

# Southend-on-Sea City Council

Agenda  
Item No.

Executive Director of Finance and Resources  
Executive Director of Children and Public Health  
to

## Education Board

on

23<sup>rd</sup> January 2024

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### DSG Early Years Funding 2024/25

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#### 1 Purpose of Report

- 1.1 To present, update and set the 2024/25 Dedicated Schools Grant (DSG) budget Early Years funding rates for 2024/25.

#### 2 Recommendation

- 2.1 That the Early Years (EY) funding rates for 2024/25 are set as laid out in this paper (section 6 and 7) including centrally retained balances and to therefore summarize:
- 2.1.1 **For 3&4 year old funding**, from the 1<sup>st</sup> April 2024:
- Uplift the EY Provider base rate to £5.30 per hour (an increase of 9.7% from the original 2023/24 rate, an increase of 3.1% when including the EY Supplementary grant introduced from September 2023)
  - Uplift the eligible deprivation rate to 49p per hour
  - Move to a 97% EY provider passport rate, retaining an additional £181,000 per annum to expand and enhance EY Centrally retained support.
- 2.1.2 **For 2 year old disadvantage entitlement** funding, from the 1<sup>st</sup> April 2024:
- Uplift the EY Provider base rate to £7.82 per hour (an increase of 37.7% from the original 2023/24 rate, an increase of 3.8% when including the EY Supplementary grant introduced from September 2023)
  - Retain the existing 99.3% EY provider passport rate.
- 2.1.3 **For the new 2 year old eligible working parent** funding, from the 1<sup>st</sup> April 2024:
- Set the EY Provider base rate at £7.48 per hour.

- Implement with a 95% EY provider passport rate, and the remaining 5% supporting EY Centrally retained.
- 2.1.4 **For the new 9 month to 2 year old eligible working parent** funding, from the 1<sup>st</sup> September 2024:
- Set the EY Provider base rate at £10.20 per hour.
  - Implement with a 95% EY provider passport rate, and the remaining 5% supporting EY Centrally retained.
- 2.1.5 Implement a Special Education Needs Inclusion EY Provider support Fund (**SENIF**) across all funding streams at 1.4% of total funds available within that stream.
- 2.1.6 And for noting only, From the 1<sup>st</sup> April 2024 the early years pupil premium (**EYPP**) rate is now set at 68p per hour across all streams for eligible children, and the Disability Access Fund (**DAF**) is now set at £910 per annum per eligible child.

### **3 Background**

- 3.1 In the 2023 Governments Spring Budget they announced the following key and new headlines in relation to parental access of free child care:
- 3.1.1 From April 2024, eligible working parents of two-years old will be able to access 15 hours of free child care.
- 3.1.2 From September 2024, eligible working parents 15 hours of free child care will be extended to all children from the age of nine months to when the child starts school.
- 3.1.3 From September 2025, this will be further extended to 30 hours of free child care for eligible working parents from the age of nine months to when the child starts school.
- 3.2 The announcement of this new free child care offer for eligible working parents is obviously a significant change and a large national public investment in child care. The Governments intention of this significant change is to naturally support parents to return to work and helping to grow the economy by making child care more accessible. These eligible entitlements apply from the term after your child turns that age.
- 3.3 The expansion of the Early Years Child Care offer is also timed with the governments ambitions of wrap around child care whereby by 2026 the aim is for all parents and carers of primary school aged children who need it will be able to access term time childcare from 8am – 6pm to further support parents to access employment. The aim is that this is also a self-sustaining funded model through parental demand and parental payments. Therefore separate to the DSG, the Government have also released start up grants to Councils in order to help achieve this particular aim for wrap around child care for primary aged children. The Government have also released capital grants to Councils to

support both the rollout of the early year entitlement offers from April 2024 and wrap around places from September 2024.

## 4 Foreword

- 4.1 On the 13<sup>th</sup> December 2023, the Department for Education (DfE) officially released the 2024/25 DSG Early Years (EY) funding rates to support this major new initiative including the indicative total allocation of 2024/25 funds.
- 4.2 In pure head line terms, this new funding has increased Southend's local annual DSG EY balances by an additional £5.6M. Rising to an indicative opening 2024/25 £16.4M from a £10.8M latest budget allocation in 2023/24.
- 4.3 The Councils response to how this additional funding will be distributed in 2024/25 in accordance with the conditions of the DSG for each existing and new EY funding stream is considered and recommended within the next sections of this paper. **Appendix 1 – Early Years 2024/25 Funding rates** displays the entirety of the recommended approach for the distribution of the 2024/25 EY funds and of which considers each respective EY funding stream within.

## 5 2024/25 Overarching DfE Conditions of the EY DSG Grant

- 5.1 Prior to consideration of the actual funding rates for passport and EY centrally retained balances it is important to note the following key DfE funding conditions of the grant Councils must follow:
- 5.1.1 At least 95% of each of the EY entitlement funding streams must be planned to be passported on to EY providers. The 95% includes the following:
- base rate funding for all providers
  - supplements for all providers (note - additional deprivation funding is a mandatory requirement for 3&4 year old funding)
  - lump sum funding for Maintained Nursery schools (N/A in Southend)
  - funding paid directly to providers from the special educational needs inclusion fund (SENIF)
  - contingency funding
- 5.1.2 The remaining 5% of planned expenditure can include the following:
- centrally retained funding for EY central services or EY services in-kind, including special educational needs and disability (SEND) services
  - transfer of funding to any of the other early years entitlement
  - any extra hours that local authorities choose to fund in addition to the governments entitlement hours
  - any funding movement out of the early years block
- 5.1.3 Eligible provider payments in relation to early years pupil premium (EYPP) and Disability Access Fund (DAF) are outside of the 95% passport requirements and must be paid on in full.

5.2 If Councils wanted to retain more than 95% of EY entitlement funding then this would require a disapplication request to the DfE.

## 6 2024/25 Early Years Funding rates

6.1 Each separate EY funding stream must be considered and planned and the recommendations for each stream are contained within this section and the next section highlighting the requirements of the centrally retained balances. All the hourly rates quoted are as displayed in **Appendix 1 – Early Years 2024/25 Funding rates**.

### 6.2 3&4 year old universal

6.2.1 For 2024/25 the DfE have confirmed an hourly rate in of £5.59 per hour for an expected opening estimated take up of 2,422 Part Time Equivalent (PTE\*). The hourly rate in is an increase of 5.1% or 27p per hour from the latest 2023/24 rate in\*, and a 11.6% or 58p per hour increase from the opening hourly rate in of 2023/24 if excluding the implementation of the September 2024 EY supplementary grant.

PTE\* as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

Latest 2023/24 rate in\* includes both the 2023/24 DSG hourly rate in and the DfE EY supplementary grant implemented from Sept 2023, which has now been rolled into the DSG from 2024/25 so therefore the increase % shown is the new DSG funding in addition to this grant.

6.2.2 Southend has traditionally held a very high passport rate through for 3&4 year old funding and as shown in 2023/24 this was held at 98.6% and is 3.6% above the statutory requirement of 95%. It has not been wrong to hold this high level of passport rate as ultimately the Council has been seeking to ensure a very high level of available funding has been passed on to Southend EY providers to support sustainability. However, Southend Council itself can no longer propose to continue to hold this traditional level of passport rate, given its now own wider heavy financial challenges but also balancing the needs to sustain and enhance a EY central service fit for future requirements and expansion. Further details are provided in **section 7** as to how the EY centrally retained balances will be invested in 2024/25 moving forward.

6.2.3 It is not however proposed that the Council moves to a 95% passport rate for 3&4 year old funding, as the Council is still very minded to the financial pressures and financial sustainability of EY providers. It is therefore proposed the Council moves to an implemented passport rate of 97% in 2024/25. With a 97% passport rate of funding, this will still provide EY providers with a new 3.1% hourly rate uplift from 2024/25 when including the 2023/24 EY supplementary grant within to a **base rate** of £5.30 per hour out (from the current total £5.14 per hour out base rate in 2023/24). It must also remain minded without the Introduction of the EY supplementary grant that was implemented in September 2024 (DfE conditions of which was a 100% passport through rate). This new proposed £5.30 hourly base rate out has in fact risen by 9.7% from the opening 2023/24 hourly base rate out of £4.83 per hour. The DfE have also stated their intention that in futures years they wish to move to a statutory minimum passport rate of 97% but will assess this position with the roll out of the new EY funding streams.

- 6.2.4 Southend has continued with a **mandatory deprivation supplement** attached to those eligible for EYPP. This has proved a successful and streamlined method of targeting by ensuring this additional funding reaches the respective EY providers as quickly as possible for those eligible children. Given the 2023/24 EY supplementary grant was purely applied to the base rate of providers, it is proposed to increase the deprivation supplementary hourly rate by the fully applied 11.6% funding uplift and therefore raising the deprivation supplementary hourly rate from 44p per hour in 2023/24 to now 49p per hour in 2024/25.
- 6.2.5 It also proposed that the key requirement of a Special Educational Needs Inclusion fund (**SENIF**) for EY providers of 3&4 year olds, and a requirement which will now be utilized further for each of the EY funding streams individually. It is again proposed to apply the full 11.6% funding uplift to this fund in 2024/25. It must also remain noted the 3&4 year old SENIF is topped by an additional £100,000 per annum from Southend's High Need block, so the amount of funds attributable directly from the Early years block remains relatively small at circa £34,000 per annum which is an equivalent deducted circa 2p per hour of the hourly rate funded in.
- 6.2.6 Therefore, after the considerations of 6.2.2 through to 6.2.5 covering the plans for the EY provider base rate, deprivation supplementary rate and SENIF the opening EY 3&4 year old funding now provides a remaining total sum of £232,000 in 2024/25 (an increase of £135,000) from 2023/24 contributing to **EY centrally retained balances** (again further details of which are provided in section 7).
- 6.2.7 In terms of the overall opening 2024/25 funding for the 3&4 year old universal entitlement funding and to conclude. This is **total DSG funding in of £7.719M**, proposing to be distributed out at £7.317M for the EY providers base rate, £136,000 for EY provider deprivation supplementary funding, £34,000 for EY providers SENIF (note in addition to the £100,000 from the High Needs block) and £232,000 to support EY centrally retained balances.

### 6.3 **3&4 year old extended for eligible working parents**

- 6.3.1 For 2024/25 there are no changes to the 2023/24 approach where by Councils must fund the additional 15 hrs per week for eligible working parents on the same hourly rate basis as the 3&4 year old universal. Therefore the hourly rates in and proposed rates out for 2024/25 and % uplift changes from 2023/24 are exactly the same to the 3&4 year old universal offer. The DfE has also funded the opening expected take up of eligibility at 826 **PTE\***.

**PTE\*** as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

- 6.3.2 Therefore to conclude in terms of the overall opening 2024/25 funding for the 3&4 year old extended entitlement funding. This is **total funding in of £2.632M**, planned to be distributed out at £2.495M for the EY providers base rate, £46,000 for EY provider deprivation supplementary funding, £12,000 for EY providers SENIF and £79,000 to support EY centrally retained balances.

## 6.4 2 year old – eligible disadvantaged

6.4.1 For 2024/25 the DfE have confirmed an hourly rate in of £7.99 per hour for an expected opening estimated take up of 368 Part Time Equivalent (PTE\*). The hourly rate in is an increase of 5.4% or 41p per hour from the latest 2023/24 rate in\*, and a 36.7% or £2.27 per hour increase from the opening hourly rate in of 2023/24 if excluding the implementation of the September 2024 EY supplementary grant.

**PTE\*** as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

**Latest 2023/24 rate in\*** includes both the 2023/24 DSG hourly rate in and the DfE EY supplementary grant implemented from Sept 2023, which has now been rolled into the DSG from 2024/25 so therefore the increase % shown is the new DSG funding in addition to this grant.

6.4.2 The DfE highlight that most councils already implement a much higher passport rate than the 95% minimum statutory requirement, and Southend has also always followed this approach recognising the EY provider required increased child care staffing ratios for 2 year olds and key importance of child care availability for disadvantaged 2 years old to support their development, holding a passport rate of 99.3% in 2023/24.

6.4.3 As a collective total, it is not proposed to change this passport rate for 2024/25 so that has been set to maintain at 99.3%, but it is now proposed to include in 2024/25 a specific **SENIF** fund allocation within the 2 year old funding stream. It is not a statutory requirement to hold a dedicated SENIF fund for 2 years old, or the new further 9mth to 2 year old offer but it is now considered good practice and encouraged to do so, and Southend supports this approach to ensure very young children and from birth that have an identified lower level or emerging SEN are supported as quickly as possible. For 2024/25, this will be a relatively small fund at £23,000 per annum but is proposed to be set on the same % basis of 1.4% of total available funds as is set within the 3&4 year old offer (when including the £100,000 top up from High Needs). We would expect over time, the appropriate size of all SENIF fund allocations will be re-determined as the supporting reach of this fund is established.

6.4.4 In consideration of sections 6.4.2 and 6.4.3 in terms of the EY provider **base rate** itself for disadvantaged 2 year olds from 2024/25 this is now proposed to be set at £7.82 per hour, an increase of 3.8% per hour from the latest 2023/24 EY rate (including the EY 2023/24 supplementary grant implemented from September 2024) or a 37.7% increase excluding the supplementary grant. The EY **centrally retained balance** will also be £12,000 per annum given the continued 99.3% passport rate (a small increase of £3,000 from 2023/24).

6.4.5 Therefore, to concludes in terms of the overall opening 2024/25 funding for the 2 year old eligible disadvantage entitlement funding. This is **total funding in of £1.677M**, planned to be distributed out at £1.642M for the EY providers base rate, £23,000 for EY providers SENIF and £12,000 to support EY centrally retained balances.

## 6.5 **2 year old – eligible working parents (new for 2024/25)**

6.5.1 For 2024/25 the DfE have confirmed an hourly rate in of £7.99 per hour for an expected opening estimated take up of 504 Part Time Equivalent (PTE\*), and is the same funding rate in as the disadvantaged 2 year olds.

PTE\* as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

6.5.2 In view that this is a completely new requirement for Councils and in turn requiring additional EY Centrally retained support to monitor, assist and advise EY Providers. It is proposed to implement this fund at the statutory minimum requirement of a 95% passport rate which in turns allows the maximum sum available to resource EY Centrally retained services (as further referenced in Section 7). It also in terms of good practise advised that within the passport rate a further dedicated sum of funds are set aside to support SENIF. Which is set at the same rate as the other EY funding streams allocating 1.4% of funds to contribute to SENIF.

6.5.3 It is also a conditional requirement that the disadvantaged 2 year old EY provider rate (excluding SENIF) is **at least** equivalent to this new 2 year old eligible working parent offer.

6.5.4 Therefore in consideration of sections 6.5.2 and 6.5.3 in terms of the EY provider **base rate** itself for 2024/25 is proposed to be set at £7.48 per hour, with a separate SENIF EY Provider inclusion fund allocation of £32,000 per annum.

6.5.5 And to conclude in terms of the overall opening 2024/25 funding for the 2 year old eligible working parent entitlement funding. This is **total funding in of £2.298M**, planned to be distributed out at £2.151M for the EY providers base rates, £32,000 for EY providers SENIF and £115,000 to support EY centrally retained balances.

## 6.6 **9mth to 2 year old – eligible working parents (new for 2024/25 from Sept 2024)**

6.6.1 For 2024/25 the DfE have confirmed an hourly rate in of £10.89 per hour for an expected opening estimated take up of 256 Part Time Equivalent (PTE\*)

PTE\* as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

6.6.2 Again, in view that this is a completely new requirement for Councils and in turn requiring additional EY Centrally retained support to monitor, assist and advise EY Providers. It is again proposed to implement this fund at the statutory minimum requirement of a 95% passport rate which in turns allows the maximum sum available to further resource EY Centrally retained services (as further referenced in Section 7). Again, it also in terms of good practise advised that within the passport rate a further dedicated sum of funds are set aside to support SENIF in this now very young co-hort of children, which is set at the same rate as the other EY funding streams allocating 1.4% of funds to

contribute to SENIF. Again, to remain minded we would expect over time, the appropriate size of all SENIF fund allocations will be re-determined as the supporting reach of this fund is established.

6.6.3 Therefore in consideration of sections 6.6.2 the EY provider **base rate** itself for 2024/25 is proposed to be set at £10.20 per hour, with a separate SENIF EY Provider inclusion fund allocation of £22,000 per annum.

6.6.4 And to conclude in terms of the overall opening 2024/25 funding for the 9month to 2 year old eligible working parent entitlement funding. This is **total funding in of £1.587M**, planned to be distributed out at £1.485M for the EY providers base rates, £22,000 for EY providers SENIF and £79,000 to further support EY centrally retained balances.

## 6.7 Contingency Funding

6.7.1 It must also be noted as referenced under section 5.1.1 the DSG conditions of the grant allows councils to able to set aside some funding within any of the EY funding streams for Contingency and that funding would also count within the 95% passport rate, even if it was not utilized or needed. The principal of this contingency funding is therefore to enable and support DSG balances should there be fluctuations in funding where more funding was passed out (based on appropriate head count payment data) than received in which as repeated in the main DSG Education Board papers is based on the annual January EY census's.

6.7.2 Given our local historic and effective management of DSG EY balances to date and the fact that Southend Council hold as reported through the main DSG Education update papers an Early Years DSG reserve balance. It is welcome to confirm it is not proposed for 2024/25 to create a contingency fund which inturn would naturally reduce rates available to passport through to providers as presented in this paper and/or reduce centrally retained EY balances.

6.7.3 This approach of course has some risk particularly as the new funding streams come online, so the EY DSG balances will continue to be monitored through the main DSG budget and forecasts papers through business as usual and therefore should any adverse forecasts presents themselves then this current position on contingency funding for future years will need to be reviewed.

## 6.8 Early Years Pupil Premium (EYPP)

6.8.1 EYPP is purely for noting as any child falling eligible the full funding rate will and must be passported on.

6.8.2 For 2024/25, EYPP eligibility has now been expanded to include not only any eligible children receiving the universal 3&4 year entitlement offer (which is the current conditions in 2023/24), but also now in 2024/25 any eligible child receiving either of the 2 year old entitlement offers and the 9 month to 2year old offer from September 2024.

6.8.3 In 2024/25 the EYPP rate is set at 68p per hour. Collective PTE\* take up is planned at 897. The 2024/25 rate is a 3% increase from the 2023/24 rate



including the 2023/24 EYPP EY supplementary grant and returns an opening expected collective fund of £348,000.

PTE\* as DfE defined, assume all children access the full entitlement of 15hrs per week support over 38 weeks in the year.

## **6.9 Disability Access Fund (DAF)**

- 6.9.1 DAF is also purely for noting, whereby any child falling eligible the full funding rate will and must be passported on.
- 6.9.2 For 2024/25, DAF eligibility has also now been expanded to include not only any eligible children receiving the universal 3&4 year entitlement offer (which is the current conditions in 2023/24), but also now in 2024/25 any eligible child receiving either of the 2 year old entitlement offers and the 9 month to 2year old offer from September 2024.
- 6.9.3 In 2024/25 the DAF rate is set at £910 per annum. Expected total take up is planned at 163 children. The 2024/25 rate is a circa 6% increase from the 2023/24 rate including the 2023/24 DAF EY supplementary grant and returns an opening expected collective fund of £148,000.

## **7 Requirement of the Centrally retained balances**

- 7.1 Local Authorities (LA's) have a number of key duties in relating to the provision of Early years child care in their area, and these include so far as reasonably practicable to secure sufficient childcare in their area for working parents, and those eligible to receive from the other benefit entitlement offers. LAs also have a duty to provide information, advice and assistance to parents and prospective parents and provide information, advice and training to child care providers. The LA should also ensure there is sufficient childcare available to meet the needs of children with special education needs and disabilities.
- 7.2 With the introduction of the new entitlement offers, this is obviously seeking to drive a significant expansion of accessible child care from now the age of 9 months for eligible working parents up to when the child starts school that the Council also now has a direct statutory duty to oversee. In turn, this of course will require far more provision of available, accessible and good quality child care in local area's.
- 7.3 There is no new ongoing direct funding for the Councils to oversee and support these expanded early years entitlements aside from the Early Years funding that is made available through the Dedicated Schools Grant. The Council therefore has to make an appropriate assessment of the funding that is available for it to now cover both existing and these now expanded duties and to sustain that support going forward. It also has to be recognised that this is also new provision and EY teams are likely to change and adapt as this now widened service provision beds down over the years to come.
- 7.4 The introduction of these new entitlement offers has unfortunately also fallen at the same time Councils are facing significant financial pressures themselves. Where demands on key statutory services for the most vulnerable have continued to increase with unavoidable cost pressures and whereby the

Councils own income is not able to keep pace with these cost pressures. Therefore unfortunately Council savings have had to be found and delivered in many areas across the Council and this is as demonstrated through its own Council and Cabinet budget papers for 2024/25.

- 7.5 Based on the recommendations of **section 6**, EY centrally retained balances will now rise as total from £138,000 in 2023/24 or equivalent 1.3% of the latest 2023/24 total EY funding of £10.8M, to £517,000 in 2024/25 or equivalent 3.2% of the latest 2024/25 total EY funding of £16.4M, and therefore an additional total of £379,000 in 2024/25 or equivalent 1.9% of funding of the total latest 2024/25 EY funding.
- 7.6 To remind, the current £138,000 centrally retained funds both EY provider training (through third parties) and a dedicated EY Finance and liaison officer. There has also been a crucial Operation and Intelligence data post agreed to be funded by DSG EY reserve balance for the last three financial years to manage the EY funding system which providers access and from which is the core basis for receiving their funding on a monthly basis.
- 7.7 The additional £379,000 of EY Central retained funding in 2024/25 will in summary be used to sustain, expand and increase the quality of the EY central service. Whilst the required numbers of these roles will take further shape and recruited in 2024/25 (within affordability of this allocation) the key areas of this investment will be used to:
- 7.7.1 Fund “Entitlement and Sufficiency officers”. There is a need to expand and enhance the identification and sufficiency across all providers and support with sustainability issues. This is to ensure the required numbers of settings remaining open, or support to open new provision, to meet the increased demand.
- 7.7.2 Fund an “Early Years teacher”. There is no qualified teacher in the current team and this is a gap. Supporting and challenging providers to improve the outcomes for all children, particularly the disadvantaged is crucial. This will lead to improvements for children when transitioning into to school and school readiness, including leading to better outcomes across the 17 Early Learning Goals for children at the end of their reception year.
- 7.7.3 Fund “Child Care improvement officer’s”. The Council must ensure quality, through training, support, challenge including network meetings and manager meetings. It is imperative to raise the quality of the environment for teaching, learning and assessment, and to ensure all providers are Ofsted ready. There are gaps for quality first teaching and training to ensure the achievement and attainment of all children is improved to meet and surpass national levels.
- 7.7.4 To make permanent the “Operation and Intelligence data post”, so the EY data and funding system continues to be well maintained, developed and interrogated. (further consideration will be needed as to whether this post is expanded)
- 7.7.5 Other functions of the EY team that again will need to be expanded, to include supporting EY providers with the promotion and recruitment of child care providers. For example, advertising, linking in with career fayres, and guiding those who wish to explore or start a career in childcare. The team must also support and advise EY Providers in relation to all aspects of the EY funding streams and therefore business planning with EY Providers. This work also

includes administration of recording keeping for DAF and SENIF allocations and payments.

- 7.8 Some of the roles above have been funded via 3<sup>rd</sup> party service level agreements. For 2024/25, all EY centrally roles will be directly employed and managed by the EY Head of Service. This will allow greater direct supervision, steer and shaping for further development of these roles over time.
- 7.9 Whilst the introduction of these government legislative changes places more requirements on Councils it does provide an opportunity locally to re-shape and balance existing resources for EY Centrally retained services. As referenced for reasons highlighted in 6.2.2 historically the Council has held a very high passport rate on 3&4 year old funding and therefore kept EY DSG Centrally retained balances to a very low proportion of total DSG EY funding.
- 7.10 However, the historic knock on effect of this has been to place further strain on the Council's own resources to directly fund EY Centrally retained support functions. The proportion of total EY Centrally retained funding in 2023/24 has been funded at ratio of 73% council general fund resources compared to 27% EY DSG centrally retained resources. This is out of quilter with other local authorities and schools forums who have historically funded far greater proportions of EY Centrally retained service through the EY DSG balances.
- 7.11 Therefore within the now £379,000 additional EY DSG balances for 2024/25, it is proposed that £100,000 of this funding will be re-based in 2024/25 and moved from the EY DSG centrally balances to the Councils own general fund balance and therefore enabling the Council to save £100,000. This still leaves £279,000 of additional funding to fund the roles as illustrated in section 7.7. The £100,000 saving will of course play a small part contributing to the Councils own significant financial challenges. However, what is actually the more critical issue by generating this saving, is that the existing financial resources in totality that support EY Centrally retained services are now protected from any reductions.
- 7.12 Therefore excluding the new DSG funding available, which will for all Councils see a far higher proportion of EY Centrally retained services funded through DSG, would rebase the existing 2023/24 funding rolling into 2024/25 to a ratio split of 54% council general fund to 46% DSG. It could still be challenged this is not far enough, but it is a considerate and proportionate re-basing in view of the wider and expanded funded provision for Early Years moving forward. The revised total proportional split for 2024/25 EY Centrally funding will move to a ratio of 35% General Fund to 65% DSG EY Centrally retained. Again, other Councils will still have greater proportions of funding falling to DSG EY centrally retained but this is a balanced position for considerations as laid out in this paper. There is also risk that if take up does not reach the expected DfE levels then this reduces funding not only in terms of what is paid out and comes in, but also therefore to support EY DSG Centrally retained services as this is always a proportion not a fixed sum of the total funding incoming.

## 8 Other options (and why not)

- 8.1 The recommended 2024/25 option is of course as laid out in this paper (within sections 6 and 7) with a balanced consideration towards the required and increased EY Centrally retained services to both safeguard existing EY Centrally retained services as a total, expand and further upskill this crucial provision. All EY providers will also receive uplifts on their current base rates (and over 9.5% when excluding the EY supplementary grant for 3&4 year olds that was introduced from September 2024), as well as now incorporating SENIF funds across all EY eligibility streams.
- 8.2 There are a number of multiple and other optional combinations that could be considered as the conditions of grant are separately applicable for each of EY funding entitlement streams. However, whilst none of these options are recommended, to give an example of two other potential options and why they are discounted is as follows:
- 8.2.1 **Example Alternative option 1:** Move all EY funding streams to a 95% passport rate (so including 3&4 year old funding and 2 year old disadvantaged entitlement funding). Whilst this option would generate a further annual £275,000 for EY Central Retained Services to the recommended option, it would only provide a 1.0% uplift in the EY Provider base funding rates (not the proposed 3.1%) for 3&4 year olds and a (0.7%) reduction (not the proposed 3.8%) for 2 year old disadvantaged funding on top of the EY supplementary grant introduced in September 2023. Neither of which are considered practical or feasible for EY providers to support sufficiency.
- 8.2.2 **Example Alternative option 2:** Move all EY funding streams to a 98% passport rate. This option would provide EY Provider base funding rates uplifts of 4.1% (not the proposed 3.1%) for 3&4 year olds, 2.4% for disadvantaged 2 year olds (not the proposed 3.8% so a reduction) on top of the EY supplementary grant introduced in September 2023, a 3.3% increase on the new eligible 2 year old working parents entitlement offer (from the proposed), and a 3.2% increase on the new eligible 9 month to 2 year old working parents offer (from the proposed). And EY Centrally retained balances would reduce by (£190,000) per annum from the current recommended option. This is not deemed practical or feasible for disadvantage 2 year old funding and would require reductions in the EY centrally retained services impacting on both capacity and quality of central support.

## 9 Conclusion

- 9.1 This paper and recommended proposals presents a balanced budget for 2024/25 Early Years (EY) Funding, incorporating the new entitlement offers and strengthening the EY centrally retained support. Early Years Funding will be under going a significant expansion in 2024/25 and therefore actual take up, quality support and promotion will need close monitoring and assessment.

## Appendices

### Appendix 1 – Early Years Funding rates 2024/25