

To: **Rory Love, Cabinet Member for Education and Skills**

From: **Sarah Hammond, Corporate Director of Children, Young People and Education**

Subject: **23/00070 - Increase to Early Years Free Entitlement Rates from September**

Decision Number and Title – **for Cabinet Member Decisions only**

Key/Non-Key decision –

- It affects more than 2 Electoral Divisions
- It involves expenditure or savings of maximum £1m – including if over several phases

Classification: **Unrestricted**

Past Pathway of report: Children, Young people and education Cabinet Committee
-18 July 2023

Future Pathway of report: Executive Decision

Electoral Division: ALL

Summary:

The Department of Education has confirmed additional funding will be made available for Early Years from 1st September 2023. Local Authorities are responsible for agreeing the formula for calculating the Free Entitlement funding rates for 2-, 3-, and 4-year olds. This decision will confirm how the additional funding will be distributed to early years providers in line with Government guidelines. At the time of writing, the Government have yet to confirm the allocation amounts for individual local authorities or criteria for allocation.

This paper is intended to highlight this forthcoming decision to Members of this Committee ahead of a key decision being taken by the Cabinet Member in late July/early August 2023.

Recommendation(s):

Cabinet Member for Education and Skills is asked to take the proposed decision to implement the proposals set out in appendix A.

1. Introduction & Background

- 1.1 All eligible parents of children aged three- and four-year olds are entitled to up to 30 hours free childcare per week up until they start school with this offer extended to disadvantaged two-year olds. Local Authorities are responsible for

making these payments and setting the payment rates to early years providers for the Free Entitlement for two-, three- and four-year olds.

- 1.2 The rates must be set in line with Government Guidance and the cost of these payments are fully funded from the Early Years Block of the Dedicated Schools Grant provided by the Department of Education (DFE).
- 1.3 The free entitlement rates for providers are normally set once a year in line with the financial year. The key decision to set the rates from April 2023 was made in February of this year (see key decision 23/00006 - Changes to the KCC local funding formula for schools). However, as part of the 2023 Spring Budget, the Government has announced its intention to provide local authorities with an additional in-year funding uplift from September 2023, along with further expansion of the free entitlement offer in future years. The expansion of the free entitlement offer is not within the scope of this paper.
- 1.4 The additional monies to fund the in-year increase for 2023-24 will be received through a separate standalone top-up grant known as the Early Years Supplementary Grant (EYSG).
- 1.5 The Government has announced the EYSG for 2023-24 will be £204m nationally, the equivalent to an average rate increase of 30% for two-year olds and 4% for three- and four-year olds. At Cabinet Committee on 17th July a verbal update was provided to members confirming the DFE have announced the following funding rates for Kent. The supplementary funding will increase the local authority funding rate for all existing early years funding streams:
 - 15 hours entitlement for disadvantaged 2-year-olds.
 - 15 hours universal entitlement for 3 and 4-year-olds.
 - 15 hours additional entitlement for 3 and 4-year-old children of working parents.
 - Maintained nursery schools (MNS) supplementary funding.
 - Early years pupil premium (EYPP).
 - Disability access fund (DAF).

The grant is provided to Kent using either an hourly rate or per child per year allocation. The January 2024 census will be used to calculate the final grant value but is estimated to be in the region of £6m. The table below sets out the Early Years Supplementary Grant funding rates:

	2023-24 EYSG Rate	Equivalent % increase compared to the existing funding rate
2-year olds (per hour)	£1.93	32.5%
3- & 4-year olds (per hour)	£0.45	8.9%
MNS Supplementary Rate (per hour)	£0.21	5.5%
EYPP (per hour)	£0.04	6.4%
DAF (per year)	£30.92 (7/12ths, equivalent to £53)	6.4%

1.6 Once, the allocations are announced, the Council must decide on the Local Funding Formula for allocating the EYSG to early years providers, from September 2023, in accordance with Government Guidance. The DFE have confirmed, due to the late notification of the allocations, Local Authorities are not required to consult formally on the distribution formula, although they are encouraged to engage with early years providers about the additional funding. It is also the intention to consult with the Schools Funding Forum, a statutory body made up of a representative group of headteachers, governors or other senior members of staff (i.e. school finance manager) within Kent schools including academy trusts, maintained schools, primary, secondary and special schools. Along with Post 16 and Early Years providers.

2 Proposed Allocation Rates to Providers

2.1 The table below sets out the proposed rates for the Early Years Supplementary Grant (EYSG) to early years providers of the of free entitlement offer from September 2023. The current funding rates paid to providers, and agreed as part of the Key Decision 23/00006 have been included for reference:

	2023-24 Existing Free Entitlement Payment Rates	2023-24 EYSG Proposed Payment Rate from Sept 23 to Mar 23	% increase to the existing funding rate
2-year olds (per hour)	£5.68	£1.79	31.5%
3- & 4-year olds base rate (per hour)	£4.55	£0.42	9.2%
MNS Supplementary (lump sum per year)	£147,829	£5,560 (7/12ths, equivalent to £9,532)	6.4%
EYPP (per hour)	£0.62	£0.04	6.5%
DAF (per year)	£828	£30.92 (7/12ths, equivalent to £53)	6.4%

2.2 A contingency equivalent to 7.5% of the grant will be held initially, if this is proved not to be required a further one-off payment will be made once the January 2024 census data is known. This additional one-off payment will be equivalent to bringing the payment rates for providers up to the equivalent DFE grant funding rate, if affordable.

3 Financial Implications

3.1 All proposals are expected to be fully funded from the total EYSG available for distribution in 2023-24. There are no additional KCC revenue or capital costs associated with this decision. The grant is estimated to be around £6m.

3.2 At the time of writing this report, the DFE have yet to publish the grant conditions however they have provided some additional guidance since the original announcement. This information confirms the Government is expecting the whole EYSG to be passported to providers and that this is not expected to

contribute towards Council run early years support services, as is the case with the main Early Years Block Grant. The DFE have also indicated any under or overspend is expected to be managed through the Dedicated Schools Grant rather than the General Fund.

- 3.3 At Cabinet Committee, the verbal update also included a caveat around the treatment of any under or overspend in relation to this grant and the impact on any final recommendations. There is a risk there may be an under or overspend against this grant, due to the differing ways the grant value is calculated in comparison to how the Free Entitlement payments are made. The grant is based on the number children in January 2024 census whilst the payments will relate to the number of hours provided across both autumn and summer term. To mitigate against this risk the recommendation is to hold a small contingency equivalent to 7.5% of the DFE grant rates (equivalent to £460k), to mitigate against the possibility the grant could be overspent. In line with the DFE guidance that the full grant is paid to early years providers, we are only expecting to hold this contingency as a temporary measure. The contingency will be reviewed in March 2024 when the January census data is known, based on affordability, a further one-off payment may be made. This additional payment will be equivalent to bringing the payment rates for providers up to the equivalent DFE grant funding rate, if affordable.
- 3.4 In 2024-25, the EYSG will be added to the Early Years Block of the DSG allocation and will no longer be received as a separate grant. Changes to the Local Funding Formula Rates for Early Years providers will subject to a separate key decision.

4 Legal implications

- 4.1 There are no legal implications, but the Council is required to set the schools budget in accordance with Education Act 2002 and the Conditions of DSG Grant 2023-24.
- 4.2 The Schools Funding Forum generally have a consultative role whose composition, constitution and procedures of schools forums are set out in the Schools Forums (England) Regulations 2012 (S.I. 2012/2261) (as amended).

5 Equalities implications

- 5.1 An equalities impact assessment has been completed and has not identified any significant impacts on protected groups.

6 Other corporate implications

- 6.1 This does not have an impact on other areas of the Council.

7 Governance

- 7.1 Corporate Director for Children, Young People and Education will be delegated responsibility to enact the decision and to make any further necessary changes to funding rates in light of any final affordability issues.

8 Alternatives considered

- 8.1 The options for the setting the Early Years local funding formula rates have been considered since the Government confirmed final allocations and guidance (but in lieu of any Grant Conditions). These are set out in Appendix A.

9 Recommendation(s):

- 9.1 The Cabinet Member for Education and Skills is asked to take the proposed decision to implement the proposals set out in appendix.

10 Contact details

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