



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

Report to:	Lincolnshire Schools' Forum
Date:	18 January 2024
Subject:	Early Years National Funding Formula

Summary:

The purpose of this report is to:

1. Provide a summary of the Early Years National Funding Formula and Childcare Reforms for 2024/25
2. Detail the funding distribution for early years providers in Lincolnshire in 2024/25
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 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. A further £67m nationally of Government funding is being provided in response to the national living wage increasing for 2024/25. National early years education spending is planned to be £6.091bn in 2024/25.

The Department for Education (DfE) published on the 29 November 2023, which was later than planned, 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

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 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 £4bn per year expansion of childcare in England.

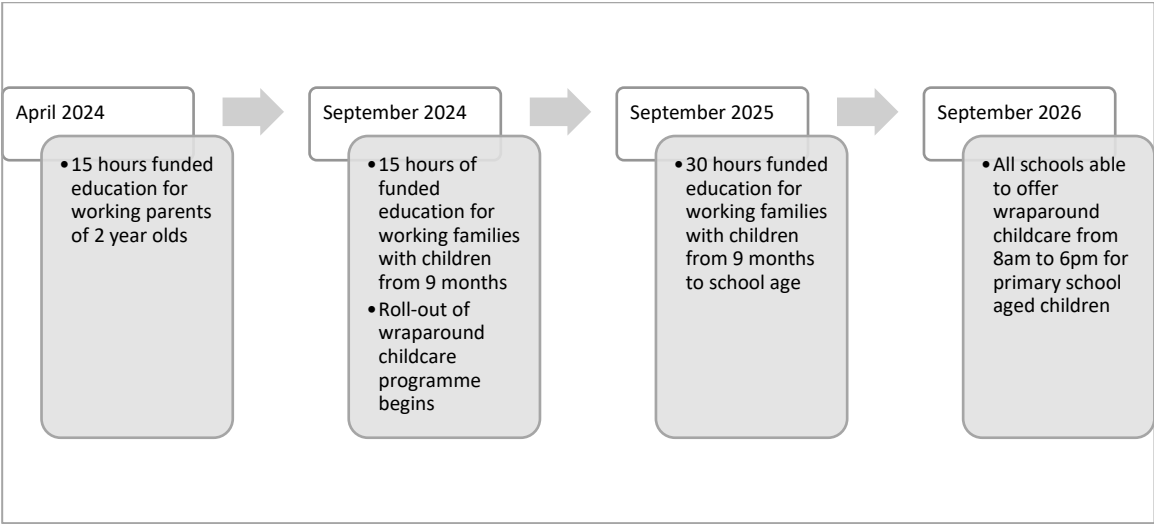
This is the largest expansion of funded childcare ever and the aim is to remove barriers to work for parents with a child under 3 years.

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



The Early Years National Funding Formula

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), and
- the early years entitlement for disadvantaged and working 2-year-olds.
- the early years entitlement for under 2's for working parents (from 01 September 2024)

National Funding to Local Authorities

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 2024/25 which is rising to £5.47 per pupil per hour, an increase from the original 2023/24 rate of £4.87p or including the Early Years Supplementary Grant (EYSG), a rate of £5.20p, for comparison purposes. Lincolnshire is one of 46 out of 151 Local Authorities funded on the minimum funding rate. The national average hourly rate across Local Authorities is £5.98 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 low¹.

Lincolnshire's hourly funding rate of £5.47 per pupil will provide indicative funding of £41.332m for the 3- and 4-year-old entitlement. This is made up of the universal 15 hours early years entitlement funding of £27.908m and the additional 15 hours for 3- and 4-year-old children of eligible working families of £13.424m.

For 2024/25, the early years teachers' pay grant and planned increase in the teachers' pension rate from April 2024 for school-based nurseries will be rolled into the overall quantum of early years funding (£0.231m). The Local Authority will earmark this funding within the quality supplement to distribute this quantum of funding to designated nursery classes to support the costs for which the original grants were introduced for. The quality supplement will also include the teachers' pay grant (2018) and a teachers' pension grant (2019) additions which were rolled into the formula in 2023/24.

The early years funding of £41.332m for Lincolnshire is indicative, since final funding allocations for 2024/25 will be based on 5/12th of January 2024 pupil numbers (to cover the April 2024 to August 2024 period) and 7/12th of the January 2025 pupils' numbers (to cover the September 2024 to March 2025 period).

¹ 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 2-year-old funding for 15 hours early years working entitlement is £11.405m in 2024/25 and the 2-year-old funding for 15 hours for the early years disadvantaged entitlement is £6.303m. This provides Lincolnshire with an overall budget £17.708m for 2024/25.

For the under 2 years (for children from the term following 9 months), Lincolnshire's indicative allocation for 2024/25 is £9.297m. This figure is calculated over 26 weeks from September 2024 to March 2025.

To make the allocations for local authorities as accurate as possible, the basis for funding allocations for the new working parent entitlements in 2024 to 2025 will be as follows:

- indicative allocations will be based on DfE's estimated take-up numbers for the new working parent entitlements.
- final allocations will be adjusted on the basis of actual take-up for each term, collected through 2 additional headcounts the Local Authority will complete in the 2024 summer and autumn terms and through the January 2025 census.

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, 2-year-old and under 2-year-olds 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.
- a new deprivation supplement arrangement for the disadvantaged 2-year-old entitlement and the new working parent entitlements
- 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 all entitlements.
- to pass on Early Years Pupil Premium (EYPP) in full to providers for eligible children
- to pass on Disability Access Fund (DAF) funding in full to providers for eligible children

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:

- 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 the early years entitlements.

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 in the main body of the formula 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 Local Authority recognises the staff: child ratio differences for 2-year-olds (1:5) and under 2 years (1:3) based on EYFS requirements.
- The national living wage is to increase by 9.8% from £10.42 to £11.44 per hour for employees aged 23 and over from April 2024. The financial model budgets for £11.44 per hour within the 2024/25 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 5% 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 5% 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.

3- and 4-year-old Universal and Extended Funding

The key components of Lincolnshire's early years funding formula builds quality within the model, and considers current and potential cost pressures, 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 2024/25 hourly rate has been determined at the following level:

Local universal base hourly rate per pupil	£5.00p
DSG Reserves addition (earmarked) - temporary	£0.03p
Revised Local universal base hourly rate per pupil	£5.03p

The original per pupil hourly rate in 2023/24 was £4.42p rising to £4.75p following the EYSG addition. This will see an increase to a permanent universal hourly base rate of £5.00p with a £0.03p addition from earmarked funding from the Dedicated Schools Grant (DSG) reserves in 2024/25. To maximise the universal base rate in 2023/24, the fluctuation contingency fund was to be met from DSG reserves. 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 DfE January average to avoid overspends occurring on this budget. Based on current forecasts, the earmarked funding of £0.4m is not required in 2023/24. The revised universal rate being £5.03p per pupil per hour.

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 entitlements. 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 (i.e. up to the agreed entitlement level) across the agreed funding period. Funding for 2024/25 will be based on monthly data returns made by providers during the summer 2024, autumn 2024 and spring 2025.

The remaining funding includes an uplift to the inclusion fund, deprivation supplement and teachers pay and pension grant (TPPG) allocations and re-allocation of central costs from the rollout of the new entitlements. A contingency fund of £0.199m has also been allocated for the 3- and 4-year-old category.

Supplements

The Local Authority will continue to use the mandatory Deprivation Supplement and award TPPG through a quality supplement to designated nursery classes to recognise the Government's change in the grant arrangement.

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 2023/24 will take place in summer 2024, with any recommendations being considered from 2025/26, if required.

Deprivation supplement

In 2024/25, the Local Authority will continue to use the same deprivation factor that are currently in place in 2023/24. To ensure the Government’s funding increase is proportionately distributed through the EYNFF, 5%² of the increased funding will be distributed through 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.

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:

Table 1

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	£1032

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.

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

² The percentage is determined based on the increase between the 24/25 rate of £5.47, compared to the 23/24 revised supplementary rate of £5.20 (£0.27p)

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 can 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 inclusion funding model provides a top-up payment to support providers additional costs. The planned funding allocation for 3- and 4-year-olds using the current protocol is increasing by £0.102m in the financial year 2024/25 to £0.800m per annum, which represents £0.106p 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. 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 provision is set at £0.196m for 3- and 4-year-olds, which is only 0.48% of the total funding received for 3- and 4-years-olds.

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	£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
Revised Local Universal Basic Rate	£38.008m	£5.030

DSG reserves offset to the universal rate	(£0.227m)	(£0.030)
Deprivation Funding	£0.804m	£0.106
Inclusion Fund	£0.800m	£0.106
Fluctuation Contingency Fund	£0.196m	£0.026
Teachers' Pay and Pension grant (Nursery Classes)	£0.461m	£0.061
Total Spending Plan for passing onto providers	£40.042m	£5.299
Centrally Retained Funding for Direct Early Years Services	£1.290m	£0.171
Total Spending on Early Years Activities	£41.332m	£5.470

Key government criteria met:

- Pass-through funding of 96.88% to providers in 2024/25 (95.77% in 2023/24).
- 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 5.65%.

2-Year-Old Entitlement for Disadvantaged and Working Families

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 £6.302m for the disadvantaged 2-year-old entitlements and £11.405m for the working 2-year-old 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.

Deprivation Supplement

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 for base rate funding for children accessing under the disadvantaged and working criteria and then apply a deprivation supplement for the children accessing under the disadvantaged criteria. The Government determines that 2-year-olds can get free childcare if they live 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 for their hours of attendance. This will support any additional costs providers may

have when supporting these children and will offer an additional £102.60 supplement where disadvantaged children access their full entitlement across the year.

SEN Inclusion Fund

Local Authorities are required to have SEN inclusion funds for all children including 2-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.

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 planned funding allocation using the current protocol for 2-year-olds is £0.250m in the financial year 2024/25, which represents £0.107p per pupil per hour. This will be reviewed during 2024/25 to consider future funding requirements.

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 £0.282m is required, which represents 1.59% of the overall budget.

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. The additional headcounts collected in 2024/25 relates to the new entitlements only and funding for the disadvantaged 2-year-olds will continue to be based on the January census.

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 £0.553m which represents 3.12% of the total budget.

The 2024/25 hourly rate has been determined at the following level:

Local universal base hourly rate per pupil £7.08

The new 2-year-old local recommended universal base hourly rate per pupil is **£7.08p** in 2024/25. A further hourly rate of £0.18p payable for the disadvantaged criteria. For comparison purposes, the September 2023 to March 2024 2-year-old disadvantaged hourly rate is £7.06p and the April 2023 to August 2024 rate was £5.29p.

Lincolnshire's Early Years Funding Distribution for the 2 Year Olds

Table 3

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 families)	£16.474m	£7.080
Fluctuation Contingency Fund	£0.282m	£0.121
Deprivation funding	£0.149m	£0.064
Inclusion funding	£0.250m	£0.107
Total Spending Plan for passing onto providers	£17.155m	£7.372
Centrally Retained Funding for Direct Early Years Services	£0.553m	£0.238
Total Spending on Early Years Activities	£17.708m	£7.610

Key Government criteria met:

- Pass-through funding of 96.88% 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 3.97%.

Under 2's (9 months) Funded Rate

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 (26 weeks)

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 £9.297m, which represents 26 weeks of the financial year (01 September 2024 to 31 March 2025).

Deprivation Supplement

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.

SEN inclusion fund

Lincolnshire has applied the same approach to the funding method for children from 9 months. 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 planned funding allocation using for under 2-year-olds is £0.080m in the financial year 2024/25, which represents £0.089p per pupil per hour.

Fluctuation Contingency Fund

The Local Authority has allocated funding for a fluctuation contingency fund before determining the funding rate to providers to avoid overspends occurring on this budget. To provide protections to this budget, in particular the funding required to meet the supplements and central budget, an 80% participation level has been applied to the DfE indicative PTE places due to the risk factor of participation levels. This funding has been added to contingency to provide a level of prudence within the budget setting.

An annual budget of £0.213m has been included, which represents 2.29% of the overall budget.

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 under 2's funding requirements. The cost is £0.290m which represents 3.12% of the total budget.

The 2024/25 hourly rate has been determined at the following level:

Local universal base hourly rate per pupil £9.71

Table 4

Activities	Overall Funding	Hourly Rate
Under 2's funding for 15 hours	£9.297m	£10.360
Total Under 2's 2024/25	£9.297m	£10.360

Activities	Spending Plan	Hourly Rate Converted
Local Universal Base Rate for under 2's	£8.714m	£9.710
Fluctuation Contingency Fund	£0.213m	£0.238
Inclusion funding	£0.080m	£0.089
Total Spending Plan for passing onto providers	£9.007m	£10.037
Centrally Retained Funding for Direct Early Years Services	£0.290m	£0.323
Total Spending on Early Years Activities	£9.297m	£10.360

Key Government criteria met:

- Pass-through funding of 96.88% 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 3.25%.

Local Authority Centrally Retained Funding Overview

£2.133m

The Government requires Schools' Forums to agree 2024/25 central spend for early years by the 28 February 2024. The Local Authority has conducted its annual review of DSG budgets. An increase of £0.457m is proposed to reflect the current and forecast pay in 2024/25 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. 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:

1. Early Years Entitlement & Securing Sufficient, Sustainable Provision
£809,216

The EYE team ensure the effective delivery of the Early Years Entitlement funding for under 2-, 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. This will be extended to include all new entitlements for working families from April 2024.

The team manages the payments 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 enhanced to enable the Local Authority to deliver the expectations and requirements set out by national policy including the introduction of the entitlement for children from 9 months are part of the childcare reforms.

The number of early year's providers delivering funded education places in Lincolnshire includes 506 private, voluntary and independent providers, 49 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 continues to be some concerns across the childcare sector regarding sustainability, particularly with the cost-of-living 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 planning 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 2024/25. The DfE representatives of the Early Years finance division have recognised the financial challenges being faced by the sector.

With the requirement to develop additional places to support the childcare reforms, this work is also expected to increase during the next year. Capacity has been added to this area to support the volume of work that is expected. There will be a particular focus on developing places for children aged 0-2 years as we introduce the entitlement for 9 month olds of working families from September 2024.

2. EYFS Quality Improvement, Advice, Support, Workforce & Training for the Sector
£1,172,646

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 recognises the importance of early years children accessing high quality provision to support their development and learning to enable them to achieve their potential [Effective pre-school, primary and secondary education project \(EPPSE 3-16+\) \(publishing.service.gov.uk\)](#). 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 and those awaiting their first inspection, there are bespoke targeted quality support programmes made available in line with the Early Education and Childcare Statutory guidance for Local Authorities (June 2018). For all providers there is an offer of a rolling programme of keeping in touch visits to ensure settings are compliant and confident at next inspection. This has had a positive impact on outcomes at inspection for the Lincolnshire early years sector. Providers are also able to self-refer into the EYCC for support with meeting identified needs in order to maintain the quality, of their provision.

The outcomes for Lincolnshire children at the end of the foundation stage (2023) are slightly above the national and regional average and that of our statistical neighbours. This team works with the early years sector to ensure the provision available is providing all children with the best opportunities to reach their full potential, and in partnership with schools so that outcomes are measured accurately through purposeful assessment, increasing their life chances as they transition to school and then move from reception to year 1. Transition through early years and into school is a key priority for the team and there is matrix

management of the work of the locality early years specialist teachers to ensure this is as successful as possible for all children, including those with SEND.

Support is offered to ensure providers can maintain compliance with EYFS safeguarding, welfare and related legislative 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 workforce development opportunities at a subsidised fee to assist the sector to fulfil EYFS and Ofsted requirements and support retention of staffing within the sector. This includes access to the Lincolnshire Safeguarding Children's Partnership training pathway to provide and maintain high quality provision that is compliant with legislation. This is offered through a range of face-to-face and e-learning modules to support user learning styles and accessibility. This contributes to the delivery of improved practice and children's outcomes across the county in order that we underpin the professional development of the sector. Analysis of local and national data, and the DfE Stronger Practice programmes informs the content of courses offered.

3. SEND Local Offer **£151,167**

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 process for this is coordinated and managed by the central team in collaboration with the locality early years team. In conjunction with the SEND team, the process for joint education assessment for children under school age is allocated, coordinated and quality assured by EYCC to ensure information and advice is provide by the most appropriate professional.

Priorities for the next year will include continued support to the sector to maintain settings achieving at least good at their next inspection, plus additional support focussed on early intervention, SEND and the 0-2 years in preparation for the childcare reforms.

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 £2.133m. This represents 3.12% of the overall planned early years funding of £68.338m 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 2024/25 for management purposes. The Local Authority have distributed the resources and allocated responsibilities across the management team under these key areas - Sufficiency, Sustainability and the Early Years Entitlement funding, Quality Improvement & Workforce Development, and Inclusion & SEND local offer.

Maintained Nursery Schools Supplementary Funding

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 2024/25 financial year for Maintained Nursery Schools (MNS). This funding was originally 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).

The MNS supplementary funding increases will be channelled through the MNS formula. The Government has also mainstreamed the funding that MNS' previously received for the teachers' pay grant and for the planned teachers' pension increase from April 2024, which it has now been rolled into each Local Authority's supplementary funding allocation.

The DfE MNS supplementary funding mechanism to Local Authorities only applies to the universal element of the entitlements, which is again disappointing, since the MNS infrastructure is still required whether pupils access universal or extended hours.

The MNS supplementary rate 'allocated' through the formula to MNS will continue to be applied to both the 15 hours universal entitlement and the extended hours, as has been applied in prior years to support the infrastructure of the setting, therefore an application of a single rate for MNS for 3- & 4-year-old children. The Government's supplementary funding will therefore be aggregated over the anticipated hours for the 3- & 4-year-old entitlement.

The 2024/25 MNS supplementary funding rate is **£3.39p** per pupil per hour for the 3- & 4-year-old entitlement (compared to £3.03p for the September 2023 to March 2024 rate), which is in addition to the local universal base rate. This rate increase considers the composition of hours across the universal and extended hours.

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. For 2024 to 2025, DAF eligibility will be extended to eligible 2-year-olds and under, accessing 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.

Early Years Pupil Premium (EYPP)

The EYPP gives providers additional funding to support disadvantaged children accessing an entitlement place. For 2024 to 2025, EYPP will be extended to all 2-year-olds and under accessing the entitlements and meeting the eligibility criteria. 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). EYPP is paid on the 15 hours only, up to a total of 570 hours in the year.

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.

The Local Authority continues to apply the EYNFF through its hourly rates for 3- and 4-year-olds, for working and disadvantaged 2-year-olds and from September 2024, under 2-year old's 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

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.

a) Risks and Impact Analysis

The Local Authority has used an indicative participation budget for the entitlements based on data supplied by the Government. This uses PTE data from January 2023 for existing entitlements and predicted figures for the new entitlements.

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.

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 2024-25	https://www.gov.uk/government/publications/early-years-funding-2024-to-2025/early-years-entitlements-local-authority-funding-operational-guide-2024-to-2025

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