Report to the Lancashire Schools Forum
Meeting to be held on Tuesday 17 October 2023

Item 12

Recommendations of the Early Years Block Working Group

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Brief Summary
On 10 October 2023, the Early Years Block Working Group considered a number of reports, including:

- **Schools Budget Outturn Report 2022/23**
- **School Balances and Clawback 2022/23**
- **Early Years Block Funding Arrangements 2024/25**
- **Extended Entitlements Rollout and Wraparound Expansion Programme**

A summary of the information presented, and the Working Group's recommendations are provided in this report.

Recommendations

The Forum is asked to:

a) Note the report from the Early Years Block Working Group held on 3 October 2023;
b) Ratify the Working Group's recommendations.

Detail
On 10 October 2023, the Early Years Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Growing Up Well Project
Chris Hayes attended to provide an overview of the project and query how to engage the Early Years Sector.

The project is creating a digital platform to allow organisations to utilise and collate the data held on current systems across a number of organisations. Members were advise to contact the working group chair if they wish to be involved in the project.

2. Schools Budget Outturn Report 2022/23
This report provides information on the Schools Budget outturn position for 2022/23

The Overall Schools Budget outturn position for 2022/23 shows an underspend of circa £1.3m.

Further details are provided below in connection with each funding block.

Central Schools Services Block (CSSB)

CSSB 2022/23			
	Budget (£)	**Actual (£)**	**Variance (£)**
CSSB			
ESG Retained Duties (transferred to DSG)	2,591,000	2,591,000	0
Overheads	850,800	851,000	0
Copyright Licence	1,016,000	1,016,063	-63
School Forum	188,000	188,000	0
Pupil Access (Admissions)	1,400,000	1,400,000	0
Rates Rebates	-75,000	78,539	-153,539
PFI - Sixth Form	867,840	977,422	-109,582
Total Grant	-6,838,640	-6,838,441	199
Total Variance	0	263,583	263,383

Rates Rebates
The rates rebate budget estimated a £75k level of income from rateable value challenges throughout the year, but there was actually a net expenditure of around £78k against this budget line, giving a total variance of just over £153k. Expenditure relates to a contribution to the LCC Estates team to facilitate the school rateable value challenges and the payment of rates rebates to schools in accordance with the Forum policy.

As we are at the end of the current ratings cycle, there are reduced opportunities for rateable value appeals, but over the lifetime of the current schools forum policy, the arrangements have generated significantly more income than has been paid out.

PFI - Sixth Form
This budget line ended the year over £110k overspent. This was due to ongoing expenditure on the former Thomas Whitham Sixth Form PFI site, mainly attributable to utilities costs, that must continue whilst the sites are converted to use by other schools.

Other CSSB budget lines ended the year on or near the agreed budget level.

Schools Block

Schools Block 2022/23			
	Budget (£)	Actual (£)	Variance (£)
Maintained Schools	683,528,360	657,127,685	26,400,494
Academy Recoupment	193,069,885	220,973,729	-27,903,844
Total Expenditure	876,598,245	878,101,594	-1,503,350
Total Grant	-878,278,380	-878,278,380	0
Total Variance	-1,680,135	-176,786	-1,503,350

Maintained Schools/Academy Recoupment
The total Schools Block expenditure on maintained schools for 2022/23 overspent by circa £1.5m which is mainly due to the removal of the PFI funding. This funding has been reallocated in 2024/25. Academy recoupment increasing by circa £27.9m during the year, as schools converted to academies which is largely balanced out by the underspend of £26.4m in the maintained sector.

High Needs Block

High Needs Block			
	Budget (£)	Actual (£)	Variance (£)
Maintained Schools			
Mainstream Schools	15,499,953	22,764,192	7,264,238
Special Schools	69,311,571	76,737,451	7,425,881
Alternative Provision	10,438,784	12,756,191	2,317,407
Further Education - Post 16	11,000,000	9,857,055	-1,142,945
Commissioned Services	36,423,254	43,609,769	7,186,515
Exclusions	-400,000	-1,182,348	-782,348
High Needs Growth	17,142,970	0	17,142,970
Total Grant	-159,416,532	-164,542,310	5,125,778
TOTAL VARIANCE	0	643,154	643,153

The outturn position for the 2022/23 High Needs Block (HNB) revealed a circa £643,000 overspent. Further information is provided below:

Maintained Schools
Actual costs on all elements of maintained schools HNB expenditure, including mainstream schools, special schools and PRUs were above the budgeted figure. Please note, £6.2m of the overspend relates to the Additional High Needs Supplementary Grant, which is reflected in the total grant figure. The most significant variance related to mainstream schools and represented a circa 50% growth in funding compared to the budget. Special Schools grew by over 10% and Alternative Provision by 20%.

Further Education - Post 16
The Further Education - Post 16 budget had a reduction of £1.1m or circa 10%.

Commissioned Services
The commissioned services expenditure ended the year with an overspend of over £6.8m. As per established practice, a more detailed breakdown of the HNB expenditure against the agreed budget lines is provided at Annex A. Of particular interest to the Forum on the commissioned services breakdown will be the £9.6m overspend on the Out-county budget. This overspend figure is a c£6m increase in expenditure compared to 2021/22. As members will be aware, strategies are being deployed to enhance maintained provision within the county, through the AP Strategy, SEN Units and increased special school capacity, but this will take time to feed through into the budget position.

Exclusions
The original 2022/23 budget estimated that £0.4m income would be generated for High Needs Block establishments as funding followed pupils who were excluded from mainstream schools during the year. The actual income was circa £1.1m, created a variance of just under £0.7m

High Needs Growth
When the 2022/23 Schools Budget was being set, provision was made for HNB growth, which was forecast at circa £17m for the year. This provision was utilised in year to offset the increased expenditure of circa £10m across HNB school budget lines. It should be noted that the level of in year HNB growth has been running at very roughly circa 10% of HNB budget for a number of years.

The year end deficit of £750k on the High Needs Block signifies the need for caution on High Needs funding levels and expenditure going forward. The levels of DSG increases are expected to reduce in future years, early indications are 3% in 2024/25 with future expenditure forecasted at 8%, which are likely to again place considerable pressure on high needs funding and reserves.

DSG grant
The DSG grant for the HNB in 2022/23, was circa £4.4m under budget, mainly due to the £6.2m Additional High Needs Supplementary Grant. A further £1.8m overspend relates to the Hameldon PFI allocation which was removed from the Schools Block

and expected to be transferred to High Needs Block. Following confirmation from the ESFA, the funding will be reallocated in 2023/24 to the CSSB.

High Needs Funding Block Monitoring at Year End 2022 23 can be found in Appendix A.

Early Years Block (EYB)

Early Years Block			
	Budget (£)	**Actual (£)**	**Variance (£)**
Maintained Schools			
2YO	1,525,946	2,048,437	522,491
3_4 YO	20,541,451	19,142,146	-1,399,305
PVI			
2YO	7,016,599	8,617,177	1,600,578
3_4 YO	50,769,678	50,339,806	-429,872
Early Years DAF	363,200	240,000	-123,200
Early Years PPG	937,727	938,897	1,170
Commissioned Services			
SEND Inclusion Fund	500,000	1,005,885	505,885
Total Grant	-80,654,601	-83,008,399	-2,353,798
TOTAL VARIANCE	1,000,000	-676,051	-1,676,051

The Early Years Block outturn position for 2022/23 indicates a circa £1.6m underspend which means there would have been an underspend without the circa £1m transfer from reserves.

Further information is provided below:

Maintained Sector
Early Years Block expenditure relating to maintained providers overspent on 2 year olds but a significant underspend on 3&4 year old provision creating a £870k underspend overall.

PVI Providers
The PVI outturn position also revealed a similar pattern, however, an overspend on 2 year old provision and a slight underspend on 3&4 year old provision creating an overspend of circa £1.1m.

Disability Access Fund
This budget line was circa £123k below budget.

Early Years Pupil Premium
This budget line ended the year on or near the agreed budget level.

Commissioned Services
Commissioned Services in the Early Years Block relates to the Inclusion Fund and expenditure was circa £500k over budget.

Due to the full year effect of the changes introduced part way through 2021/22 has resulted in the inclusion fund expenditure exceeding the budget level.

DSG Grant
The actual grant income for the year was some £2.3m above the original budget, as early years take up was above the level forecast in the original 2022/23 budget. It should be noted that the LA are notified of the forecasted Early Years DSG in December 2021, however, final Early Years DSG was confirmed in July 2022.

Total Variance
The Early Years Block outturn position for 2022/23 indicates a circa £1.6m underspend which means there would have been an underspend without the circa £1m transfer from reserves.

The Working Group:

a) **Noted the updated report.**
b) **Raised concerns around the overspend of the Early Years Inclusion Fund and the overall underspend in the Early Block**
c) **Recommended caution when setting the 2024/25 Early Years Block Budget**

3. School Balances and Clawback

<u>School Balances Outturn 2022/23</u>
This report sets out the year end position of schools' delegated budgets at 31 March 2023.

The overall school balances have decreased from c£95m to c£73m, an overall reduction of £22m.

The tables below show analysis of school balances by phase at the end of the financial year 2022/23.

2022/23 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2022	In-year Increase / (Decrease) 22/23	Balance Carried Forward as at 31 March 23
	£m	**£m**	**£m**
Nursery	0.797	-(0.445)	0.352
Primary	53.537	-(13.314)	40.042
Secondary	27.372	-(3.353)	24.019
Special	10.049	-(2.633)	7.416
Short Stay	1.727	-(0.395)	1.332
Total	**93.304**	**-(20.141)**	**73.162**

As can be seen, all phases showed an overall decrease in their aggregate balance.

Increased levels of core funding were provided by the Government in 2022/23, with Lancashire's gross Dedicated Schools Grant (DSG) allocation some £54m higher than that received in 2022/23. This was partly due to increased funding nationally made available by Government.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2022/23 in the form of Government grants. For Lancashire maintained schools, grant allocations in the year totalled over £57m, £19m of this was the Mainstream Schools Supplementary Grant.

A number of the other grants were specifically to assist schools continue to respond to the challenges of supporting pupils catch up on learning. Some of these grants were allocated by the DfE on an academic year basis and will need to be spent by the end of the current school year, which may have had some impact on the level of balances held at 31 March 2023.

It should be noted that the aggregate school balances figure at 31 March 2023 includes a number of adjustments related to school academisations during the year. This included academisation of 14 primary schools, 3 secondary schools and a closure of one special school.

2022/23 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	16	6
Primary	323	119
Secondary	25	17
Special	20	8
Short Stay	4	4
Total	**388**	**156**

To Summarise, 388 schools operated an in year deficit in 2022/23, which equates to 71%, with 156 schools (29%) operating an in year surplus. In comparison, in 2022/23, 52% of schools operated an in year deficit.

2022/23 School Balances – Number of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance
Nursery	8	16
Primary	29	413
Secondary	1	41
Special	3	25
Short Stay	1	7
Total	**42**	**502**

A total of 42 schools ended the 2022/23 financial year in deficit. The number of schools in deficit at 31 March 2023 has increased from 21 schools in deficit a year earlier.

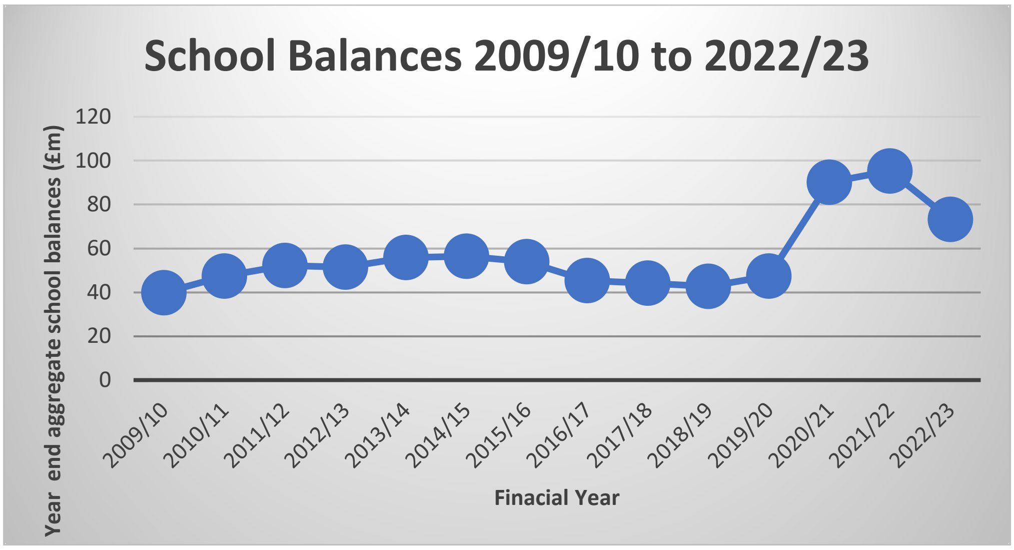
The nursery sector remains the most concerning phase highlighted through this table, with 8 out of 24 schools ending the financial year in deficit, representing 33% of schools in the sector.

A comparison showing the total number of schools in deficit across recent years is provided below:

Year End	Number of schools in deficit
31 March 2023	42
31 March 2022	21
31 March 2021	30
31 March 2020	41
31 March 2019	39
31 March 2018	47
31 March 2017	40

As noted in the table, the number of schools in deficit is significantly higher for 2022/23 than in recent years.

Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over a number of years and shows that following the increase in the balances held by schools at March 2022, school balances have significantly decreased at March 2023. Analysis provided by schools about their year end position at 31 March 2023 indicates that circa £15m of total balances are classed as 'committed'.

Support for Schools in Deficit

The county council, in consultation with the Lancashire Schools Forum, has continued to provide significant targeted support and enhanced monitoring and early warning to support schools that are in, or may be heading towards, financial difficulty. This includes monitoring the financial outlook of schools on the Schools in Financial Difficulty (SIFD) category warning system for maintained schools, issuing early warning letters to offer a 'heads-up' that financial pressures may be mounting and using the agreed SIFD procedures to provide additional support to some schools.

42 schools ended the 2022/23 financial year in deficit, compared to 21 schools a year earlier.

Individual School Balances 2022/23

Attached at **Annex A** are details about the movement in balances at an individual school level in 2022/23. As previously requested by the Forum, in addition to the year-end balance by school, information is included in this annex setting out:

- Balance as a % of CFR income.
- Balance per pupil.

School Balances and Clawback Policy 2022/23

Whilst clawback had been suspended on year end balances at March 2020, 2021 and 2022. In July 2022, the Forum voted to reintroduce clawback at March 2023 and increase the minimum balance thresholds, policy is as follows:

  - 12% of Consistent Financial Reporting (CFR) income for all phases of maintained school

- A £75,000 minimum balance threshold will be applied.

The Forum are now asked to consider the school balances and clawback policy to be applied at 31 March 2024.

When considering the policy to be applied at March 2023, it was agreed that the clawback of excess balances would be reintroduced due to the consistently high balances.

Although the 2022/23 outturn positions have decreased by £22m since 2022/23, balances have remained significantly high. In financial terms, school balances still contain significant funding for covid catch up grants that were allocated by the DfE on an academic year basis. As referred to above, the Analysis of Balances return from maintained schools about their year end position at 31 March 2023 indicates that circa £15m of total balances are classed as 'committed'. This was across over 300 schools.

Whilst the level of committed balances has reduced from 2022/23, when the figure was £36m, it is still well above pre-pandemic levels, with the 2019/20 figure equating to only £6.8m.

In addition, members will be aware that there are significant and increasing costs pressure facing schools, with UK inflation jumping to 9% in the 12 months to April 2022, the highest level for 40 years, and expected to rise further.

A number of schools balances and clawback options are available to the Forum for 2024/25, which include:

a) Apply the clawback policy in 2024/25, as per previous arrangements set out below, or with amended rates:

   - A clawback rate of 50% is to be applied to any balance above guideline in the first year a school exceeds the guideline (after adjusting for exemptions)
   - A clawback rate of 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years (after adjusting for exemptions)

     (Note: As clawback was reintroduced in 2022/23, schools would be subject to the 100% clawback rate in 2024/25).

b) Suspend the application of clawback at March 2024 due to the continued uncertainties around school funding and inflationary pressures;

c) Other suggestions that members may have e.g., Raisings the threshold percentage from the current 12% or increasing the threshold.

*Please Note, in July 2023, the Schools Forum voted to Implement the Clawback policy at March 2024

Clawback Outturn
In July 2022, the Schools Forum voted to implement the Clawback policy to excess balances at 31st March 2023. In line with the policy, circa £739,00 is due to be clawbacked from 18 schools. The final figure does not include two late exemption requests which are currently being considered by the Schools Forum Chair. Therefore, the final clawback figure may increase if these exemptions are accepted. Clawback will be processed in the Autumn Term and schools will receive communication via the Schools Portal.

The Local Authority propose to use the clawback funds to assist schools in Financial Difficulty and seek views form the working group.

The proposal is to support schools who currently have a Budget Recovery Three Year Plan, who are showing good financial practice within the plan and working with the authority, to submit a bid to the Schools Forum for funds for approval. The county council only submits a request to the Forum for a bid for one off support when there is confidence that any agreed funding will assist the school to return to a sustainable surplus position.

In line with the current SIFD policies, the proposal is to provide one off financial support to schools who otherwise would not be able to recover from a deficit position. As a general guide, the authority proposes to follow the Schools Improvement Challenge Board guide; that whilst individual circumstances will always need to be taken carefully into account, maximum allocations from the Schools in Financial Difficulty fund in response to an application from an individual school should generally not exceed 33% of the relevant deficit, but many may be lower. Following the authorities existing processes, Recovery Plans would be monitored termly, the proposal would stipulate those schools actively working with the authority and within their recovery plan would be eligible towards the end of the financial year to submit a bid to Schools Forum for funding.

A total of 42 Lancashire schools ended the 2022/23 Financial Year in a deficit. Currently, 19 schools are forecasting a deficit at March 2024 which totals circa £2m. An additional 13 schools are forecasting a minor surplus of below £1000. In the 2023/24 Financial Year, there is currently 14 schools working towards a Budget Recovery Plan school.

Schools Budget Reserves 2022/23

		£
1	**DSG Reserve**	
	Opening Balance	-24,488,731
	22/23 underspend	-1,322,624
	Closing Balance	**-25,811,355**
2	**Schools in Financial Difficulty Reserve**	
	Opening Balance	-3,891,016
	Academy School Balances	509,324
	Underspend 22/23	947,392
	Balancing adj	-66,335

	Closing Balance	**-5,281,397**
3	**De-delegated Reserves**	
	Opening Balance	-918,327
	Year End reserves movement 22/23	-95,209
	Closing Balance	**-1,013,536**
4	**Supply Teacher Reserve**	
	Opening Balance	-2,259,812
	Reserves Movement 22/23	-1,221,846
	Reimbursement of funds to 21/22 members	759,812
	Closing Balance	**-2,721,846**
5	**Schools Balances**	
	Opening Balance	-95,313,697
	Revenue surplus in year	-6,966,705
	Forced academy closing balance	-605,419
	Revenue deficits in year	-27,626,436
	Closing Balance	**-74,048,547**
6	**Total All Reserves**	
	Open Balance	-126,871,582
	Net In Year Movement	-17,994,903
	Closing Balance	**-108,876,680**

Further information about the year end reserves are provided below:

1. DSG Reserve

The overall Schools Budget for 2022/23, excluding individual school balances, was an underspend of £1.3m. Details of this figure are provided in the Schools Budget Outturn report 2022/23. This underspend has been added to the DSG Reserve as at 31 March 2023.

The outturn position for the DSG Reserve is therefore a balance of £25.811m.

This is the highest level of DSG Reserve held since the year ending March 2015.

2. Schools in Financial Difficulty Reserve

In order to maximise the funding available in the Schools in Financial Difficulty (SIFD) Reserve, a number of adjustments have been made to the reserve in 2022/23.

This includes unallocated schools income, which has been placed in the reserve at year end. This is money received and held in the county councils schools' income account, until it is identified and transferred to the appropriate school. Ongoing work continues to trace and allocate this income correctly, so the figures will reduce as income is identified and allocated.

As members will be aware, convertor academies take a surplus or deficit balance with them to their academy trust, whereas the balance at forced academies remains with the LA . Where balances have accrued due to academy conversions, these have been transferred to the SIFD reserve.

Including the above and underspends, the reserve has increased by £1.3m in year. The level of expenditure is expected to increase in 2023/24 due to due to significant inflation causing increased cost pressures.

These in year movements leave the final year end position on the reserve at circa £5.2m.

3. De-Delegation Reserve

The de-delegation reserve ended the year with a surplus of circa £1.3m.

Members will recall that for the Inclusion Hubs de-delegation the LA includes adjustments relating to inclusion hub funding that has been delegated to banker schools at the start of the year. So that individual school balances at certain banker schools were not artificially high, which would impact on school year end balances reporting and national benchmarking, this funding was held by the LA for year end accounting purposes and then redistributed to the relevant banker schools in the new financial year.

4. School Teaching and Support Staff Supply Reimbursement Scheme

The staff reimbursement scheme ended the year with an underspend of circa £1.2m, leaving an outturn position of circa £2.7m.

The overall in year position includes a surplus on the teacher scheme of just under £1.3m, which was offset by a circa £0.6m deficit on the support staff scheme.

The Forum has previously agreed that any year end balance above £1.5m should be redistributed to scheme members. The working group may wish to consider if £1.5m remains an appropriate maximum level for the reserve. Whatever level is agreed, the Forum are asked to support the redistribution of the scheme reserve above that level back to scheme members.

Taking account of the deficit on the support staff element of the scheme, it is proposed that the 'excess' scheme reserve should be redistributed on the basis of the contribution levels to the teaching staff scheme only.

For 2024/25, members will need to consider a rise in the premiums charged for the support staff scheme, but it may be possible to hold the premiums on the teaching element of the scheme to 2023/24 levels. Further reports will be presented to the Forum in due course.

5. School Reserves

As set out earlier in the report, school balances decreased to just over £73m at the end of 2022/23, when school closure/academisation adjustments are taken into account. a decrease of nearly £22m.

The Working Group:

a) **Noted the updated report.**
b) **Expressed concerns around the number of Maintained Nursery Schools in a deficit position at March 2023 and the continued historic deficits in the sector.**
c) **Recommended that the Schools Forum approve the proposal to use the Clawback 2022/23 funds to support school in Financial Difficulty**
d) **Recommended that the Schools Forum approve the proposed Supply scheme reimbursement based on members of the teachers scheme in 2022/23. Supported the reimbursements calculated on the basis of the NOR which was used to calculate the charges.**

This is a formal Schools Forum decision and members will be asked to formally approve at the 17 October 2023 meeting.

7. Early Years Block Funding 2023/24

On 18 July 2023, the DfE made announcements about the 2024/25 school funding arrangements for Schools, High Needs and the Central School Services Block.

As per established practice, no information was included on the Early Years Block allocation from April 2024.

Working Group members will know that historically, following consultation with schools and academies, the Forum agreed to transfer Schools Block headroom to support pressures in the Early Years Block. This transfer equated to £2m in each year in 2020/21 and 2021/22.

In 2022/23, no transfer was possible, as there was no headroom available in the Schools Block. However, to help support the transition away from the £2m transfer, the Forum agreed that £1m of DSG reserves could be utilised to support the Early Years block budget in 2022/23. No support was available in 2023/24.

Further local modelling will be needed to assess the 2024/25 position, but at this point it is not expected that headroom will be at available due to ongoing pressures on the funding blocks. Once the final allocations have been received in December 2023, any headroom within the funding blocks will be reported to Forum.

DfE announcements included Schools Block Operational Guidance for 2023/24, and this confirmed that LAs continue to be allowed to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. If required, an urgent consultation about any possible transfers could be held with schools and academies once the final DSG allocations from DfE and have been assessed.

The option of utilising some reserves to support the early years block may again be considered in 2024/25. Members will recall that the EYB outturn position for 2022/23 showed a circa £2m underspend.

Whilst a number of uncertainties remain before any final decisions can be taken about the early years block funding for 2024/25, the group may wish to express any initial views on the early years block budget for 2024/25.

Additional Funding for Early Years Funding

In the Government's Spring Budget 2023, an additional £204 million of early years funding was announced for 2023-24 to uplift the rates for existing entitlements nationally, rising to £288 million in 2024-25, with further uplifts beyond this. By 2027-28 the Government expects to be spending in excess of £8bn every year on the early years.

From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week for 38 weeks of the year from the term after their child's 2nd birthday. This will be extended to working parents of 9 month to 3-year-olds from September 2024. From September 2025, all working parents of children aged 9 months up to 3 years will be able to access 30 hours of free childcare per week.

A letter outlining the rates uplift for 2023/24 was circulated to all providers in the Summer Term 2023. A summary is provided below.

	Current Base Rate Apr-Mar	Additional Uplift Sep-Mar	Combined Base Rate Sep-Mar
2YO	£5.43	£1.67	£7.10
34YO	£4.75	£0.33	£5.08
34YO MNS	£4.31	£0.24	£4.55
EYPP	£0.62	£0.04	£0.66
DAF (Lump Sum)	£828.00	£30.92	£858.92

Summer 2023 Consultation

In July 2023, the DfE launched an Early Years Funding – Extension of the Entitlements Consultation.

The consultation included several proposals for early years entitlements for 2-year-olds and under from 2024-25 and was set out in three sections.

Section 1 set out proposals in relation to the national funding formula to distribute funding to local authorities for 2-year-olds and under from April 2024 in light of the new entitlements. It also outlined proposals to extend eligibility for the disability access fund (DAF) and early years pupil premium (EYPP).

Section 2 sets out the overall illustrative impact that these proposals will have on funding rates for local authorities in 2024-25. Alongside this consultation document we have also published illustrative modelling which sets this out in more detail, accompanied by a technical note.

Published modelling by DfE, provides illustrative 2024-25 funding rates and allocations for the entitlements for 2-year-olds and under. This gives an early indication of the funding rates that local authorities can expect to receive, but it is important to note that these are illustrative only. Final 2024-25 funding rates will be confirmed in autumn 2023.

The illustrative modelling suggests a national average funding rate for 2-year-olds of £8.17 and 9-month-old up to 2-year-old entitlement of £11.06.

Section 3 then sets out proposals regarding the framework of rules for the distribution of all entitlements funding by local authorities.

The existing framework relates mainly to the current 3-and-4-year-old entitlements and is set out in secondary legislation and operational guidance. It is proposed the same framework is applied to 2 year olds. The key features of this framework are summarised below:

- Universal base rate – LAs must set a universal base rate of funding for all providers, regardless of type, to create a level playing field.
- Pass through rate – Requires LAs to pass through at least 95% of their 3-and 4- year-old entitlement funding to providers. The remaining 5% can be retained centrally to be spent on activities such as central SEND support and eligibility checking.
- Supplements – In recognition that certain providers face greater costs than others, LAs can use a restricted number of supplements to channel additional funding to providers meeting criteria set by the LA.
- SEN inclusion fund – LAs are required to establish a SEN Inclusion Fund to support children who are taking up the free entitlements, targeted at children with lower level and emerging SEN.
- Contingency funding – LAs can set aside contingency funding as part of their local budgetary process to help manage fluctuations in take-up. Any underspend from an LA’s early years budget must remain within the education budget.

The deadline for submissions was 8th September 2023. Responses from Forum members were collated, and a Lancashire Schools Forum response was submitted. A DfE response and outcome of the consultation is expected later in the Autumn Term

The Working Group:

a) Noted the report.
b) Thanked colleagues who submitted a response.

8. Early Years SEN Inclusion Fund
There was no update provided by the Inclusion service for this item. The last SEN Inclusion Fund meeting scheduled in June 2023 was also cancelled by the service.

The Working Group:

a) Recommended an SEN Inclusion Fund meeting to be scheduled for 3rd 3rdNovember 2023 and for Inclusion officer to be attendance to provide an update
b) Recommended the impact of meeting the needs of an increasing number of early years children with significant levels of SEND for all provider types to be raised with Directors.

9. PVI Payment Terms
After receiving a small number of requests to change the PVI funding payment schedule, this matter was brought to the Working Group for discussion

During the Pandemic, in order to support the sustainability and cash flow of early years providers instead of 3 payments each term, the local authority made 2 payments instead.

After the pandemic, a consultation was launched which showed that most early years provided favoured the pre-covid 9 month payment model.

The Working Group:

a) Recommended no changes to the current payment Terms

10. Extended Entitlements Rollout and Wraparound Expansion Programme
Following a number of DfE announcements and webinar which Officers have recently attended, a report was presented to the working group to outline the main changes. The report was provided to members of the working group with caution that sections of the report should remain confidential.

To summarise the Report;

- As detailed in the Chancellor's budget announcements earlier this year the early years funded entitlements are being expanded to enable working parents of younger children to access funded childcare as follows:

    - From April 2024, eligible working parents of 2-year-olds can access 15 hours per week.
    - From Sept 2024, eligible working parents of children aged 9 months up to 3 year olds can access 15 hours per week.
    - From Sept 2025, eligible working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week.

- Eligibility – it is expected that all three entitlements will continue to work on a termly basis, so children of eligible working parents will be able to receive the entitlement from the termly date (1 September, 1 January, or 1 April) after they reach the relevant age.

    - HMRC will continue to determine eligibility via the Childcare Service for working families (i.e. the process for parents claiming the working entitlements will be the same as under the current system for 34YO extended entitlements)

    - Eligibility checks for disadvantaged 2 year olds will continue to be processed by local authorities.

- Model Agreement - The DfE will be reviewing the model agreement and will provide further information in due course.

    - This means the current local authority funding agreement will need to be updated in line with the new model agreement for April 2024.

- Statutory guidance - the DfE only plan to publish updated statutory guidance in early spring alongside the amended regulations coming into force.

- Provider charging rules – the DfE have stated there are no plans to change the rules around what additional charges providers can/cannot use but are keeping this under review through the expansion rollout.

- Delivery fund - Alongside the £204m Early Years Supplementary Grant, £12m for local authority support funding was announced to support LAs as they prepare for the expansion to the EY entitlements from April 2024.

    - The DfE are planning to share details of the LA-level allocations in October, as well as further information about the conditions on funding.

    - They have also stated they will be keeping future years funding under consideration and will update LAs, as necessary.

- Capital funding to support sufficiency – The DfE have stated they know that local authorities and providers will need support to deliver these reforms and are working with the sector to fully understand the support needed. They will keep the need for capital funding under review as part of that.

Funding Consultation

- The DfE launched a consultation on 21 July 2023, on the proposed approach to funding for 2-year-olds and under from 2024-25. The consultation proposed several key changes to the current funding model as follows:
    - EYPP will be paid against the universal hours to all eligible children (not just 3&4 YO's),
    - DAF will be paid to all eligible children (not just 3&4 YO's)
    - Deprivation will be paid to all children, based on postcode of child (not just 3&4 YO's).
    - There will be an Inclusion Fund for all children, (not just 34YO's).
    - Increasing the 95% pass through rate to 97%.
- The funding consultation closed on 8 September 2023 and the DfE have not yet published the outcome/confirmed what the new funding formula will be for 2 year olds and under from April 2024.
- We will only find out our 2024-25 rates in December so it will be January 2024 before anything can be confirmed for the sector.
- Illustrative rates -The DfE have stressed that the rates published as part of the consultation are illustrative only and will change in the autumn following the consultation and once the DfE have the latest available data.
    - £7.44 for 2 year olds
    - £10.11 for under 2's.
    - The DfE have not published any illustrative rates for 3&4 year olds from April 2024 onwards as they are not proposing any changes to the 3&4 year old funding formula.

Wraparound Expansion Programme

- The government will invest £289m over two academic years, from September 2024, to enable schools and local areas to set up wraparound childcare provision from 8am – 6pm.
- This funding will be for schools and local authorities to:
    - Introduce or expand childcare provision on either side of the school day and enable them to develop flexible ways of providing childcare.
    - Increase availability of term-time wraparound childcare for children in year groups from reception to Year 6.

- While primary schools may offer some provision, other delivery models could include partnerships between schools and PVIs, either on or off the school site, community-based models with no link to a specific school, and childminders.
- Most of this funding will be grant funded to LAs to deliver the programme.
    - The funding will enable LAs to support growth of demand both through creating new wraparound provision and expanding existing provision to establish additional capacity and ensure sufficiency of places.
- LAs will be able to decide how best to use the grant funding to achieve the programme outcomes in line with delivery model(s) adopted by the LA.
    - This could include allocating funding to schools and/or Private, Voluntary, and Independent (PVI) providers, including childminders, to contribute to the start-up, expansion and running costs of provision, as well as costs for staffing, training, and resources.
    - Funding can be used to contribute towards running costs while demand is growing, before provision is made self-sustainable through parental payments, taking away any short-term financial risk to providers.
- This funding is not for:
    - Childcare provision for children below reception age outside of core school hours.
    - Holiday provision, though the DfE want to explore potential linkages with other DfE programmes to understand the needs of parents.
    - Increasing availability of flexible childcare provision outside the hours of 8am-6pm.
- The DfE are working to the following timeline:
    - October 2023 - DfE publish programme handbook.
    - November 2023 - LA's receive funding allocations.
    - January 2024 – Funding released to LA's.
    - Summer 2024 - Expanded/new provision in some early adopter LAs.
    - September 2024 – National roll out of Wraparound Programme
    - March 2026 Funding for national roll out ends.

Early Years Entitlement System Changes

- Changes to eligibility criteria will be on the HMRC side. The eligibility checking for the expansion will be administered via HMRC/Childcare Choices as it is now for the 3&4 year old extended/30 hour entitlements.
- Codes will be issued in the same format (11 digits starting '50..') and carry through for the same child from 9 months to 4 years, regardless of whether they drop in and out of eligibility.
- The existing 2 year old disadvantage entitlement application process will remain as is i.e.
  - disadvantaged 2 year old parents will apply via their local authority
  - working parents of 2 year olds will apply through HMRC/Childcare choices like they do now for 3&4 year old extended entitlements.
- The '30 hour code' will be renamed to 'Eligibility code'.
- Working parents of 2 year olds will be able to apply for codes from 2 January 2023.
- DfE are working with 3rd party suppliers (e.g. The Access Group/Synergy) to ensure they can make the technical changes.
  - Feedback from some suppliers (including ours) is that timescales are very tight, and they may not meet the January timescales, and codes may have to be checked later in the term via Provider Portal systems.

Local Authority Planning/Next Steps

- We have established a core project team to start to plan key areas of work.
- A detailed project/action plan is being developed, which includes key areas of work such as:
  - Marketing and communications to parents and providers.
  - Review of existing publicity materials and resources for parents and providers (e.g. the 234YO resources toolkit, flyers, banners etc).
  - Review of the current PVI Funding Agreement and Schools Memorandum of Understanding.
  - LA systems and process changes.
  - Supply and demand mapping, to identify gaps in provision to support planning for new places where needed.
  - Rollout of the wraparound programme and associated funding to expand out of school provision where needed.
- We will be undertaking a parent survey after half term to help assess the potential increase in demand for wrap around provision in primary age children.

- Until the DfE have published the response to the funding consultation and published the individual local authority allocations it is not possible to undertake any financial modelling for the 2023-24 base rates.
- Information will be provided to the EYWB group on the options for funding rates in 2023-24 once the modelling has been undertaken, but this is not likely to be until mid January, as the DfE have stated allocations will not be published until December 2023.
- At this stage it is difficult to plan timescales and resources needed to support the implementation as there is so much that is still unknown.
- There is likely to be a significant impact on local authority capacity, even with the additional Local Authority Delivery Fund allocations and recruiting individuals that have working knowledge and experience to support the implementation programme will be a challenge.

The Working Group:

a) **Noted the Report**
b) **Raised concerns around the potential increase in staffing level that will be required with the extended entitlements.**
c) **Raised concerns around the lack of information and guidance available**

11. Early Years EHCP

Members raised concerns around the payments of early Years EHCPS as these can often be very sporadic across the authority.

In addition to this, members raised issues that payments can often be grouped together and therefore difficult to monitor when the payment has been.

The Working Group:

a) **Requested the publication of a detailed handbook around the processing of early years EHCP's and Inclusion Fund allocations**
b) **Recommended that an Inclusion should attend the early years block meetings going forward.**