expect to reduce Supplement spending to 5.5%.
- Given the pressures on the Early Years Inclusion Fund, the significant increase in the number of EYIF claims, and feedback from providers on EYIF processes, the Authority is currently looking at ways in which access to EYIF funding can be improved. We anticipate setting out proposals for consultation, which we will present to the Schools Forum on 10 January. These proposals may include a move to pilot a new EYIF approach in 2024/25 before deciding on more widescale changes in future years. In pulling together an approach, it is important to highlight that EYIF funding must be paid for (from the Early Years Block) and therefore, a substantial increase in EYIF funds must result in a reduction of funding that is allocated elsewhere, including a reduction in the values of the Universal Base Rates that providers receive for the delivery of the entitlements. We are very conscious therefore, that an appropriate balance must be achieved.
- In recent years, we have uplifted the value of Disability Access Fund (DAF) allocations that we pass through to providers, above the minimum value that the DfE funds. In the context of the likely extension of DAF to all entitlements, and the financial pressures that are present within the Early Years Block, we will need to review this position for 2024/25.
- We will need to pick up how the maintained nursery school elements of the Early Years Supplementary Grant and Early Years Teacher Pay Grant (both allocated as separate grants for the period September 2023 to March 2024 but continued within the 2024/25 funding settlement) are consolidated without our maintained nursery school sustainability lump sum arrangements.

### **Implications for the Dedicated Schools Grant (DSG) (if any)**

We will set out in detail the implications for the DSG on 10 January, when we expect to present the Authority's consultation and the full 2024/25 proposed DSG planned budget.

### **Recommendations**

**Recommended – Members are asked to consider and to note the information presented in the report.**

### **List of Supporting Appendices / Papers (where applicable)**

None

### **Contact Officer (name, telephone number and email address)**

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