

KENT COUNTY COUNCIL – RECORD OF DECISION

DECISION TO BE TAKEN BY:

Rory Love,

Cabinet Member for Education and Skills

DECISION NO:

23/00070

For publication [Do not include information which is exempt from publication under schedule 12a of the Local Government Act 1972]

Key decision: YES

Key decision criteria. The decision will:

- a) Change the budget for the service or function in excess of £1,000,000; and
- b) It effects the community living or working within two or more electoral divisions.

Subject Matter / Title of Decision

Increase to Early Years Free Entitlement Rates from September 2023: Allocation of the Early Years Supplementary Grant 2023-24

Decision:

As Cabinet Member for Education and Skills, I agree to:

- a. The allocation of the Early Years Supplementary Grant (EYSG) 2023-24 to Providers of the Free Entitlement offer using the following rates from September 2023:
 - £1.79 per hour for 15 hours entitlement for disadvantaged 2-year-olds.
 - £0.42 per hour for 15 hours universal entitlement for 3 and 4-year-olds.
 - £0.42 per hour 15 hours additional entitlement for 3 and 4-year-old children of working parents.
 - £5,560 lump sum for Maintained nursery schools (MNS) supplementary funding (equivalent to £9,532 for a full year).
 - £0.04 per hour Early years pupil premium (EYPP).
 - £30.92 Disability access fund (DAF) (equivalent to £53.00 for a full year).
- b. A contingency, equivalent to 7.5% of the grant value (equivalent to approximately £460k), to be held to mitigate the risk where the cost of payments may be higher than the amount of grant received. For the requirement of this contingency to be reviewed in light of the EYSG conditions of grant due to be published in the Autumn Term and January 2024 census data. Where the contingency is not required, an additional allocation will be made to providers in agreement with the Cabinet Member of Education & Skills.
- c. Delegate authority to the Corporate Director of Children, Young People and Education to make any further necessary changes to implement this decision.

Reason(s) for decision:

Background:

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. The Council is responsible for both setting the Early Years Local Funding Formula which is used for setting the hourly rates paid to early years providers for this Free Entitlement offer, along with paying providers. This is fully funded from the Early Years Block of the Dedicated Schools Grant (DSG) provided by the Department of Education.

The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children and 3 and 4-year-old children for the 2023 to 2024.

This additional funding will be provided to local authorities through a new Early Years' Supplementary Grant (EYSG). This grant will be used to increase the hourly amounts paid to local authorities, so that they can increase the amount of funding their early years childcare providers receive for delivering the entitlements for the period September 2023 to March 2024.

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).

Kent Funding Rates for the EYGS has been confirmed as:

	2023-24 EYSG Rate	Equivalent % increase compared to 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%

In 2024-25, these increases will be reflected in the Early Years Block of the DSG Allocation and will no longer be received through a separate grant.

Financial Implications:

The estimated total value of the EYSG is £6m, the final value of the grant will be determined using the January 2024 census count.

The rates proposed are expected to be fully met from Early Years Supplementary Grant allocated in 2023-24.

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.

The DFE will not be issuing the conditions of grant for the EYSG until the Autumn Term. The DFE have indicated councils are expected to manage any over or underspend on the grant through the Early Years Block of the Dedicated Schools Grant rather than through the Council's General Fund. However, this advice has not yet been published. To mitigate against this risk the initial rates will be set on the basis of holding a contingency in the first instance to support the possibility of a higher number of hours being provided. The contingency will be equivalent to 7.5% of the grant rate equivalent to approximately £0.460m. 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 (as set out above), if affordable.

Legal implications:

There are no legal implications. The Council is required to set the Early Years Funding Rates in accordance with Education Act 2002 and the Conditions of DSG Grant 2023-24.

Equalities implications:

An EqIA assessment has been undertaken.

Other Alternatives Considered and risks if decision isn't taken:

The Council is required to set the Early Years Funding Rates for the Free Entitlement each financial year. The Council would be in breach of its statutory duties if this funding was not allocated in accordance with the grant conditions.

Cabinet Committee recommendations and other consultation:

The Children's and Young People Cabinet Committee considered the decision on 17 July 2023.

The DFE have confirmed there is no expectation Local Authorities need to consult with the Schools' Funding Forum regarding this decision however the principles of the recommendations have been shared with the subgroup of the Schools' Funding Forum on 16 July. Their views were largely in support although there was a concern raised as to the impact of recent teacher's pay settlement (and lack of additional funding to address this unlike schools). The DFE have since confirmed a grant to support early years providers with the teacher's pay settlement will be available but details are yet to be published.

Any alternatives considered and rejected:

The following options were considered and rejected:

- Should the increase in funding be distributed across the three- & four-year old supplementary rates along with the base rate: In recent years, it has been Kent's policy to pass the full value of any inflationary increases in grant funding to providers through the free entitlements base rate, pupil premium and disability access fund. This has been to ensure all providers received an equal distribution of the funding. Not all providers receive either the Quality or Deprivation Supplement. The Deprivation supplement is also under review. DFE are expected to allocate a separate grant to support the increase in costs arising from the teacher's pay settlement (which would be linked to the quality supplement).
- Should the full value of the rate increase be passed onto providers, in the first instance, with no contingency for possible fluctuations in the hours provided to avoid the possibility of an overspend: The number of hours provided for both three- and four-year-olds and two-year-olds free entitlement has been rising. The estimated financial risk is approximately £250k-£500k overspend on the grant. This is because the grant

funding is calculated in a different way to how the payments to early years providers is calculated. Normally, these risks are managed over a whole financial year rather than within a seven-month grant period. A short-term contingency would help to mitigate this risk.

Any interest declared when the decision was taken and any dispensation granted by the Proper Officer:

None



21 August 2023

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Signed

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date