



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

Report to:	<b>Lincolnshire Schools' Forum</b>
Date:	<b>20 January 2022</b>
Subject:	<b>Early Years National Funding Formula</b>

**Summary:**

The purpose of this report is to:

1. Provide a summary of the Early Years National Funding Formula for 2022/23
2. Detail the funding distribution for early years providers in Lincolnshire in 2022/23
3. 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:

- A. Note the content of the report
- B. 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 £160m nationally for early years education in 2022/23 to increase the hourly rate paid to childcare providers for the government's free hours offers. National early years education spending is planned to be £3.609bn in 2022/23.

The 2022/23 extra £160m government announcement has ensured an uplift to the minimum funding rate by £0.17p to £4.61 per hour for 2022/23. Lincolnshire is currently funded on the minimum funding rate.

The starting point for calculating the 2022/23 rates are the EYNFF rates before protections are applied – Lincolnshire's hourly rate is £4.30 before such protection. Rates are then

uplifted from this starting point by £0.17. The government then top up all rates to an increased minimum funding floor of £4.61.

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 2022/23 which is rising to £4.61 per pupil per hour, which is a £0.17p per pupil per hour increase from 2021/22 funding levels. Lincolnshire is one of 48 out of 150 Local Authorities funded on the minimum funding rate. The national average hourly rate across Local Authorities is £5.83 per pupil through the formulaic rate.

Lincolnshire's hourly funding rate of £4.61 per pupil will provide indicative funding of £35.170m for 3- and 4-year-old entitlement. This is made up of the universal 15 hours early years entitlement funding of £24.429m and the additional 15 hours for 3- and 4-year-old children of eligible working families of £10.741m.

The early years funding of £35.170m for Lincolnshire is indicative, since final funding allocations for 2022/23 will be based on 5/12<sup>th</sup> of January 2022 pupil numbers (to cover the April 2022 to August 2022 period) and 7/12<sup>th</sup> of the January 2023 pupils' numbers (to cover the September 2022 to March 2023 period).

The government's indicative allocations are however based on the January 2021 pupil census data, which was during the height of the pandemic and lockdown measures. This resulted in participation levels being lower than planned. For budgeting purposes, the Local Authority felt it reasonable to base the indicative budget for 2022/23 using the January 2020 pupil census information, prior to the pandemic. Participation levels are expected to rise during 2022/23. The indicative funding is therefore revised upwards to £36.889m for 3- and 4-year-old entitlement. This is made up of the universal 15 hours early years entitlement funding of £25.540m and the additional 15 hours for 3- and 4-year-old children of eligible working families of £11.349m.

## **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 where cost differences between different types of providers were recognised.

Since the introduction of the EYNFF, Local Authorities have received supplementary funding for maintained nursery schools (MNS) on top of their EYNFF allocation, to protect their MNS funding at their 2016 to 2017 level for the universal 15 hours.

As part of the 2021 Spending Review the Government confirmed the continuation of MNS supplementary funding throughout the Spending Review period, giving the sector a level of certainty over the medium-term. For 2022/23, the Government will financially support an increase of 3.47% in supplementary funding. This is an important step forward for MNS and is the first year of increased hourly rate funding since 2016/17. The Local Authority will work with the ESFA and the sector to agree its base funding levels for 2022/23.

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 10% of the total value of planned funding for 3 and 4 olds 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.
- payments to MNS from the 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 6.6% from £8.72 to £9.50 per hour for employees aged 23 and over from April 2022. The financial model budgets for £9.75 per hour within the 2022/23 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 2022/23 hourly rate has been determined at the following level:

**Local universal base hourly rate per pupil                      £4.20**

The hourly rate will increase by £0.16p per hour per pupil in 2022/23 from £4.04 to £4.20. The increase is supported through the governments additional funding of £0.17 per hour per child for 2022/23.

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 2022/23 will be based on monthly data returns made by providers during the summer 2022, autumn 2022 and spring 2023.

The Local Authority is mindful of the sensitivities of the January 2022 census participation levels, which will be used for Local Authorities April to August funding levels. Participation levels are expected to grow as confidence builds which is forecast to see it go back to pre-pandemic levels. There is likely to be a time lag, therefore it is important the Local Authority provide appropriate stewardship of the Early Years block and it does not overspend, therefore prudence is being applied. The remainder of the funding increase (£0.01 per hour per child) will be added to the fluctuation contingency fund to respond to growing participation levels during 2022/23 across providers.

### **Supplements**

The Local Authority will continue to only use the mandatory Deprivation Supplement.

Providers were requested since 2019/20 to complete a monitoring form to provide details of how funding was utilised to understand the impact the deprivation supplement.

In July 2018, the Secretary of State for Education explained that 28% of children finish their reception year still without the early communication and reading skills they need to thrive. The ambition is to cut that number in half over the next ten years. Tackling this must be a shared priority, as explained further here:

<https://www.gov.uk/government/speeches/education-secretary-sets-vision-for-boosting-social-mobility>. The Local Authority has advised providers to consider this when determining the use of the deprivation supplement funding.

A review of deprivation monitoring previously identified a lack of understanding regarding the most vulnerable children attending. The Local Authority planned to change to the way deprivation funding was allocated to providers in future, using a child-led approach to support the effective use of this funding. Following the Covid-19 pandemic, the Local Authority chose to engage with providers in the summer 2021. The evaluation of spend in 2021/22 will take place in summer 2022, with a view of implementing changes from 2023/24 if required.

## Deprivation supplement

In 2022/23, the Local Authority will continue to use the same deprivation factor that are currently in place in 2021/22. To ensure the government's funding increase is proportionately distributed through the EYNFF, 2.75%<sup>1</sup> 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 £0.839m through the deprivation funding formula in 2022/23.

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 2021 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
1	0.2	0.25	£157
2	0.25	0.3	£314
3	0.3	0.4	£471
4	0.4	0.5	£628
5	0.5	0.6	£785
6	0.6	1.0	£942

The October 2021 data collection information and IDACI 2019 datasets have been used to determine the 2022/23 annual deprivation funding allocation.

The Local Authority will monitor deprivation levels through 2022/23, since deprivation data and funding have been based on October data, as is usually the case. The pandemic may have impacted the overall sum being distributed through deprivation, therefore consideration will be made during the year whether the Local Authority needs to respond by increasing the deprivation funding to providers to respond to potential increased demands of deprived children. This could be financed through fluctuation contingency funding if available, or an alternative available funding source. The universal hourly rate will remain for 2022/23.

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<sup>1</sup> The percentage is determined based on the 2021/22 planned spending through the deprivation funding compared to deprivation and the universal rate funding.

### **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 based upon a percentage increase of the universal base rate, for every hour the child attends the setting for their early years entitlement (up to a maximum of 30 hours based on a child's eligibility). A two-tier approach which comprises 50% top up for emerging 1 needs and 100% top up for emerging 2 needs has been in place since the review in 2017/18.

The rates for 2022/23 are as follows to reflect the increasing universal base rate:

- Emerging 1 needs - £2.10
- Emerging 2 needs - £4.20

The planned funding allocation using the current protocol is remaining the same for the financial year 2022/23 at £0.650m per annum, which represents £0.081 per pupil per hour.

### **Fluctuation Contingency Fund**

Local Authorities are able to hold back funding to act as a contingency fund, this is to support the Local Authority to fund providers throughout the year. Early years funding to Local Authorities is funded based on 5/12<sup>th</sup> of January 2022 pupil numbers (to cover the April 2022 to August 2022 period) and 7/12<sup>th</sup> of the January 2023 pupils' numbers (to cover the September 2022 to March 2023 period), which is a different methodology to funding providers on a participation-led approach on a monthly basis. The government approach to funding Local Authorities identifies the January count as the average across the year, however local participation may not replicate this, and indeed may not be the case during 2022/23 due to the impact of the pandemic. 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. For 2022/23, the contingency fund has increased, to reflect the ongoing pressures and uncertainty caused by the pandemic.

The annual budget of £0.231m is required, which equates to £0.029 per pupil per hour.

### **Local Authority Centrally Retained Funding**

**£1.561m**

The government requires Schools' Forums to agree 2022/23 central spend for early years by the 28 February 2022. The Local Authority has conducted its annual review of DSG budgets. An increase of £0.053m is proposed to reflect the anticipated 2% pay award for Early Years and Childcare Support team staff and maintenance costs with supporting the monthly payment process to providers.

The Department for Education (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  
£473,901

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, EYPP, MNS supplements, DAF 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 us 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 577 private, voluntary and independent providers, 51 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 market place 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.

It is evident that the pandemic has had an impact on the occupancy levels across one or more age ranges accessing childcare. Whilst many childcare providers have experienced some financial losses as a result of the pandemic, the marketplace remains sustainable in Lincolnshire to meet the needs of children and families.

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 has been a priority area for the service. This work is expected to continue throughout 2022/23.

#### EYFS Quality Improvement, Advice, Support, Workforce & Training for the Sector

£1,010,220

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.

In addition to this the statutory EYFS framework requires the EYFS profile assessment to be carried out in the final term of the year in which a child reaches age 5, and no later than 28 June in that term. The main purpose of the EYFS profile is to provide a reliable, valid and accurate assessment of individual children at the end of the EYFS. 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

£77,289

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 funding has been fully reviewed and a new system implemented, 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 £1.561m. This represents 4.23% of the overall planned early years funding of £36.889m 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 3 functions of the service will be maintained in 2022/23 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	£25.540m	£4.61
3- and 4-year-old funding for additional hours for eligible working families	£11.349m	£4.61
<b>Total Funding</b>	<b>£36.889m</b>	<b>£4.61</b>

Activities	Spending Plan	Hourly Rate Converted
Local Universal Basic Rate	£33.608m	£4.200
Deprivation Funding	£0.839m	£0.105
Inclusion Fund	£0.650m	£0.081
Fluctuation Contingency Fund	£0.231m	£0.029
<b>Total Spending Plan for passing onto providers</b>	<b>£35.328m</b>	<b>£4.415</b>
Centrally Retained Funding for Direct Early Years Services	£1.561m	£0.195
<b>Total Spending on Early Years Activities</b>	<b>£36.889m</b>	<b>£4.61</b>

Key government criteria met:

- Pass-through funding of 95.77% to providers 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 10% threshold at 4.87%.

### **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. Providers will receive £800 per eligible child per year. 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.

Local Authorities will fund all providers with eligible children at the national rate of £0.60 per pupil per hour for 38 weeks up to a maximum of 570 hours (or £342.00 per year). This

is an increase of 0.07p from 2021/22. 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 2022/23 has increased by £0.21 per hour to £5.23 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 £0.21 per hour per pupil in 2022/23 from £5.03 to £5.03. The increase is made up of the governments additional funding of £0.21 per hour per child for 2022/23.

### 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>

### **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 revised upwards the indicative participation budget allocations for 3- and 4-year-olds and for the disadvantaged 2-year-olds to reflect pre-pandemic participation levels and those expected during 2022/23, since the January 2021 pupil census data was impacted by the pandemic and lockdown measures.

The Local Authority is mindful of the sensitivities of the January 2022 census participation levels, which will be used for Local Authorities April to August funding levels. Participation levels are expected to grow as confidence builds which is forecast to see it go back to pre-pandemic levels. There is likely to be a time lag, therefore it is important the Local Authority provide appropriate stewardship of the Early Years block and it does not overspend; therefore prudence is being applied. Funding is earmarked within the fluctuation contingency funds to support an increase in provider payments.

The Local Authority will monitor deprivation levels through 2022/23, since deprivation data and funding have been based on October data, as is usually the case. The pandemic may have impacted the overall sum being distributed through deprivation; therefore consideration will be made during the year whether the Local Authority needs to respond by increasing the deprivation funding to providers to respond to potential increased demands of deprived children.

The Local Authority recognises the financial demands placed on the early years sector through increased costs and participation fluctuations in 2022/23 and has applied a rate increase from the government's financial settlement to fairly reflect this.

### **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 2022-23	<a href="https://www.gov.uk/government/publications/early-years-funding-2022-to-2023">https://www.gov.uk/government/publications/early-years-funding-2022-to-2023</a>

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