

Schools Forum – 10 October 2023

Title of paper:	Early Years Supplementary Grant and Extension of Entitlements	
Corporate Director:	Catherine Underwood, Corporate Director for People Ross Brown, Corporate Director Finance & Resources	Wards affected: All
Report author and contact details:	Collins Elechi, Senior Commercial Business Partner (Finance) collins.elechi@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Kathryn Bouchlaghem, Early Years Manager	
Does this report contain any information that is exempt from publication? No		
Summary		
<p>This report is to set out the details of the one-off Early Years Supplementary Grant and to raise awareness of the planned expansion to the existing 2-, 3- and 4-year-old early years entitlements from April 2024, following the Chancellors Spring Budget announcement in March 2023. The aim of this is to see a large expansion for childcare nationally and remove barriers to work for nearly half a million parents with a child under 3.</p> <p>These changes will see a revision to national guidance governing national Early Years funding arrangements and the LA's statutory duty to administer funding for these places. This revised national guidance is expected Autumn 2023/Spring 2024 and will impact the provision of early years entitlements places from April 2024 onwards.</p>		
Recommendations:		
1.	For School Forum to note the national funding changes on Early Years Supplementary grant and the proposed extension of Early Years entitlements changes set out in the report, which will impact Nottingham in 2023/24 and beyond.	

1 Reasons for recommendations

- 1.1 To ensure Schools Forum are aware of the recent and forthcoming changes related to the current and expanding early years entitlements for children under 5 and can plan and take necessary actions to support local implementation for this statutory duty for the LA.

2 Background

2.1 Early Year Supplementary Grant (EYSG)

Supplementary Funding

- 2.1.1 The 2023 Spring Budget announced £204m of additional, supplementary funding to LA's through a new Early Years Supplementary Grant (EYSG) for the existing early years entitlements for the 2023-24. This is in addition to previous settlement

provided through the early years block of the Dedicated Schools Grant (DSG) for the existing entitlements.

2.1.2 The EYSG will be paid in the 2023-24 financial year only in a single payment in September 2023. An initial allocation will be paid to LA's based on the January 2023 Census and a final adjustment will be made to funding payments using updated January 2024 censuses in Summer 2024.

2.1.3 The EYSG is to be used to increase the hourly rates paid to LA's so LA's can increase the amount of funding their early years childcare providers receive for delivering the existing entitlements for 1 September 2023 – 31 March 2024.

2.1.4 The EYSG must be passed on, in full, to early years providers to provide supplementary funding 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-olds of working parents
- Maintained Nursery Schools Supplementary Funding
- Early Years Pupil Premium (EYPP)
- Disability Access Fund (DAF)

2.1.5 The EYSG rates have been determined using the existing EY funding formulae which was used to calculate 2023-24 rates and full details are set out in Early Years Supplementary Grant 2023-2024: Methodology (July 2023).

2.1.6 For the main entitlements, the expectation is that the EYSG will be made through additional payments to providers calculated on an hourly basis.

Nottingham impact

2.1.7 The estimated additional funding to NCC schools and PVI's from the early years supplementary grant from autumn 2023 is £0.669m, the government has used January 2023 census and adjusted by 7/12th to arrive at this figure, however these allocations to settings will be based on participation. The breakdown of the supplementary grant is outlined in the table below:

2.1.8 Table

		Universal Entitlements	15 hours Eligible Working Parents	Total
		£m	£m	£m
Supplementary Grant				
Sch & Pri and PVI	3&4 YO	£0.074	£0.023	£0.098
PVI	2YO	£0.546		£0.546
EYPP		£0.016		£0.016
DAF		£0.005		£0.005
Maintained Nursery Schools		£0.005		£0.005
	Total	£0.646	£0.023	£0.669

2.1.9 As a result of the EYSG, in Nottingham City the hourly rate for all providers in receipt of funding for the 15 hours entitlement for disadvantaged 2-year-olds will increase from £5.66 per hour to £7.46 per hour and for all providers in receipt of funding for the universal and additional entitlements for 3- and 4-year-olds, the hourly rate will increase from £4.96 to £5.01. In line with the national increases the EYPP rate will increase to 66p per hour.

2.1.10 LA's have the flexibility to determine how best to pass on funding to their providers.

2.1.11 In order to ensure providers can be paid promptly, government do not require LA's to consult with Schools Forum but encourage engagement with early years providers about the funding amounts from September 2023 and how these will be distributed. All providers were informed of the hourly rate changes below in July 2023 and partner briefings were held by the Early Years Team in September 2023 to this effect.

2.1.12 These revised hourly rates stated at 2.1.10 have been added to Autumn Term Estimate Payments and incorporated into existing payment processes for providers in the Private, Voluntary and Independent (PVI) Sector from 1 September 2023.

2.1.13 For DAF, the EYSG provides an additional equivalent yearly funding rate of £53 per eligible child to be paid based on DAF eligibility which is in line with the increases made to the 3- and 4-year-old entitlements. This results in a national effective combined equivalent yearly funding rate for DAF of £881 per eligible child. The actual EYSG payable rate for September 2023 to March 2024 is £30.92 (equivalent to £53 multiplied by seven twelfths). Settings in receipt of DAF have been paid the additional equivalent in September 2023.

2.2 Extension of the Early Years Entitlements

2.2.1 In addition to the uplift in the hourly rate for the existing early years entitlements noted at 2.1.4, a phased roll out to an extension of these entitlements will begin in April 2024 to increase the entitlements and support parents return to work.

2.2.2 The phased roll out is as follows;

- April 2024 - Working parents of 2-year-olds will be able to access 15 hours of free childcare support per week
- September 2024 – 15 hours childcare support will be extended to working parents of children from the age of 9 months to 3-year-olds
- September 2025 - Working parents of children aged 9 months to the age of 5 will be entitled to 30 hours of childcare support a week.

This can be represented visually as;



2.2.3 The Early Years Team will work with the local childcare sector to support the implementation of these extended entitlements and will monitor supply and demand through a bi-annual Childcare Sufficiency Scorecard to ensure the LA continues to meet its statutory duty for securing sufficient childcare during this period of change.

2.2.4 Future demand and subsequent future DSG requirements are yet to be established but historically DSG has covered 100% of eligible 2-, 3- and 4-year-old participation in the early years entitlements in the City and this is not expected to change.

2.2.5 These allocations requirements are expected to increase as eligibility to the entitlements expand and more children take up the funded provision available.

3 Other options considered in making recommendations

3.1 None.

4 Outcomes/deliverables

4.1 The Early Years Team will support the implementation of these extended entitlements to ensure the LA continues to meet its duties under the Childcare Act 2006/Education Act 2014/Children and Families Act 2014, specifically;

- Ensuring sufficient quality childcare and early education places which supports economic growth and stability for employment;
- Supporting provision of all 2-, 3- and 4-year-olds, including sufficiency of quality and accessible provision, measuring uptake

4.2 An agreed approach to setting the 2024/25 Early Years Budget in reflection of these expanding entitlements which meets the regulations, as outlined in the Early Education and Childcare Statutory Guidance for Local Authorities (April 2023).

5 Funding factors

5.1 The deadline for the government's consultation on the framework for the extension of entitlements was 8th September 2023 and the decision taken will be used to distribute future entitlements for 2-year-olds from April 2024 onwards. The consultation also covered the proposals to extend eligibility for the EYPP and DAF to all children accessing the entitlements from April 2024. The outcome of the consultation will be published late Autumn 2023 but it is anticipated that in line with the existing funding formulae for 3 and 4 year olds, the new formula will feature:

- A universal base rate of funding for each child (89.5% of funding)
- Additional needs factor (10.5% of funding - which includes, 4% FSM, 4% IDACI, 1.5% EAL and 1% DLA)
- An area cost adjustment to reflect variations in cost across England



- 5.2 As stated at 2.1.4 in this report, an additional £288m will be allocated to LA's through the Dedicated Schools Grant (DSG) in 2024-25. Final LA hourly funding rates will be published in Autumn 2023 in the normal way.
- 5.3 A subsequent paper to Schools Forum later in the 2023-24 financial year will therefore include the projected funding needs to reflect the national early years entitlements during 2024-25 and the associated early years central expenditure to fund the Early Years Team to maintain current levels of support and deliver on the extended entitlements.
- 5.4 The Early Years National Funding Formula (EYNFF) states that LA's can currently hold back up to 5% of the 3 and 4-year-old entitlement funding centrally. There is no pass-through rate for current 2-year-old funding, with 100% of the allocation to be passed on to providers.
- 5.5 It is proposed that from 2024-25, there will be a pass-through rate of 95% on each individual early years DSG funding streams; the 3 and 4-year-old universal and 30 hour offer, the 2-year-old disadvantaged and working parent offers and the 9 months to 2-year-old offer.
- 5.6 As the quantum of funding in the early years block increases with the roll out of the new entitlements, the proportion of overall funding that LA's will need to hold back for central spend and consequently it is expected that the pass-through rate will increase from 95% to 97% once the rollout of the entitlements is sufficiently progressed.
- 5.7 In addition to the information on the EYSG at Section 2, the government has also committed £12m nationally as a LA Delivery Support Fund to support Early Years Teams as they prepare for the expansion of early years entitlements from April 2024. LA allocation announcements are expected in October 2023.

6 Finance Comments

- 6.1 The LA will receive an additional £0.669m through the Early Years Supplementary grant in 2023/24. This will be passported in full to providers based on participation in line with DfE directives.
- 6.2 In addition there will be an extension of Early Years entitlements nationally, which will be implemented on a phased basis from April 2024. The expected financial impact of these changes in Nottingham will be confirmed later in the year.

7 Legal and Procurement Comments

- 7.1 None.

8 HR Comments

- 8.1 None.

9 Equality Impact Assessment

- 9.1 Has the equality impact of the proposals in this report been assessed?

No

10 Background papers other than published works or those disclosing exempt or confidential information

10.1 None.

11 Published documents referred to in compiling this report

11.1 Childcare Act 2006, Education Act 2014, Children and Families Act 2014, Early Education and Childcare Statutory Guidance for Local Authorities (April 2023), Early Years Supplementary Grant 2023-2024: Methodology (July 2023), Early Years Funding – Extension of the Entitlements Government Consultation (July 2023).