



Open Report on behalf of Heather Sandy, Executive Director - Children's Services

Report to:	Lincolnshire Schools' Forum
Date:	19 January 2023
Subject:	Early Years National Funding Formula

Summary:

The purpose of this report is to:

- Provide a summary of the Early Years National Funding Formula for 2023/24
- Detail the funding distribution for early years providers in Lincolnshire in 2023/24
- Seek agreement for the Local Authority's proposals relating to the allocation and distribution of the centrally retained budgets

Recommendation(s):

Schools Forum is asked to:

1. Note the content of the report
2. Agree the Local Authority's proposals for centrally retained funding

Background

Since its introduction in April 2017, the Government's Early Years National Funding Formula (EYNFF) has set the hourly funding rates that each Local Authority is paid to deliver the universal and additional entitlements for 3- and 4-year-olds.

The spending review provides an extra £180m nationally for early years education in 2023/24 to increase the hourly rate paid to childcare providers for the Government's free hours offers. A further £20m nationally of Government funding is being provided in response to the national living wage increasing for 2023/24. National early years education spending is planned to be £3.935bn in 2023/24.

The Department for Education (DfE) published on the 16 December 2022, which was later than planned, the Early Years Entitlement Operational and Technical Guidance for 2023/24; Local Authority funding allocations for 2023/24 and the Early Years funding formulae

consultation response from the Summer 2022 Government consultation. In this short time period, the Local Authority has reviewed these publications in the preparation of this report and will keep them under review in preparing for the conclusion of all early year's funding for 2023/24.

The minimum funding rate for 2023/24 is £4.87 per hour an increase from the 2022/23 rate of £4.64¹ for comparison purposes. This minimum funding rate also includes teachers' pay and pension grant (TPPG) which was previously allocated to Local Authorities through a separate Government grant allocation. Lincolnshire is currently funded on the minimum funding rate.

The starting point for calculating the 2023/24 rates are the EYNFF rates before protections are applied – Lincolnshire's hourly rate is £4.90 without the minimum funding floor, year to year protections or gains cap applied. Lincolnshire's hourly rate is reduced by £0.03 (or c.£0.180m) to £4.87 per hour due to the Government's enforcement of a ceiling cap of 4.9%². This is disappointing for Lincolnshire, and Council representatives did raise these concerns directly with the Early Years funding division at the DfE, since significant protection levels were still in place for some Local Authorities dating back to 2017/18 which should have been on a sensible trajectory for this to be removed, and this was having a direct impact on Local Authorities, such as Lincolnshire who are unable to receive their entitled allocation in the published funding allocations due to its previously funded low baseline. Other matters were also raised with the department and it is hoped that this dialog continues.

The Government provides Local Authorities with six relevant funding streams which together form the Early Years block of the Dedicated Schools Grant (DSG).

These are:

- the early years universal entitlement for 3- and 4-year-olds.
- the early years additional entitlement (30 hours) for 3- and 4-year-old children of eligible working parents;
- supplementary funding for Maintained Nursery Schools.
- the Early Years Pupil Premium (EYPP).
- the Disability Access Fund (DAF), and
- the early years entitlement for disadvantaged 2-year-olds.

National Funding to Local Authorities for Early Years Core Funding

The formulaic approach to funding Local Authorities 3- and 4-year-old entitlement uses early year's factors of 'base rate' funding and 'additional needs' factors before applying an area cost adjustment. Lincolnshire will be funded at the minimum funding rate in 2023/24 which is rising to £4.87 per pupil per hour, which is a £0.23p per pupil per hour increase from 2022/23 funding levels. Lincolnshire is one of 35 out of 151 Local Authorities funded

¹ The Teachers' Pay and Pension Grant (TPPG) previously funded through a separate Government grant has been added to each Local Authorities baseline funding rate. For Lincolnshire this is £0.03 per hour plus the original minimum funding rate for 2022/23 of £4.61 per hour.

² Lincolnshire's increase is funding c.5% prior to the application of the Government's ceiling cap.

on the minimum funding rate. The national average hourly rate across Local Authorities is £5.31 per pupil through the formulaic rate. The Area Cost adjustment (ACA) has a significant impact on the hourly rate for Local Authorities, which Lincolnshire is classified as low³.

Lincolnshire's hourly funding rate of £4.87 per pupil will provide indicative funding of £37.089m for 3- and 4-year-old entitlement. This is made up of the universal 15 hours early years entitlement funding of £25.561m and the additional 15 hours for 3- and 4-year-old children of eligible working families of £11.528m.

From 2023/24, the former Government grant for school-based nurseries to support the increased teachers' pay and pension employer contributions is no longer being paid directly to school-based nurseries, and instead this funding has been rolled into the overall quantum of 3- and 4-year-old entitlement funding. The Local Authority will continue to distribute this quantum of funding to designated nursery classes to support the costs for which the original grants were introduced and will be distributed through a separate supplement. This has been identified within the formula as £0.03p per hour, with the total budget allocation of £0.228m.

The early years funding of £37.089m for Lincolnshire is indicative, since final funding allocations for 2023/24 will be based on 5/12th of January 2023 pupil numbers (to cover the April 2023 to August 2023 period) and 7/12th of the January 2024 pupils' numbers (to cover the September 2023 to March 2024 period).

Overview: Early Year's National Funding Formula (EYNFF) to Providers and Schools

The EYNFF continues to require Local Authorities to have a local universal rate across all types of providers, which was a significant shift away from the previous arrangements (pre 2017/18) where cost differences between different types of providers were recognised.

Lincolnshire will continue to receive supplementary funding for the 2023/24 financial year for Maintained Nursery Schools (MNS). This funding was introduced to enable Local Authorities to protect their 2016/17 funding rates for the universal 15-hour entitlement for MNS (that is, the rates that existed before the EYNFF).

Nationally, an additional £10m is being invested into MNS supplementary funding from 2023/24 and this has been used to uplift the lowest funded areas and to create a fairer distribution of the funding across all Local Authorities with MNS', which is a positive outcome for Lincolnshire MNS' from the national settlement, and a change from the previously cash-flat funding.

The MNS supplementary funding increases will be channelled through the MNS formula. The Government has also mainstreamed the funding that MNS' previously received through the TPPG, which it has now been rolled into each Local Authority's supplementary funding allocation.

³ Lincolnshire's ACA is 1.04, which considers the Labour Market for Lincolnshire of 1.0 (which applies to 80% of EYE funding) and 1.44 for rates (10% application).

The Local Authority will work with Lincolnshire MNS' to agree the distribution of supplementary funding amounts for 2023/24, in addition to seeking further clarity on aspects of MNS funding.

Other key requirements to the EYNFF for funding providers and schools:

- a single local universal base rate for delivering early years entitlement for both the universal 15 hours and the additional 15 hours for working parents.
- to pass-through at least 95% of 3- and 4-year-old funding directly to providers;
- must have a mandatory deprivation supplement in the local 3- and 4-year-old funding formula, and any other supplements used must fall within one of the allowable categories;
- must ensure that no more than 12% of the total value of planned funding for 3- and 4- year old's goes through supplements funding;
- must have a Special Educational Needs Inclusion Fund for 3- and 4-year old's;
- to pass on Early Years Pupil Premium (EYPP) in full to providers for eligible 3 and 4 year old's, and
- to pass on Disability Access Fund (DAF) funding in full to providers for eligible 3- and 4-year-olds.

The DfE will monitor compliance with the above through Section 251 (s.251) returns.

The following DSG Early Years block funding streams are not included in the 95% pass-through calculation:

- funding for the entitlement for disadvantaged 2-year-olds.
- MNS supplementary funding allocation;
- the Disability Access Fund (DAF), and
- the Early Years Pupil Premium (EYPP).

Lincolnshire's Early Years Funding Formula

When determining the local universal rate per hour, it was important that it is underpinned with detail and that justification can be provided on how the rate is determined.

The Local Authority adopted the following approach:

- Develop a typical cost model approach, based on agreed staffing ratios and setting characteristics.
- The typical cost model considers all activities it takes to provide early years entitlement and costs these.

The theoretical funding model approach was recommended as best practice to Local Authorities by the government when the early year's single funding formula was first established in 2011/12.

For background information, the theoretical model that determined the local universal rate is based on the following:

- A Private, Voluntary & Independent (PVI) sector delivery model. The early year's entitlement is delivered substantially by the PVI sector, therefore the Local Authority has modelled the prescribed local universal rate per hour on a PVI model.
- The staffing ratio is based on a 1 to 8 ratio. The model includes a graduate leader and three nursery assistants for 24 children delivering 15 hours. The graduate leader does not deliver the free entitlement but supports the operations by being a supernumerary to underpin the delivery of quality provision.
- The national living wage is to increase by 9.7% from £9.50 to £10.42 per hour for employees aged 23 and over from April 2023. The financial model budgets for £10.42 per hour within the 2023/24 local universal rate calculation for the nursery assistants.
- The graduate leader starting salary assigned to the current teacher main scale 1 pay scale plus an assumed 2% pay increase.
- Staffing costs include both employer national insurance and employer pension contributions for providers. Employer pension contribution costs have been based on the full basic salary cost of the staff member using a 5% contribution. This is in excess of the current percentage threshold level of 3% prescribed by the Government.
- The roles of staff have remained using previous analysis to assess how many hours are required to support the delivery of the free entitlement, e.g. in terms of set up time, SENCO support, administration, etc. This has then been costed up at the appropriate rates of pay.
- The model supports inclusive practices for children working within the graduated approach to meeting the needs of children with identified delays in the prime areas of learning.
- Non-staffing costs have been increased by 2% from previously analysed cost drivers to ensure that these are funded adequately, e.g. play equipment, administration services, subsidised training rate, etc. Non-staffing costs include rental costs sourced from a Local Authority partner specialising in this area, which are based on a 52-week agreement.

The key components of Lincolnshire's early years funding formula builds quality within the model, and considers current and potential cost pressure, e.g. pension auto-enrolment and the national living wage. The new hourly rate is expected to provide financial capacity in the delivery of 3- & 4-year-old entitlement.

The 2023/24 hourly rate has been determined at the following level:

Local universal base hourly rate per pupil £4.42

The hourly rate will increase by £0.22 per hour per pupil in 2023/24 from £4.20 to £4.42. The increase is supported through the Government's additional funding of £0.23 per hour per child for 2023/24.

The Government funds Local Authorities through a January snapshot, which is a different methodology to funding providers on a participation-led basis through monthly payments.

The local universal base rate will fund the direct delivery of early year's entitlement. The same hourly rate will be applied for the additional hours for working families up to 30 hours. Funding to the sector will continue to be based on participation. The term participation

refers to both the number of children accessing the free entitlement along with the number of hours being taken up (i.e. up to the agreed entitlement level) across the agreed funding period. Funding for 2023/24 will be based on monthly data returns made by providers during the summer 2023, autumn 2023 and spring 2024.

The remainder of the funding increase (£0.01 per hour per child) has been included in an uplift to the inclusion fund and increase in deprivation supplementary payments and a small increase in central costs due to staffing cost changes. The contingency fund has also been removed from 2022/23 to support the base rate increase.

Supplements

The Local Authority will continue to use the mandatory Deprivation Supplement and award TPPG through a supplement to designated nursery classes to recognise the Government’s change in the grant arrangements for 2023/24.

A review of deprivation supplements will continue with the early years sector to ensure this is having the greatest impact on those most disadvantaged children and their outcomes. An evaluation of spend in 2022/23 will take place in summer 2023, with any recommendations being considered from 2024/25, if required.

Deprivation supplement

In 2023/24, the Local Authority will continue to use the same deprivation factor that are currently in place in 2022/23. To ensure the Government’s funding increase is proportionately distributed through the EYNFF, 2.5%⁴ of the increased funding will be distributed through the deprivation factor through a £7 increase in Deprivation Band 1. The increase is proportionately applied across the other Deprivation Bands 2-6. The Local Authority will continue to provide advice on its use and monitor its effectiveness in settings. This approach will allocate £0.873m through the deprivation funding formula in 2023/24.

The IDACI deprivation measure determines the probability of a child coming from a deprived area, using the child’s postcode. For example, a child with an IDACI score of 0.2 has a 20% chance of coming from a deprived area; a child with an IDACI score of 0.8 has an 80% chance of coming from a deprived area. The IDACI pupil information has been taken from the October 2022 funding claims. A monetary sum per pupil is assigned to the deprivation bands 1 to 6. Only pupils with an IDACI score of 0.2 or above will trigger deprivation funding, therefore targeting funding at those children deemed to be more deprived.

The following table shows the deprivation scores and associated funding:

Table 1

Deprivation Band	IDACI Score lower limit	IDACI score upper limit	Funding Per Pupil
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⁴ The percentage is determined based on the 2022/23 planned spending through the deprivation funding compared to deprivation and the universal rate funding.

1	0.2	0.25	£164
2	0.25	0.3	£328
3	0.3	0.4	£492
4	0.4	0.5	£656
5	0.5	0.6	£820
6	0.6	1.0	£984

The October 2022 data collection information and IDACI 2019 datasets have been used to determine the 2023/24 annual deprivation funding allocation.

SEN Inclusion Fund

Local Authorities are required to have SEN inclusion funds for all 3- and 4-year-olds with special educational needs (SEN) who are taking up the free entitlements, regardless of the number of hours taken. This funding is intended to support the Local Authority to work with providers to address the needs of individual children with SEN.

In Lincolnshire, the SEN Inclusion Fund has been reviewed in line with the national guidance and is available through an application process.

The universal base rate is provided to meet the needs of children, including those with mild additional needs which are able to be met within the graduated approach and provision that is routinely available.

The inclusion funding model provides a top-up payment to support providers additional costs. The planned funding allocation using the current protocol is increasing by £0.048m in the financial year 2023/24 to £0.698m per annum, which represents £0.092p per pupil per hour.

Fluctuation Contingency Fund

The Local Authority is required to fund all participation-led funding and therefore a fluctuation contingency fund is required to meet any additional demand above the January average that may occur during the academic year and to avoid overspends occurring on this budget. The Local Authority has been developing a reporting mechanism to review the annual take-up levels against spend. This is being used to calculate the annual budget requirements and allow the fluctuation contingency fund to be reduced, to support a higher base rate for providers. The Local Authority is acutely aware of the current economic circumstances facing the sector, and the Government's ceiling cap for the 3- and 4-year-old for Lincolnshire (removing £0.03p from its hourly rate). The Local Authority wish to maximise the universal rate for providers from the Government funding it is receiving, therefore for 2023/24, the fluctuation contingency fund is to be met from the anticipated underspend in the current financial year's early years participation budget. A provision of £0.200m is to be made. The Government's ceiling cap will be released further in 2024/25, therefore allowing the base budget to be re-established.

Local Authority Centrally Retained Funding

£1.627m

The Government requires Schools' Forums to agree 2023/24 central spend for early years by the 28 February 2023. The Local Authority has conducted its annual review of DSG budgets. An increase of £0.066m is proposed to reflect the current and forecast pay in 2023/24 for the Early Years and Childcare Support team. This includes the pay award and maintenance costs with supporting the monthly payment process to childcare providers.

The DfE places a number of statutory duties upon Local Authorities in relation to the provision of support for Early Years Education and Childcare provision. In order for the Local Authority to fulfil these duties, the Early Years and Childcare Support team provides a range of support services across the sector. The support available includes direct face to face support; the delivery and commissioning of subsidised training; information advice and guidance, and special educational needs and disabilities (SEND) support to early years providers across the sector e.g. PVI, childminders, schools and academies.

In light of the regulations, the following budgets require Schools Forum approval:

Early Years Entitlement & Securing Sufficient, Sustainable Provision
£522,461

The EYE team ensure the effective delivery of the Early Years Entitlement funding for 2-, 3- and 4-year-olds including the 30 hours entitlement, Early Years Pupil Premium, MNS supplements, Disability Access Fund and Inclusion Funding. This ensures all childcare providers in Lincolnshire receive timely and accurate payments for the delivery of the early year's entitlement. The team manages the system and processes while providing advice, support and guidance to all settings to deliver the offer effectively. The team works closely with other teams including Performance and Finance to ensure providers receive the support they need. Resource levels for this area of work have been maintained to enable the Local Authority to deliver the expectations and requirements set out by national policy including the move to a monthly payment system. The number of early year's providers delivering funded education places in Lincolnshire includes 531 private, voluntary and independent providers, 50 maintained schools and 37 academies.

The Government places a duty on Local Authorities to secure sufficient childcare, so far as is reasonably practicable, for working parents, or parents who are studying or training for employment, for children aged 0-14 (or up to 18 for disabled children). To ensure there is sufficient, accessible, and affordable provision available to support families, the Local Authority continues to monitor the marketplace and support providers to offer additional places where demand is identified.

Following publication of the Local Authority's annual sufficiency report, where any gaps are identified, the team of development consultants work with the sector to address the needs of local families. The team supports expansions and new provision where needed and encourages providers to take a sustainable business approach to place planning, this includes signposting providers to external resources to support them with future sustainability. This team supports the delivery of capital funding applications, investments,

lease and rent agreements and governance arrangements where it is needed across Lincolnshire.

There is a growing concern across the childcare sector regarding sustainability, particularly with the cost-of-living crisis and increasing staff costs across the country. Lincolnshire is in a mixed position currently, with some areas unable to meet the current needs of families. This impacts on the Local Authority's overarching responsibility to improve outcomes for children and ensure that there is sufficient childcare for all working parents. There is an ongoing demand on the service to support providers with their financial concerns and business sustainability. As part of the Local Authority's duty to secure sufficient, accessible places for children and families in Lincolnshire, this area of work will continue to be a priority for the service throughout 2023/24. The DfE representatives of the Early Years finance division have recognised the financial challenges being faced by the sector.

EYFS Quality Improvement, Advice, Support, Workforce & Training for the Sector
£1,021,777

Changes to the statutory duty placed on Local Authorities in September 2014 means that all new early year's providers are able to deliver the early years entitlement upon opening. This supports the Local Authority to meet its sufficiency duty, however the Local Authority is responsible overall for the outcomes of the Ofsted inspection. A programme of support is in place to give new providers the best chance of achieving a good or better judgement at their next inspection and thus maintaining a sufficient supply of good quality funded childcare places.

For providers with a "less than good" Ofsted outcome, there are bespoke targeted quality support programmes made available in line with the Early Education and Childcare Statutory guidance for Local Authorities (June 2018). Providers are also able to self-refer into the EYCC for support with meet identified needs in order to maintain the quality of their provision.

The outcomes for Lincolnshire children at the end of the foundation stage are below the national average and that of our statistical neighbours. In order we do the best for all of our children, this team works with the sector and schools to ensure the provision available is providing children with the best opportunities to reach their full potential, increasing their life chances as they transition to school and then move from reception to year 1.

Support is offered to ensure providers can maintain compliance with EYFS safeguarding, welfare and related requirements and enable children to have maximum opportunities to learn and develop. The service continues to identify the impact on quality following the pandemic and the impact on children's development. This work also supports providers who are either due an inspection or have not been inspected for the longest period, to feel equipped to demonstrate how they have met the challenges and continue to demonstrate good early years practice.

Lincolnshire commissions and provides a comprehensive programme of courses at a subsidised fee to assist the sector to fulfil EYFS and Ofsted requirements, and to provide

and maintain high quality provision. The training includes a range of face-to-face events and e-learning modules to support the learning styles of users and ensures training is accessible. This reduces barriers to learning, contributing to the delivery of improved practice across the county in order that we underpin the professional development of the sector.

SEND Local Offer
£83,346

The Government required all Local Authorities to establish an SEN inclusion fund following the introduction of the revised funding formula to provide top up grants to providers to support the county's children identified as having an additional need. As part of Lincolnshire’s SEND Local Offer, early years inclusion funding supports the Government's strategy by enabling early intervention and removing barriers to learning faced by children with SEND. The system and process for the allocation of inclusion, in conjunction with a review of the funding allocations for children attending early years with a significant and profound SEND as assessed through the Education, Health and Care Plan assessment process. The continued co-ordination and oversight of this is within a dedicated post with management oversight.

Summary of central spend

The proposed funding to be centrally retained for all those services detailed above, that directly support the early years sector in the delivery of early years entitlement is £1.627m. This represents 4.39% of the overall planned early years funding of £37.089m and is below the threshold of 5%.

Lincolnshire therefore meets the pass-through threshold of ensuring that at least 95% of early years funding is passed onto providers in the form of the local universal base rate; mandatory deprivation funding; inclusion funding, and fluctuation contingency fund. The three functions of the service will be maintained in 2023/24 for management purposes. We have distributed the resources and allocated responsibilities across the management team under these key areas - Quality Improvement & Workforce Development, Sufficiency, sustainability and the Early Years Entitlement funding, and Inclusion & SEND local offer.

Lincolnshire's Early Years Funding Distribution for 3- and 4-year-olds

Table 2

Activities	Overall Funding	Hourly Rate
3- and 4-year-old funding for 15 hours early years entitlement	£25.561m	£4.87
3- and 4-year-old funding for additional hours for eligible working families	£11.528m	£4.87
Total Funding	£37.089m	£4.87

Activities	Spending Plan	Hourly Rate
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		Converted
Local Universal Basic Rate	£33.662m	£4.420
Deprivation Funding	£0.873m	£0.115
Inclusion Fund	£0.698m	£0.092
Fluctuation Contingency Fund ⁵	£0.000m	£0.000
Teachers' Pay and Pension grant (Nursery Classes)	£0.228m	£0.030 ⁶
Total Spending Plan for passing onto providers	£35.462m	£4.657
Centrally Retained Funding for Direct Early Years Services	£1.627m	£0.213
Total Spending on Early Years Activities	£37.089m	£4.87

Key government criteria met:

- Pass-through funding of 95.61% to providers in 2023/24 (95.77% in 2022/23).
- The value of all supplements and provider delegations (outside the local universal base rate), as a percentage of the total value of planned formula funding to providers is below the 12% threshold at 5.08%.

Disability Access Funding (DAF)

The Local Authority must comply with the provisions of the Equality Act 2010 in finding suitable provision for eligible disabled children.

The Disability Access Fund (DAF) was introduced in April 2017 to support disabled children's access to the 3- and 4-year-old entitlements. The national funding rate for DAF will increase by £28, from £800 to £828 per eligible child per year in 2023/24. The funds can be used to support providers in making reasonable adjustments to their settings and / or helping with building capacity, be that for the child in question or for the benefit of children as a whole attending the setting.

Children do not have to take up their full early education entitlement in order to receive the DAF. Children will be eligible where they take up any period of free entitlement and receive Disability Living Allowance.

Early years providers are responsible for identifying eligible children and are encouraged to notify the Local Authority using the online Early Years Provider Hub to ensure they receive funding at the earliest opportunity.

Early Years Pupil Premium (EYPP)

The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged 3- and 4-year-olds. The EYPP remains distinct from the EYNFF.

⁵ For 2023/24, the Fluctuation Contingency Fund is to be financed from the anticipated underspend in the current financial year's early years participation budget to support a higher base rate for providers.

⁶ Illustrative rate. Approach to be formalised.

The national funding rate for EYPP will increase by £0.02p, from £0.60p to £0.62p per eligible child per hour. We will fund all providers with eligible children at the national rate of £0.62 per pupil per hour for 38 weeks up to a maximum of 570 hours (or £353.40 per year). In the small number of cases where a child is also eligible for the additional 15 hours entitlement for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year.

2-Year-Old Funding

Lincolnshire's funding for the most disadvantaged 2-year-olds in 2023/24 has increased by £0.06p per hour to £5.63 per hour per child from central Government.

Lincolnshire's indicative allocation for 2023/24 is £4.947m using the January 2022 census data. The indicative budget has been adjusted upwards for 2023/24 using the January 2022 pupil census information. This is consistent with the treatment of the 3- and 4-year-old budget. Participation levels are expected to rise during 2023/24. To ensure Lincolnshire receives a 1% year-to-year increase, £0.05p per hour of the increase relates to protection funding.

There is no 'pass-through requirement' for 2-year-olds as s.251 data demonstrates that the vast majority of such funding is already being passed through to providers. There are no compulsory supplements for 2-year-olds, and Local Authorities are encouraged to fund providers on the basis of a flat hourly rate for all providers. In addition, Local Authorities are not required to establish a SEN Inclusion Fund for 2-year-olds.

Fluctuation Contingency Fund

The Local Authority has retained funding for a contingency fund before determining the funding rate to providers to avoid overspends occurring on this budget.

The 2-year-old entitlement does not replicate the same participation trends across the year in the same way as the 3- and 4-year-old entitlement, therefore the January census count that determines the level of funding to Local Authorities is not always representative of the allocations made to providers for 2-year-old participation. In fact, Lincolnshire's analysis continues to identify an increase in take up in the summer and autumn terms, but a lower take up in the spring term. It is therefore necessary to hold back funding to act as a contingency fund for fluctuations in attendance, for passing onto providers later in the year, otherwise the overall 2-year-old funding will overspend.

An annual budget of £0.249m is required, which represents 5.09% of the overall budget. This is a lower amount from that budgeted for in 2022/23 (£0.321m).

The Local Authority continues to make representations to the Government to ensure funding received by the Local Authority is representative of the funded participation levels – this would allow the hourly rate to be retained at a higher level. This will be reviewed annually considering available data to ensure the budget provision is set accurately. The

DfE continues to review the 2-year-old entitlement patterns of take-up across Local Authorities and is considering termly census returns to administer funding more accurately in the future.

Local Authority Centrally Retained Funding

Following the Local Authority's annual review of early year's budgets, a contribution towards central costs has been identified to support 2-year-old funding requirements. The cost is £0.049m which represents 0.99% of the total budget.

2-Year-Old Funded Rate

The 2023/24 hourly rate has been determined at the following level:

Local universal base hourly rate per pupil £5.29

The hourly rate will increase by £0.06 per hour per pupil in 2023/24 from £5.23 to £5.29. The increase is made up of the Government's additional funding of £0.06p per hour per child for 2023/24.

Lincolnshire's Early Years Funding Distribution

Table 3

Activities	Overall Funding	Hourly Rate
2-year-old funding for 15 hours early years entitlement	£4.947m	£5.63

Activities	Spending Plan	Hourly Rate Converted
Local Universal Base Rate	£4.648m	£5.290
Fluctuation Contingency Fund	£0.249m	£0.284
Total Spending Plan for passing onto providers	£4.898m	£5.574
Centrally Retained Funding for Direct Early Years Services	£0.049m	£0.056
Total Spending on Early Years Activities	£4.947m	£5.63

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty, the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified, consideration must be given to measures to avoid that impact as part of the decision-making process.

Conclusion

The Local Authority continues to apply the EYNFF through its hourly rates for 3- and 4-year-olds and for the disadvantaged 2-year-olds, and proposes to increase the hourly rates, as set out in the main body of the paper.

The Local Authority requires approval from the Schools' Forum for those centrally retained early years budgets.

Consultation

a) Risks and Impact Analysis

The Local Authority has used an indicative participation budget allocation for 3- and 4-year-olds and for the disadvantaged 2-year-olds to reflect the January 2022 pupil census data.

The Local Authority is mindful that the January 2022 census participation levels may be lower than January 2023 census, which will be used for Local Authorities April to August funding levels. It is currently unknown if participation levels will grow significantly throughout 2023/24, however current take-up data shows a steady participation level and population data does not show an upward trend currently.

The Local Authority will monitor deprivation investment through 2023/24, since deprivation data and funding have been based on October data, as is usually the case. The Local Authority will review the deprivation funding to providers to respond to potential increased demands of deprived children, alongside the other supplementary funding for SEND.

There is a growing concern across the childcare sector regarding funded education investment, particularly with the cost-of-living rise and other increases including insurance, energy bills, food and staff costs across the country. This has led to staff choosing alternative career choices and leaving the sector short staffed.

Childcare providers are struggling to maintain quality of provision with limited staff capacity and financial concerns. As financial pressures on childcare providers increase, there is a risk that we will see further closures in the future, ultimately impacting on our statutory duty to secure sufficient childcare.

The Local Authority recognises the financial demands placed on the early years sector through increased costs and has applied a rate increase from the Government's financial settlement to support this. The DfE representatives of the Early Years finance division have recognised the financial challenges being faced by the sector, and they will continue to listen to the sector and Local Authorities, including making representations to policyholders for 2024/25 funding levels to reflect these needs.

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Early Years Funding Publications 2023-24	Early years funding: 2023 to 2024 - GOV.UK (www.gov.uk)

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