

# Agenda Item 7

Agenda Item 7: Early Years National Funding Formula (2022/23) – 2-year-old funding correction (changes made in grey shading):

## **2-Year-Old Funding**

Lincolnshire's funding for the most disadvantaged 2-year-olds in 2022/23 has increased by £0.21 per hour to **£5.57** per hour per child.

Lincolnshire's indicative allocation for 2022/23 is £4.616m using the January 2021 census data. This was during the height of the pandemic and lockdown measures. The indicative budget has been adjusted upwards for 2022/23 using the January 2020 pupil census information, prior to the pandemic. This is consistent with the treatment of the 3- and 4-year-old budget. Participation levels are expected to rise during 2022/23. The revised indicative budget is £5.975m.

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 £0.321m is required, which represents 5.41% of the overall budget. This is consistent with 2021/22.

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 £0.044m which represents 0.73% of the total budget.

### **2-Year-Old Funded Rate**

The 2022/23 hourly rate has been determined at the following level:

**Local universal base hourly rate per pupil £5.23**

The hourly rate will increase by £0.20 per hour per pupil in 2022/23 from £5.03 to £5.23. The increase is made up of the governments additional funding of £0.21 per hour per child for 2022/23. The remaining £0.01 is reserved within the fluctuation contingency fund due to the lower than usual January census and increasing participation levels expected during 2022/23 across providers.

### **Lincolnshire's Early Years Funding Distribution**

Table 3

Activities	Overall Funding	Hourly Rate
<b>2-year-old funding for 15 hours early years entitlement</b>	<b>£5.975m</b>	<b>£5.57</b>

Activities	Spending Plan	Hourly Rate Converted
Local Universal Base Rate	£5.610m	£5.230
Fluctuation Contingency Fund	£0.321m	£0.299
<b>Total Spending Plan for passing onto providers</b>	<b>£5.931m</b>	<b>£5.529</b>
Centrally Retained Funding for Direct Early Years Services	£0.044m	£0.041
<b>Total Spending on Early Years Activities</b>	<b>£5.975m</b>	<b>£5.57</b>