



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

Report to:	Councillor Mrs P A Bradwell OBE, Executive Councillor for Children's Services, Community Safety, Procurement and Migration
Date:	15 - 17 January 2024
Subject:	Childcare Reforms & Early Years Funding Formula
Decision Reference:	I030817
Key decision?	Yes

Summary:

To outline the announcements in the spring budget and clarify the expanded childcare offers announced as part of the childcare reforms.

To consider the recent ADCS paper which outlines concerns and considerations regarding the reforms.

To understand the impact on the local authority and capacity to deliver the ambitions within the reforms.

To approve the use of early years and childcare grants to support the implementation of the expanded government offers and ensure that all children access provision to meet their needs.

To highlight the funding formula proposals for 2024-25 to support providers to deliver early education places.

Recommendation(s):

That the Executive Councillor for Children's Services, Community Safety, Procurement and Migration:

1. Approve the use of the early years and childcare grants to support implementation of the expanded Government offer as detailed in this report;
2. Approve the Council's early years local funding formula as detailed in this report; and
3. Approve Early Years Funding Distribution for 3 and 4 year olds for 2024-25 as detailed in Table 1; Early Years Funding Distribution for eligible 2 year olds for 2024-25 as detailed in Table 2; and Early Years Funding Distribution for eligible 9 month olds for 2024-25 as detailed in Table 3.

Alternatives Considered:

The Local Authority has a series of statutory duties regarding early childhood services, including securing early education places, delivering a funding formula to providers and consideration of the quality, quantity and sufficiency of local provision. This also extends to wraparound childcare. The Government reforms include delegated responsibilities associated with budgets provided to Local Authorities to carry out these duties. The detail within this report is a statutory duty for the Local Authority and is driven by Government guidance.

Reasons for Recommendation:

To ensure all families in Lincolnshire can access the Government offers available to support them to work or expand their working hours.

To ensure all children benefit from their early education places and access high-quality provision to meet their needs.

1. Background

The Government is focused on giving children the best start in life and supporting parents to access affordable, high-quality childcare. To encourage more parents to return to work while balancing childcare commitments, the Government has announced a £4 billion per year expansion of childcare in England.

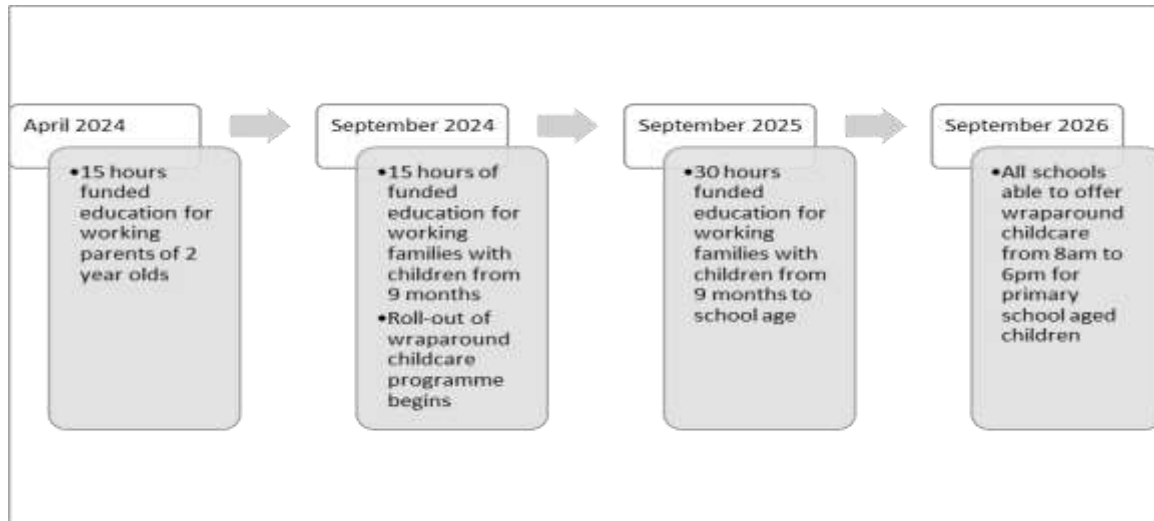
This is the largest expansion of funded childcare ever and the aim is to remove barriers to work for parents with a child under 3 years.

This childcare transformation will expand 30 hours childcare support for working parents with children over the age of nine months, saving up to £6,500 a year for parents for just a single child. This is on top of the upfront childcare support for parents receiving Universal Credit and the support that is available through Tax-Free Childcare.

The Government also announced their ambition for all parents of primary school aged children to access childcare in their local area between 8am and 6pm. 16 local authorities have been working with the Government to develop plans for this universal provision and all local authorities will start to receive their share of £289 million in funding from January 2024, with parents expected to see an expansion in the availability of wraparound care from September 2024.

By September 2025, working parents of all children over the age of nine months until they start school will be entitled to 30 hours childcare support. This will be rolled out in phases.

Childcare Reforms Timeline



Sufficiency of Childcare Places in Lincolnshire

The Department for Education (DfE) has analysed data and provided insight on the likely level of demand for the new childcare entitlements announced at the 2023 Spring Budget. Data has also been shared on the current supply of early years childcare places and the wraparound childcare provided on school sites in Lincolnshire.

This information was presented to assist Local Authorities in planning for the roll-out of the new 30 hours childcare entitlement for working parents of 9-month to 36-month-olds and help Local Authorities identify where increased supply of wraparound childcare may be needed, so that all parents of school-age children can access childcare from 8am – 6pm, if they need it.

The information supplied has been used alongside local intelligence to consider where places need to be developed and further analysis of this will be ongoing as we move towards full implementation of the reforms.

In October 2023, the Local Authority completed a survey with childcare providers in Lincolnshire, to determine how many places may be ‘converters’ (e.g. previously private funded places) from 2024 when the funded entitlements commence. This allows the Local Authority to plan for how many places will transfer from a fee-paying place to a funded place and understand how many additional places may be required for completely new children, for those families that may start to access childcare when they return to work or study.

The results show a large percentage of eligible children already accessing childcare places.

Age	Number of providers delivering fee-paying places	Number of children in fee-paying places
Under 2 years	356	3,157
2 year olds	429	3,631

This data is being used alongside existing sufficiency data, to consider place development and for budget planning purposes. Current analysis shows that we have a surplus of places for 2-year-olds in Lincolnshire (with the exception of South Holand, an existing area of identified need) and an insufficiency of places for 0-2 year olds which will be the focus of our development activities moving forward.

Nationally, it has been recognised that children with special educational needs and disabilities (SEND) are not taking up early years and childcare entitlements to the same extent as their peers and there is a shortage of inclusive places. Research shows training and confidence are critical barriers and we want to make a difference for SEND children in Lincolnshire.

Dingley’s Promise is a charity and specialist nursery provider whose aims are to transform the early years for children with SEND. Lincolnshire has been selected to be included in their national project, to increase the number of SEND children accessing childcare places. We are developing robust data to inform the SEND sufficiency picture. Further outreach approaches will then be completed when we know the number and location of early years children with SEND not accessing provision.

Anticipated demand for wraparound

Wraparound childcare is expected to be delivered in a number of ways, with various delivery models to meet the needs of the community. The number of places needed will be determined by some detailed mapping exercises to be conducted across the county. This will require dedicated time to map provision and work with schools and childcare providers to consider what is already available and what needs to be developed further.

Wraparound Delivery Models



Schools are not expected to deliver this provision directly in all circumstances but instead use a collaborative approach with existing providers to offer the 8am-6pm childcare.

Initial data analysis shows the following regarding Lincolnshire’s 318 primary schools:

Before school

- 63 do not have breakfast clubs or no access to breakfast club (20%)
- 172 have a club run by school
- 83 have a club available by a 3rd party provider

After school

- 97 do not have after school club or no access to after school (31%)
- 138 have a club run by school
- 83 have a club available by a 3rd party provider

Additional mapping will take place in the spring term 2024 with a view to complete development activities to ensure we have new places available in areas of need, ready for the roll-out in September 2024.

Budgets to support the roll-out of the childcare reforms

	Amount
1 Wraparound Programme (2023/24 to 2025/26)	£5,483,275.79
2 Extended Entitlements (supporting the rollout)	£125,423.00
3 Capital Funding – Reforms (rollout of EYE places and wraparound places)	£1,461,094.00

This funding is provided to Local Authorities as a Section 31 grant.

Childcare Expansion Capital Grant allocations are being provided as an un-ringfenced grant under Section 31 of the Local Government Act 2003. It is for Local Authorities to determine how best to prioritise this funding to address local priorities and it is provided to meet the revenue and capital costs associated with projects that help ensure sufficient places for:

- Children taking up an early years place through the expanded 30-hours entitlement for qualifying working parents (from the term following the child reaching 9-months to the term in which they turn 3-years-old);
- Increasing the supply of wraparound childcare for primary-school aged children.
- Local Authorities may also consider use of this grant to fund central revenue and capital works (e.g., modifications to IT systems, staffing etc.,) where they are necessary to enable the roll-out of entitlements.

This funding will be included within the childcare delivery plan alongside existing capital funding and a plan for match-funding projects where places are needed will commence.

Local Authorities are encouraged to spend this funding in ways that best match the needs of the local community, focusing on projects that will increase the physical capacity of early years and wraparound provision in local areas where demand is likely to exceed existing supply.

In Lincolnshire, the Local Authority will be mindful to ensure that new places created are accessible to all children, including those with SEND. DfE guidance suggests we may wish to consider projects that will adapt or improve facilities to expand their use or make places available for a wider range of needs.

We will also consider the quality of provision before agreeing to provide capital funding to support expansion and will prioritise projects in settings rated outstanding or good by Ofsted where applicable. Capital funding will be used so providers can ensure that inclusive provision is set up from the beginning, by using it to establish inclusive spaces and buy inclusive equipment and resources.

Local Authority Capacity

To deliver on these proposals, and to ensure that all children have equal opportunity to access their funded education entitlement, the Local Authority will need to build capacity to deliver the childcare reforms.

There will be an increased demand on Local Authority officers time to process claims and payments from the expanded offers and specific project management time will need to be developed to deliver the wraparound childcare reforms, map provision and carry out development work with schools and childcare providers.

Equal opportunity of access for all children and support for families to enable and to increase the current take-up of funded education places is also a focus for the Local Authority. Managing this within the central early years and childcare support team will provide a consistent and coordinated approach.

In addition, marketing and investment in resources to support providers will be needed. A dedicated working team will be required to ensure the current workload and increased priorities are supported.

Staff capacity costs are being added to the Local Authority Delivery Support Funding plans, as well as the central costs already included in the Early Years block of the Dedicated Schools Grant (DSG) which funds the early years entitlements. Local Authorities are permitted to retain 5% of funding to support these costs.

The purpose of the grants is to provide support to Local Authorities in England towards expenditure lawfully incurred or to be incurred, to effectively roll out the new expanded Early Years Entitlements offer.

Local Authorities are advised to use wraparound programme funding to fund new and expanded wraparound provision, either to meet current demand or guarantee supply to build future demand. In Lincolnshire, we are developing a plan of activities to support this programme. This includes supporting growth of future demand, for example, improved communication with parents and advice on use of Universal Credit and Tax-Free Childcare.

Funding can also be used to pay for training for staff, including specialist training for staff to ensure they feel equipped to support children with additional needs.

National Initiatives

In recognition of both the importance and short supply of childminders, incentive payments of £600 will be piloted from Autumn 2023 for those who sign up to the profession. This will rise to £1,200 for those who join through an agency (to support increased costs that this incurs).

This is intended to increase the number of childminders available and increase choice and affordability for parents.

The DfE has produced a set of resources to help with the promotion of an apprenticeships scheme with a focus on supporting more people into a career in childcare. [Early Years Educator apprenticeships.gov.uk](https://www.gov.uk/early-years-educator-apprenticeships)

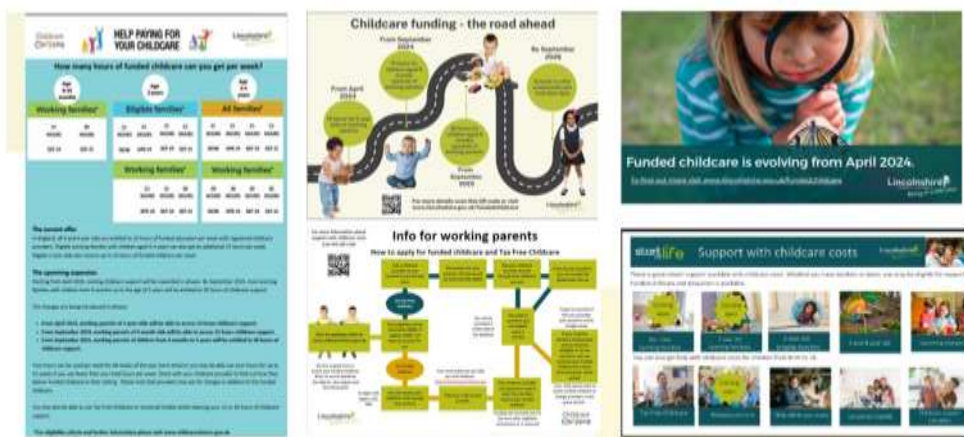
A national campaign will also launch early in 2024, to further support the concerns currently facing the childcare sector with a shortage of experienced and qualified staff.

Further support is now available for parents on Universal Credit. Eligible parents can get help to cover the costs for the first month of childcare when they enter work or increase their hours. Those parents will now receive up to 85% of those childcare costs back before their next month's bills are due – meaning they should have money to pay one month in advance going forward.

The maximum amount of support has also recently increased from £646 up to a maximum amount of £951 per month for one child, and from £1,108 up to a maximum amount of £1,630 for two or more children.

Marketing and Outreach

A suite of materials has been developed to assist families in Lincolnshire to access the expanded offers and to enable childcare providers to successfully deliver this provision, including a roadmap to explain the journey from 2024 - 2026.



Resources available to let families know about the expanded childcare

Further materials are being developed to assist with the wraparound childcare reforms following the publication of the DfE guidance for Local Authorities.

Outreach activities are planned using a full set of data identifying the children and families not accessing provision and this will allow the Local Authority to respond to any potential barriers. This will be a focus in 2024.

Early Years Supplementary Grant (EYSG) funding for childcare providers

Following the Spring Budget announcements, in July 2023, the DfE confirmed £204m of supplementary funding to Local Authorities through a new early year's supplementary grant (EYSG). The funding increase to Local Authorities applies from September 2023. This would be rising to £288m in 2024/25.

The funding has been provided to increase the hourly amounts paid to Local Authorities to enable provider hourly rates to be increased to support higher costs in the delivery of early years childcare for the period September 2023 to March 2024. Lincolnshire's EYSG allocation was £2.369m for 2023/24.

The table below illustrates what impact the EYSG has on the 2023/24 funding rates for providers in Lincolnshire.

EYSG Allocations September 2023 - March 2024

	Lincolnshire provider 2023 – 24 rates	EYSG uplift	Effective Combined Rate from Sept 23
2-year-old	£5.29	£1.77	£7.06
3- & 4-year-old	£4.42	£0.33	£4.75
MNS Supplement	£2.53	£0.15	£2.68
EYPP	£0.62	£0.04	£0.66
Disability Access Funding (DAF)	£828 (full year)	£53.00	£881.00
	Sept-March	£30.92*	£858.92*

**DAF is paid as a lump sum. For a full year the effective combined rate is £881. However, the EYSG is to cover the period from Sept to March (7 months). The calculation used for pro-rata payment is £53 x 7/12th = £30.92 uplift to be applied.*

The Maintained Nursery School uplift within the EYSG is £0.21 based on 3- & 4-year-old universal hours only. The Local Authority include this within the local formula to ensure the rate is paid across universal & extended hours, providing the schools with an overall hourly increase of £0.15 for the supplement.

The increased rates have been applied as prescribed to maximise the rate to providers to support market sustainability. This grant funding will form part of the base funding from 2024/25.

The Government provides Local Authorities with seven 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)
- the early years entitlement for disadvantaged and working 2-year-olds
- the early years entitlement for under 2's for working parents (from September 2024)

The guidance for local authorities clarifies the main changes, which include:

- The introduction of a new national funding formula (NFF) covering both the existing 2-year-old entitlement for disadvantaged children and new working parent entitlements to be introduced in 2024 to 2025 for 2-year-olds and children aged 9 months to 2 years
- new methodology for funding allocations for the new working parent entitlements for 2-year-old children and children aged 9 months to 2 years old for 2024 to 2025
- extending the 95% pass-through requirement to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- extending local funding rules to the disadvantaged 2-year-old entitlement and the new working parent entitlements
- a requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents
- new deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements
- confirming the expectation that local authorities have special educational needs inclusion funds (SENIFs) for all children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken
- extending eligibility for EYPP and DAF to eligible children aged 2 years old and under accessing the entitlements from 2024 to 2025, and increases to the value of both funding streams
- extending the facility to apply for a disapplication from the 95% pass through rule to the disadvantaged 2-year-old entitlement and the new working parent entitlements, and changes to the criteria against which a disapplication will be considered

Early Years Funding Formula 2024-25

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 Government has recently consulted on the national funding formula to support providers to offer the extended entitlements. The intention is to develop a system that is

fair, transparent and maximises funding to providers. This includes proposals to provide additional funding through Early Years Pupil Premium and Disability Access Fund to children aged 9 months and 2 years, who start to access funded education places from 2024.

Early years funding - extension of the entitlements, Government consultation response published on 29 November 2023: [Early years funding – extension of the entitlements - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/early-years-funding-extension-entitlements)

Following the national consultation, the Local Authority has engaged with providers in Lincolnshire, to seek their views on the national proposals and help shape the local formula in preparation for changes in April 2024. Providers were asked to complete a survey to share their views.

The consultation closed on 15th October 2023. We received 245 responses to the funding consultation which represents 41% of funded childcare providers in Lincolnshire.

73% of respondents think the current process for allocating the deprivation supplement is effective and 51% said they did not want any additional supplements to be included in Lincolnshire's formula.

73% (178 providers) prefer to continue to receive hourly payments linked to early years education for SEN inclusion funding (SENIF) and 66% said the current approach is effective.

When asked if they would want Lincolnshire to include SENIF in the new entitlement offers, 84% said yes to SENIF for 9 months and 95% said yes to SENIF for 2-year-olds. 47% said yes, the current funding does meet the needs of children with lower level SEND.

We have modelled our local funding formula to include some of these proposals. Local Authorities are required to publish 2024/25 budgets by 31st March 2024. Lincolnshire has an established funding formula that has been developed to include the expanded offers. The Spring term budget review provides an extra £288m nationally for early years education in 2024/25 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 £6.091bn in 2024/25.

The DfE published on the 29 November 2023, the Early Years Entitlement Operational and Technical Guidance for 2024/25; Local Authority funding allocations for 2024/25 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 2024/25.

The minimum funding rate for the 3- & 4-year-old entitlement in 2024/25 is £5.47p per hour, an increase from the original 2023/24 rate of £4.87p¹ or including the EYSG a rate of £5.20p, for comparison purposes. Lincolnshire is currently funded on the minimum funding rate. This is a 5.2% increase overall from the 2023/24 hourly rate (£5.20p). Lincolnshire is one of 47 out of 151 Local Authorities funded on the minimum funding rate. The national average hourly rate across all Local Authorities is £5.98p per pupil through the formulaic rate.

The starting point for calculating the 2024/25 rates are the EYNFF rates before protections are applied – Lincolnshire's hourly rate is £5.45p without the minimum funding floor, year to year protections or gains cap applied. Lincolnshire’s hourly rate is increased by £0.02p (or c.£0.118m) to £5.47p per hour to ensure it receives the minimum funding rate.

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

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.

Table 1

Activities	Overall Funding	Hourly Rate
3- and 4-year-old funding for 15 hours early years entitlement	£27.908m	£5.47
3- and 4-year-old funding for additional hours for eligible working families	£13.424m	£5.47
Total Funding	£41.332m	£5.47

Activities	Spending Plan	Hourly Rate Converted
Local Universal Basic Rate	£38.008m	£5.030
Deprivation Funding	£0.804m	£0.106
Inclusion Fund	£0.800m	£0.106
Fluctuation Contingency Fund ²	£0.116m	£0.015
Teachers’ Pay and Pension grant (Nursery Classes)	£0.231m	£0.031
Total Spending Plan for passing onto providers	£39.959m	£5.288
Centrally Retained Funding for Direct Early Years Services	£1.373m	£0.182
Total Spending on Early Years Activities	£41.332m	£5.47

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.

The 3- and 4-year-old recommended local universal base hourly rate per pupil is **£5.03p** in 2024/25. This is a per pupil increase of £0.28p from the September 2023 to March 2024 rate of £4.75p.

Key Government criteria met:

- Pass-through funding of 96.68% to providers in 2024/25.
- 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 4.88%.

For 2024-25, the additional funding £57m announced for teachers pay and pensions covers both the continuation of funding for the Sept 2023 pay award and the increase in pensions contributions from April 2024. The Department for Education confirmed the £57m has been rolled into core 3-and-4 year old and MNS supplementary funding rates in 2024-25. The Local Authority is currently seeking clarification from Government colleagues regarding the additional monies within the notional TP&P for the additional pay and pension requirement. This is currently not identifiable within the step-by-step workings received. Following clarification on this funding, this may impact on the final rate.

Lincolnshire's Early Years Funding Distribution for 2-year-olds

Lincolnshire's funding for the most disadvantaged 2-year-olds in 2024/25 has increased by £1.98p per hour to £7.61 per hour per child from the original 2023/24 rate of £5.63p. The funding for working 2-year-olds is also set at £7.61 per hour per child for 2024/25. This is in comparison to the most disadvantaged 2-year-olds revised 2023/24 hourly rate of £7.40p incorporating the EYSG from September 2023.

Lincolnshire's indicative allocation for 2024/25 is £17.708m using the January 2023 census data. This is split by £6.303m for working 2-year-olds entitlements and £11.405m for the disadvantaged 2-year-olds entitlements. The indicative budget has been adjusted upwards for 2024/25 using the January 2023 pupil census information. This is consistent with the treatment of the 3- and 4-year-old budget.

Table 2

Activities	Overall Funding	Hourly Rate
2-year-old funding for 15 hours early years working entitlement	£11.405m	£7.61
2-year-old funding for 15 hours early years disadvantaged entitlement	£6.303m	£7.61
Total 2-year-old funding 2024/25	£17.708m	£7.61

Activities	Spending Plan	Hourly Rate Converted
Local Universal Base Rate (both disadvantage and working)	£16.476m	£7.080
Fluctuation Contingency Fund	£0.245m	£0.105
Deprivation funding	£0.149m	£0.064
Inclusion funding	£0.250m	£0.108
Total Spending Plan for passing onto providers	£17.120m	£7.357
Centrally Retained Funding for Direct Early Years Services	£0.588m	£0.253
Total Spending on Early Years Activities	£17.708m	£7.610

The new 2-year-old local recommended universal base hourly rate per pupil is **£7.08p** in 2024/25. A further hourly rate of £0.018p payable for the disadvantaged criteria. For comparison purposes, the September 2023 to March 2024 2-year-old disadvantaged hourly rate is £7.06p.

Key Government criteria met:

- Pass-through funding of 96.68% to providers in 2024/25.
- 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 3.76%.

Lincolnshire's Early Years Funding Distribution for 9 months

For the 2024/25 financial year and beyond, the DfE have introduced a new national funding formula for working parents for children aged 9 months up to and including 2-year-olds. This is referred to as under 2's funding. This funding will be implemented on the 1 September 2024. Therefore, for the 2024/25 financial year, the funding will be allocated on a pro-rata basis for 7 months.

Lincolnshire's funding for the under 2-year-olds in 2024/25 has been allocated as £10.36 per hour per child from central government. For the purposes of calculating the illustrative national allocations total in 2024/25, the DfE have used an estimated number of children aged 9 months up to but not including 2-year-olds of working parents who are eligible to take up 15 hours of free childcare while actual take up is unknown.

Lincolnshire's indicative allocation for 2024/25 is £7.867m, which represents a full financial year. This figure apportioned over 25 weeks from the 1 September 2024 to the 31 March 2025 is £5.176m.

Table 3 (based on pro rata basis 01 Sept 2024 to 31 March 2025)

Activities	Overall Funding	Hourly Rate
Under 2's funding for 15 hours	£5.176m	£10.360
Total Under 2's 2024/25	£5.176m	£10.360

Activities	Spending Plan	Hourly Rate Converted
Local Universal Base Rate for under 2's	£4.826m	£9.660
Fluctuation Contingency Fund	£0.098m	£0.196
Inclusion funding	£0.080m	£0.160
Total Spending Plan for passing onto providers	£5.004m	£10.016
Centrally Retained Funding for Direct Early Years Services	£0.172m	£0.344
Total Spending on Early Years Activities	£15.176m	£10.360

The new under 2-year-old recommended local universal base hourly rate per pupil is **£9.66p** in 2024/25.

Key Government criteria met:

- Pass-through funding of 96.68% to providers in 2024/25.
- 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 3.55%.

Contingency Funds

The Local Authority is required to fund all participation-led funding and therefore fluctuation contingency funding 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 Local Authority wish to maximise the universal rate for providers from the Government funding it is receiving, therefore for 2024/25, the fluctuation contingency fund is limited as far as is possible.

SEN Inclusion Funding

Local Authorities are required to have SEN inclusion funds for all children 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. A fixed rate of £4.20 and £2.10 will be applied across all funding streams. These rates support providers to source resources, equipment, training or even fund small group support linked to the specific child’s needs. It is not intended to provide individual full-time support.

The rates included within each funding stream are based on a predicted take-up levels and this will be monitored in 2024/25 to support future funding proposals.

Deprivation supplement

In 2024/25, the Local Authority will continue to use the same deprivation factor that are currently in place in 2023/24 for 3- and 4-year-old. To ensure the Government’s funding increase is proportionately distributed, a 5% increase has been applied to the deprivation factor through a £8 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 £0.804m through the deprivation funding formula in 2024/25 for 3- & 4-year-olds.

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 2023 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:

Deprivation Bands

Deprivation Band	IDACI Score lower limit	IDACI score upper limit	Funding Per Pupil
1	0.2	0.25	£172
2	0.25	0.3	£344
3	0.3	0.4	£516
4	0.4	0.5	£688
5	0.5	0.6	£860
6	0.6	1.0	£1,032

The October 2023 data collection information and IDACI 2019 datasets have been used to determine the 2024/25 annual deprivation funding allocation.

For all supplements, Local Authorities have the freedom to choose the appropriate metric for allocating funding but should be transparent about the metric chosen.

For the 2-year-old entitlements, the Local Authority is expected to ensure funding for deprivation is reflected in the approach, recognising the additional costs associated with supporting children from disadvantaged backgrounds. This can be achieved through the deprivation supplement.

In Lincolnshire, we propose to use a single 2-year-old formula and a deprivation supplement for the children accessing under the disadvantaged criteria. The Government determines that 2-year-olds can get free childcare if they in England and where families are in receipt of specific economic benefits related criteria, including income support, job seekers allowance, universal credit etc. An additional £0.18p per hour supplement will be applied to the rate for disadvantaged 2-year-olds based on the PTE places for any additional costs providers may face when supporting these children.

This cohort of children from 9 months will be eligible to receive the funded entitlement based on families meeting working criteria. As these families are not linked to a disadvantaged criteria, the Local Authority has decided a deprivation supplement will not be applied to the formula for 9 months to maintain a higher base rate to support providers' delivery costs.

Early Years Pupil Premium (EYPP)

The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged children accessing the entitlements. The EYPP remains distinct from the EYNFF.

The national funding rate for EYPP will increase by £0.02p, from £0.66p to £0.68p per eligible child per hour in comparisons to the September 2023 to March 2024 rate. We will fund all providers with eligible children at the national rate of £0.68 per pupil per hour for 38 weeks up to a maximum of 570 hours (or £387.60 per year).

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 entitlements. The national funding rate for DAF will increase by £82.00, from £828 to £910 per eligible child per year in 2024/25, or from £881 following the EYSG uplift. 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 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.

This report sets out the proposed early years local funding formula and distribution for 2024/25 which complies with the mandatory requirements of the government guidance. Approval of the recommendations will enable the Council to comply with its obligation to determine its local funding distribution and hourly rates for the early years entitlements.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.

Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

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.

The 15 hours entitlement for 3- & 4-year-olds is a universal offer for all children and the risk of the revision of the funding formula having an adverse negative impact on any of the identified groups with protected 5 characteristics is minimal.

The new entitlements enable working families to access up to 15 hours of free early year's education from the term following their child's eligible birthday. Parents can choose a provision that meets the needs of their child and their own preferences and circumstances. To deliver the entitlement funding, childcare providers must be registered with Ofsted and for disadvantaged children they must have a good or better judgement.

The DfE have maintained the deprivation factor as a statutory element of the pass-through funding to the providers to enable them to support the needs of children living in areas of deprivation in order to support narrowing of the gap. This is in addition to the requirement for the Local Authority to have an inclusion funding for children with low level and emerging special educational needs and/or disabilities. Therefore, it is considered that the revised formula does not have a negative impact on any child accessing provision or providers delivering the entitlements.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

The funding formula provides all children following the eligible age of criteria with the right to access Early Years Entitlement (EYE) provision. Early Years and Childcare Support (EYCC) work with all EYE registered providers to ensure they meet the educational needs of all children. EYCC undertake support programmes with providers who have an Ofsted judgment of less than good to improve the quality of provision they offer to children and families across the county to ensure good quality early years education is available to all. This work contributes to both the JSNA and the JHWS as this work supports the

educational outcomes for all children during their early years and throughout their reception year. The universal access to the entitlement also enables providers to work with other professionals to narrow the educational gap of our most vulnerable children, access inclusion funding to support children with SEND and support the sufficiency and sustainability of provision available to underpin school readiness.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

The proposals in this Report provide a funding formula that will support the sector in delivering effective early years entitlement including targeting funding for those children from deprived areas reducing inequalities.

3. Conclusion

The Government is focused on giving children the best start in life and supporting parents to access affordable, high-quality childcare. To encourage more parents to return to work while balancing childcare commitments.

We're confident that families will welcome the measures announced by the chancellor to make childcare more affordable. The Local Authority is aware that some childcare providers find the current level of funding too low, which is contributing to some childcare shortages. Therefore, the extra investment has been carefully considered to ensure this covers the costs of providing high-quality provision.

We will be continuing our discussions with colleagues at the Department for Education to ensure Lincolnshire receives a fair share of the available funding to meet local needs. For 2024/25, we are confident that the formula used meets the requirements within the national guidance and we have endeavoured to offer rates that are affordable within the limits of the Government funding made available to Lincolnshire at this time.

The early years and childcare support team will continue to offer support, advice and guidance to the sector to deliver on the Government reforms and ensure childcare in Lincolnshire is maintained and developed to ensure accessible, flexible, inclusive provision meets the needs of all children and families.

4. Legal Comments:

The matters detailed in the report fall within the Council's powers and are within the remit of the Executive to determine in accordance with the Policy Framework.

5. Resource Comments:

The recommendations in the report to approve use of the early years and childcare grants to support the implementation of the expanded Government, and approve Lincolnshire's local early years funding formula for 3- and 4-year-olds, 2-year-olds and from 9 months old will ensure Lincolnshire funds early years providers in line with the Government's national funding formula requirements for 2024/25.

The funding formula rates for providers have been set within the Government's Local Authority funding levels.

6. Consultation

a) Has Local Member Been Consulted?

N/A

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report will be considered by the Children and Young People's Scrutiny Committee at its meeting on 12 January 2024. The comments of the Committee will be passed onto the Executive Councillor.

d) Risks and Impact Analysis

The Local Authority has used an indicative participation budget allocation for 3- and 4-year-olds, the working and disadvantaged 2-year-olds and under 2-year-old entitlements to reflect the January 2023 pupil census data.

The Local Authority is mindful that the January 2024 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 2024/25, 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 2024/25, 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 has been some 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. The Government has responded to this with a mid-year adjustment to funding levels through the EYSG as previously mentioned.

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.

7. 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 National Funding Guidance 24-25	Early years funding: 2024 to 2025 - GOV.UK (www.gov.uk)
National wraparound childcare programme handbook (October 2023)	National wraparound childcare programme handbook: a guide for local authorities (publishing.service.gov.uk)

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