

<b>REPORT TO:</b>	Schools Forum
<b>DATE:</b>	26th February 2025
<b>REPORTING OFFICER:</b>	Operational Director – Finance
<b>PORTFOLIO:</b>	Children, Young People & Families
<b>SUBJECT:</b>	DSG Early Years Block 2025-26
<b>WARD(S)</b>	Borough wide

## 1.0 PURPOSE OF THE REPORT

To update and seek Schools Forum recommendations on the Dedicated Schools Grant (DSG) 2025-26 for Early Years.

## 2.0 RECOMMENDATION

That Schools Forum note and comment on the 2025-26 hourly rates and supplements for the Early Years Formula, applicable from the 1<sup>st</sup> April 2025.

## 3.0 SUPPORTING INFORMATION

### 3.1 Dedicated Schools Grant (DSG) settlement

The 2025-26 DSG settlement was announced on 18<sup>th</sup> December 2024, allocating Halton a total of £168.551m. This is broken down as £117.833m for the Schools Block, £0.765m for the Central Schools Services Block, £29.267m for the High Needs Block, and £20.686m for the Early Years Block.

For CSSB, we see an increase of £0.014m to the 2024-25 budget, in spite of the year-on-year 20% reduction in historic commitment funding and the main driver (pupil numbers) being 341 fewer. This is because the unit of funding has increased by 4.3%, from £41.27 to £43.05.

High Needs Block, before deductions for place funding recoupment, is an increase from 2024-25 of £2.188m (+8%)

Further expansion of the support programme (to a 30-hour entitlement) for 2-year olds and under 2-two year olds, as well as hourly funding rate increases of between 3.3% and 4.1%, are together responsible for an increase in the Early Years block, compared to the funding after assimilating the January 2024 census, of £5.572m.

Schools Forum approved the Schools Block allocations and mainstream school funding formula unit values at its meeting of 22nd January 2025, with Early Years, High Needs and Central Schools Support Services to be considered at this meeting, 26th February 2025.

### 3.2 Early Years Block

The DSG announcement has provided an indicative Early Years allocation which includes the up-to-date hourly rates to be used in Halton's determination of the under 2, 2, 3 and 4 year old early education funding entitlement to Maintained Nursery Schools, Nursery Classes, and Private Voluntary and Independent (PVI) settings including Childminders.

The 2025-26 allocation remains indicative until after the January 2025 early years headcount has been collated, validated and used by the DfE to inform Halton's actual Early Years Block allocation, expected to be confirmed in July 2025.

The indicative allocation for 2025-26 is £20.686m which is £5.572m greater than 2024-25; this reflects the national changes to enhance the 2 year old offer and further develop the new under-2s offer. This indicative amount *may* subsequently decrease in line with the current demographic trends (last years' summer reduction was around £440K). Forum should be reassured that, in this event, this should not cause any financial burden on the Early Years DSG position - as there will be a corresponding reduction in funding allocated to providers due to their decreased pupil numbers on roll (funding being issued termly based on **actual** activity).

The indicative rates and component DSG allocations are provided within the table below:

<i>Funding Stream</i>	<i>Hourly Rate (Rate)</i>	<i>Nos.</i>	<i>Total Indicative Funding</i>	<i>Hourly Rate Variance to 2024-25</i>
Universal Entitlement: 3 & 4 year olds	£5.97	1611.33	£5,483,195	£0.25
Extended Offer: 3 & 4 year olds	£5.97	851.72	£2,898,318	£0.25
Disadvantaged: 2 year olds	£8.52	396.49	£1,925,515	£0.32
Working parents: 2 year olds	£8.52	774.63	£3,761,914	£0.32
Under-2 year olds	£11.60	843.76	£5,578,942	£0.42
Early Years Pupil Premium: 3 & 4 year olds	£1.00	406.15	£231,506	£0.32
Early Years Pupil Premium: 2 year olds	£1.00	206.78	£117,865	£0.32
Early Years Pupil Premium: Under-2 year olds	£1.00	18.61	£10,608	£0.32
Disability Access Fund: 3 & 4 year olds	£938.00	108	£101,304	£28.00
Disability Access Fund: 2 year olds	£938.00	35	£32,830	£28.00
Disability Access Fund: Under-2 year olds	£938.00	10	£9,380	£28.00
Maintained Nursery School supplementary	£5.27	178	£534,695	£0.63

<b>£20,686,072</b>
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The 2025-26 hourly rates position Halton as around 60<sup>th</sup> in funding rankings nationally, with two-year olds at 98.50% of national average, and 3s and 4s at 97.2% of national average. Under-2 year old rates are just a touch over national average, at 100.5%.

Demonstrating possible geographical inequalities, Halton is above the North West average funding level at all ranges (102.8% for 3s & 4s, 103.4% for 2-year olds, and 105.3% for under-2s).

The LA recognises the budgetary pressures our settings are under – which prevailing funding levels don't help with – and is keen to maximise the proportion of funding directly passported to providers. Our proposals are based on passing on ALL of the year-on-year funding increases at each age range, with an overall passporting level of 1.5% above requirement.

In other words, we are proposing to take the funding rates agreed for 2024-25, following consultation with settings, and ratification by Schools Forum, and adding the in-year funding increases to each.

Proposed allocation by percentage across the funding elements, and indicative funding totals as a consequence are shown below:

Funding Stream	LA Retention	Base Rate	Deprivation	Quality	SENIF	Contingency
Under 2 year olds	2.38%	96.12%	N/A	N/A	0.50%	1%
2 year olds	2.40%	96.60%	N/A	N/A	0.70%	0.30%
3 & 4 Year Olds	2.48%	91.12%	2.85%	2.35%	1%	0.20%

Funding Stream	LA Retention	Base Rate	Deprivation	Quality	SENIF	Contingency	TOTAL
Under 2 year olds	£139,474	£5,362,517	N/A	N/A	£27,895	£47,414	£5,577,300
2 year olds	£142,186	£5,493,841	N/A	N/A	£39,812	£14,502	£5,690,341
3 & 4 Year Olds	£209,538	£7,637,425	£238,670	£196,551	£83,815	£14,247	£8,380,246
	<b>£491,198</b>	<b>£18,493,783</b>	<b>£238,670</b>	<b>£196,551</b>	<b>£151,522</b>	<b>£76,163</b>	<b>£19,647,887</b>

Schools Forum is requested to comment on the hourly rates and supplements to be applied to the 2025-26 Early Years Single Funding Formula (EYSFF) determinations for all providers, as follows:

#### Halton's Proposed Funding Rates

	Base Rate	Deprivation Rate	Quality Rate
3 and 4 year olds	£5.44	£0.17*	£0.14
2 year olds	£8.23	N/A	N/A
Under-2 year olds	£11.15	N/A	N/A

\*average

Actual deprivation allocations will vary by postcode analysis, and quality additions are assessed individually.

The pass-through rate under this methodology remains at 97.5%, comfortably above the revised national 2025-26 *de minimis* requirement of 96% (increased from 95%, with an ultimate target in future years of 97%).

Funding retained for allocations under SENIF (Special Educational Needs Inclusion Fund) assessment is calculated at £151,522, an increase on 2024/25 of approximately 20%. The Authority is committed to applying a new methodology for assessment, outlined later in this report in **section 3.3**. The financial effect of this will be reviewed on an ongoing basis, but is expected to be affordable within this funding envelope.

### **3.3 Other Early Years Funding**

It is also proposed to passport the full Maintained Nursery Supplementary grant directly to maintained nursery schools. Early Years Pupil premium across the age ranges, and Disability Access Funding will be paid to schools termly based on qualifying numbers.

#### **New SENIF process**

A proposed new methodology for SENIF has been tabled earlier on this evening's agenda, in the report 'Early Years Special Educational Needs Inclusion Funding (SENIF)'. The operation of this will be evaluated over the course of the year; the notional allocation for this, increased by 20% compared to 2024-25, is predicted to be sufficient to accommodate the change in practice.

### **4.0 POLICY IMPLICATIONS**

Consistent with policy to maximise direct funding of settings. Compliant with national retention guidance.

### **5.0 FINANCIAL IMPLICATIONS**

5.1 The financial aspects outlined throughout this paper have been developed in accordance with statutory financial regulations, and individual operational guidance relevant to the Dedicated Schools Grant (DSG) requirements.

5.2 The proposals included within this paper are all funded from within the available Dedicated Schools Grant (DSG) block allocations provided for 2025-26, and represent a proposal for full use of those allocations.

### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

#### **6.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence**

To ensure that in Halton children and young people are safeguarded, healthy and happy, and receive their entitlement of high-quality services that are sensitive to need, inclusive and accessible to all.

#### **6.2 Building a Strong, Sustainable Local Economy**

To create an economically prosperous Borough that encourages investment, entrepreneurship, enterprise and business growth, and improves the education, skills and employment prospects of our residents and workforce, so they may share in all the opportunities Halton affords.

#### **6.3 Supporting Children, Young People and Families**

Ensure that in Halton, children and young people are safeguarded, healthy and happy, and receive their entitlement of high quality services which are sensitive to need,

inclusive and accessible to all.

**6.4 Tackling Inequality and Helping Those Who Are Most in Need**

More refined targeting of SENIF will improve inclusion and reduce inequalities.

**6.5 Working Towards a Greener Future**

None

**6.6 Valuing and Appreciating Halton and Our Community**

None

**7.0 RISK ANALYSIS**

7.1 Failure to comply with the statutory financial regulations and operational guidance relevant to Dedicated Schools Grant (DSG) requirements, could result in formal intervention by the Department for Education (DfE).

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 The Local Authority must discharge its statutory responsibilities in relation to all schools and settings.

**9.0 CLIMATE CHANGE IMPLICATIONS**

None

**10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

10.1 Background papers and further information, including the statutory guidance that has informed this report, can be obtained via Gov.uk

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