Report to the Lancashire Schools Forum
Meeting to be held on Tuesday 1st July 2025

Item 8

Recommendations of the Early Years Block Working Group

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Brief Summary
On 12 June 2025, the Early Years Block Working Group considered several reports, including:

1. **School Budget Outturn 2024/25**
2. **School Balances 2024/25**
3. **Clawback 2024/25**
4. **Schools in Financial Difficulty Recovery Plan Bids**
5. **Schools Forum Annual Report 2024/25**
6. **Early Years Funding Arrangements 2026/27**
7. **Autumn Interim Payments**
8. **Local Authority Funding Agreement for the Provision of Early Education and Childcare**
9. **Backdating EHCP Funding**
10. **SEND/HNB education capital strategy**
11. **Any Other Business**

A summary of the information presented, and the Working Group's recommendations are provided in this report.
A copy of Appendix's are included after Item 8

Recommendations

The Forum is asked to:
a) Note the report from the Early Years Block Working Group held on 12 June 2025
b) Ratify the Working Group's recommendations.

Detail
On 12 June 2025, the Early Years Working Group considered several reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. School Budget Outturn 2024/25 (Attached)

Detail

This report provides information on the Schools Budget outturn position for 2024/25
The Overall Schools Budget outturn position for 2024/25 shows an overspend of circa £40.85m. Further details are provided below in connection with each funding block.

Central Schools Services Block (CSSB)

CSSB 2024/25			
	Budget (£)	**Actual (£)**	**Variance (£)**
CSSB			
ESG Retained Duties	2,591,000	2,591,000	0
Overheads	851,000	851,000	0
Copyright Licence	1,202,549	1,293,497	90,948
School Forum	188,000	188,000	0
Pupil Access (Admissions)	1,400,000	1,400,000	0
Rates Rebates	-75,000	161,075	236,075
PFI - Historic	2,672,368	2,520,620	-151,748
Total Grant	-8,829,917	-8,876,458	-46,541
Total Variance	0	128,734	128,734

Rates Rebates
The rates rebate budget estimated a £75k level of income from rateable value challenges throughout the year, however there was a reduction in rateable value income compared to the previous years. 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.

Over the lifetime of the rates rebates, the arrangements have generated significantly more income than has been paid out.

PFI - Historic
This budget line ended with an underspend of £151,748. This was due to ongoing expenditure on the former Thomas Whitham Sixth Form PFI site, with the former Hambledon site is now occupied by Broadfield Special School remaining in line with budget. To protect this funding, the ESFA agreed to fund this via CSSB.

There are ongoing discussions within the LA regarding the usage of the former Thomas Whitham Sixth Form, which may lead to a review of the costs within the CSSB.

Copyright Licenses
Copyright licenses have overspent by £90,948. This expenditure relates to copyright licences that the DfE buys for all state-funded primary and secondary schools in England, which covers schools for almost all their copyright requirements. Purchasing these licences directly means that DfE can save schools money, and the administrative time involved in applying for many different licences. The LA usually receive the

confirmed charges for copyright licences ahead of budget setting in December, however in recent years this information has not been available, and an inflationary increase was applied to the budget. Please note additional CSSB grant was received via an in-year adjustment to reflect the increased costs.

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

Schools Block

Schools Block 2024/25			
	Budget (£)	**Actual (£)**	**Variance (£)**
Maintained Schools	688,009,465	665,266,978	-22,742,488
Growth	1,500,000	1,922,807	422,807
Academy Recoupment	289,674,750	312,065,138	22,390,388
Total Expenditure	979,184,215	979,254,923	70,707
Total Grant	-978,029,652	-978,029,652	0
Total Variance	1,154,563	1,225,271	70,707

Maintained Schools/Academy Recoupment

The total Schools Block expenditure on maintained schools for 2024/25 ended the year largely in line with the agreed budget, taking into account that the LA required £1.154m of DSG reserves to set the budget on schools block in 2024/25. Academy recoupment increased by circa £22m during the year, which is balanced out by the underspend of £22m in the maintained sector. There was also an overspend in the growth fund of £422k.

High Needs Block

High Needs Block 2024/25			
	Budget (£)	**Actual (£)**	**Variance (£)**
Mainstream Schools	30,457,671	46,971,479	16,513,808
Special Schools	83,242,967	89,626,107	6,383,140
Alternative Provision	14,129,270	15,587,835	1,458,566
Further Education - Post 16	11,147,207	12,060,870	913,663
High Needs Growth	9,092,447	0	-9,092,447
HNB Supplementary Grant	3,478,462	3,478,462	0
Commissioned Central Services	41,312,171	66,517,195	25,205,024
Exclusions	-1,000,000	-2,063,326	-1,063,326
Total Grant	-191,860,195	-191,761,693	98,502
Total Variance	0	40,416,929	40,416,929

The outturn position for the 2024/25 High Needs Block (HNB) revealed a circa **£40.42 overspend**. Further information is provided below and the High Needs Funding Block Monitoring at Year End 2024/25 can be found in Appendix A:

Maintained Schools
Actual costs on all elements of maintained schools HNB expenditure, including mainstream schools, special schools and PRUs were above the budgeted figure. The most significant variance related to mainstream schools which represented a circa 50% growth in expenditure compared to the budget. Special Schools grew by over 7% and Alternative Provision by over 10%.

Further Education - Post 16
The Further Education - Post 16 budget had an overspend of £913,000.

High Needs Growth
When the 2024/25 Schools Budget was being set, provision was made for HNB growth, which was forecast at circa £9m for the year. This provision was fully utilised in year to partially offset the increased expenditure across the HNB school budget lines.

Commissioned Services
The commissioned services expenditure ended the year with an overspend of over £25m. A more detailed breakdown of the HNB expenditure against the agreed budget lines is provided at Annex A, however the main reason for the overspend is due to placements in the independent non maintained special school (INMSS) sector of which a £24.60m occurred. As members will be aware, strategies are being deployed to enhance maintained provision within the county, through SEN Units and increased special school capacity, but this will take time to feed through into the budget position.

Exclusions
The 2024/25 budget estimated that £1m income would be generated for High Needs Block

DSG grant
The grant remained largely in line with budget.

Early Years Block (EYB)

Early Years Block Expenditure			
	Budget	**Final Allocation**	**Difference**
Under 2YO	16,538,685	22,431,778	5,893,093
2YO	37,648,617	36,714,793	-933,824
3_4 YO	84,476,476	85,409,205	932,729
Early Years DAF	863,590	429,373	-434,217
Early Years PPG	1,812,463	1,286,546	-525,917

SEN Inclusion Fund	2,650,000	1,790,105	-859,895
Total	143,989,832	148,061,800	4,071,968

Early Years Block Income			
	Budget	**Final Allocation**	**Difference**
Under 2YO	-£16,838,685	-£24,304,223	-£7,465,538
2YO	-£37,319,388	-£36,254,866	£1,064,522
3_4 YO	-£87,155,549	-£85,062,249	£2,093,300
Early Years DAF	-£863,590	-£863,590	£0
Early Years PPG	-£1,812,460	-£1,824,357	-£11,897
SEN Inclusion Fund	£0	£0	£0
Total	-£143,989,671	-£148,309,285	-£4,319,614

Overall Difference	
Under 2YO	-£1,572,445
2YO	£130,698
3_4 YO	£3,026,029
Early Years DAF	-£434,217
Early Years PPG	-£537,814
SEN Inclusion Fund	-£859,895
Total	**-£247,645**

The Early Years Block outturn position for 2024/25 indicates a circa £0.250m underspend.

Further information is provided below:

Under 2-Year-Olds

Early Years Block expenditure relating to under 2-year-olds overspent by £5.89m, however please note that an additional £7.47m of grant income was received to offset the additional expenditure.

2-Year-Olds

Early Years Block expenditure relating to 2-year-olds underspent by £934,000, however a reduction in grant income was received totalling £1m.

3- to 4-Year-Olds

Early Years Block expenditure relating to 3- to 4-year-olds overspent by £933,000. In addition, a reduction in grant was received totalling £2m. It should be noted that for 3- to 4-year-olds the LA are notified of the forecasted income in December 2023, however, final Early Years DSG was confirmed in July 2024.

Disability Access Fund

This budget line was circa £434,000 below budget.

Early Years Pupil Premium
This budget line was circa £526,000 below budget

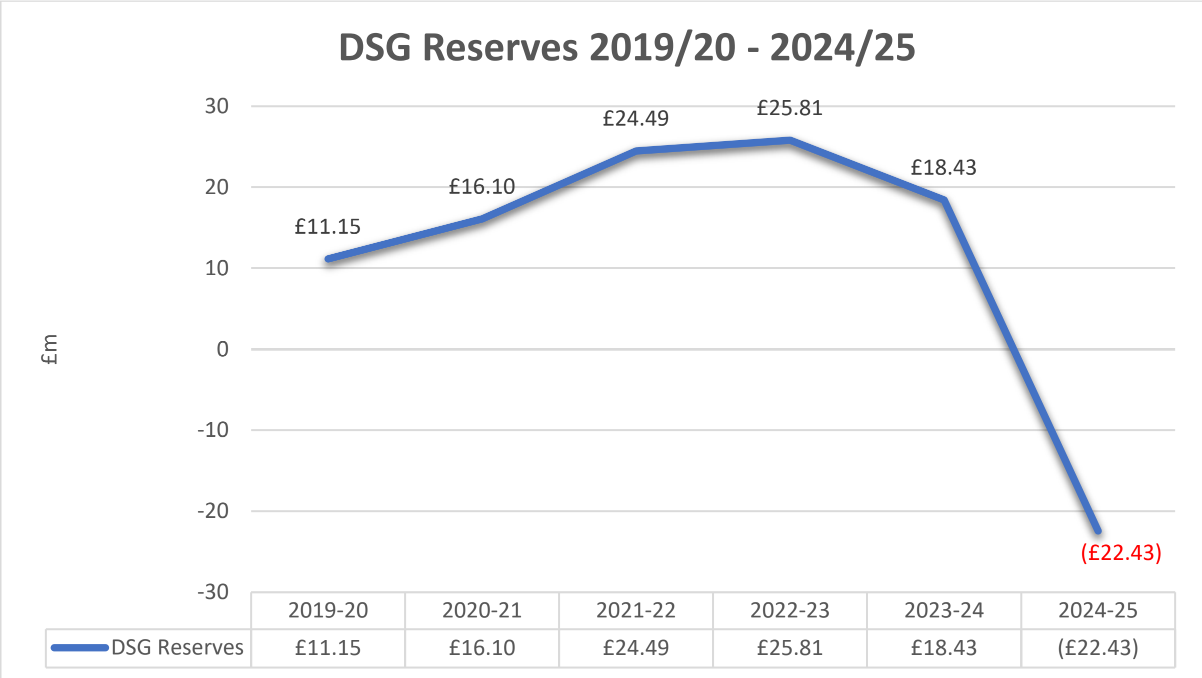
SEN Inclusion Fund
The SEN Inclusion Fund expenditure was circa £860,000 under budget. This is due to c£1m of EY top up funding being transferred to the HNB.

Overall Variance
In summary, the EYB ended the 2024/25 financial year with a £0.250m underspend. Due to the extended entitlements within Under 2-year-olds and 2-year-olds, the DfE are funding LAs on a termly basis, ensuring that take up is funded appropriately. Whilst overall the EYB has remained within budget, there is concern of the overspend within the 3- to 4-year-old entitlement, however this has been largely offset with a saving within the under 2-year-old entitlement.

Due to the continuation of the extended entitlements within Under 2-year-olds and 2-year-olds in 2025/26, a significant part of the initial allocation received is based on forecasted national data/estimated take up. This could lead to significant variances within these entitlements until we move towards a more stable annual funding allocation in line with the 3- to 4-year-old entitlements.

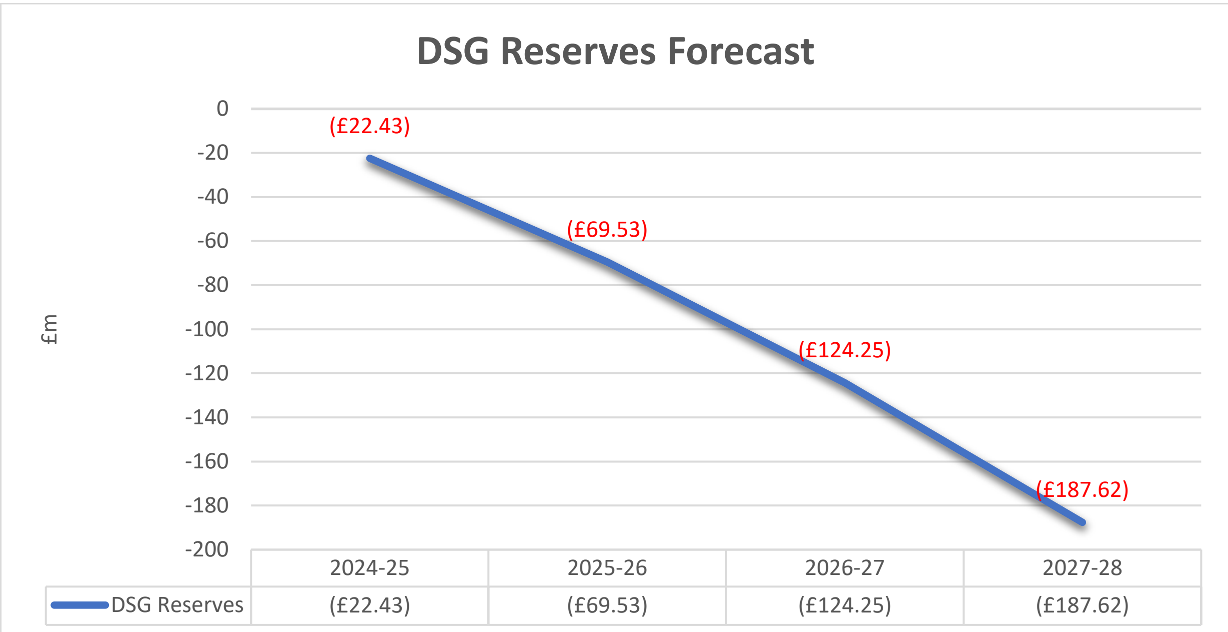
Clawback
As previously agreed with schools forum, clawback recovered from schools who's balance was in excess of the 12% threshold as stated within the policy has been transferred from the schools in financial difficulty reserve to the DSG. This totals £677,000.

DSG Reserves



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
DSG Reserves	£11.15	£16.10	£24.49	£25.81	£18.43	(£22.43)

Due to pressures on the High Needs Block, Lancashire has ended the 2024/25 financial year with an overall DSG deficit/negative reserve position of £22.43m. If current trends continue, the deficit is forecasted to increase to £69.53m by March 2026. As a reminder, the statutory override is due to end by March 2026, meaning that DSG deficits will no longer be allowed to be carried forward, with DSG deficit being incorporated into the LA general fund budget.



	2024-25	2025-26	2026-27	2027-28
DSG Reserves	(£22.43)	(£69.53)	(£124.25)	(£187.62)

The working group:
Noted the report
Discussed:

- **It was confirmed that more reserves were used than initially planned, though not beyond overall expectations. Fluctuations in funding are expected to continue into the next financial year. A recent DfE notification outlines a proposed change to termly funding for 3- and 4-year-olds, aiming for greater accuracy, though implementation is not expected until 2026/27. A consultation paper is anticipated in the autumn term.**
- **It is anticipated that once the deficit is absorbed into the LCC budget, due to projected end of Statutory Override, increased scrutiny will follow. More so than already occurring.**

2. School Balances 2024/25 (Attached)

Detail
School Balances Outturn 2024/25

This report sets out the year end position of schools' delegated budgets at 31 March 2025.

The overall school balances have decreased from £69.79m to £66.93m, an overall reduction of £2.86m. The tables below show analysis of school balances by phase at the end of the financial year 2024/25.

2024/25 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2024	In-year Increase / (Decrease) 24/25	Balance Carried Forward as at 31 March 25
	£m	£m	£m
Nursery	0.242	0.382	0.624
Primary	40.534	-2.052	38.482
Secondary	20.915	-3.027	17.888
Special	6.658	1.740	8.398
Short Stay	1.441	0.092	1.533
Total	**69.790**	**-2.865**	**66.925**

As can be seen, some phases showed an overall decrease in their aggregate balance and some phases an overall increase.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2024/25 in the form of Government grants. For Lancashire maintained schools, grant allocations in the year totalled £119m.

Some of these grants were allocated by the DfE on an academic year basis, whilst additional grant was received to reflect the government funding of teacher pay and pension grants.

The aggregate school balances figure at 31 March 2025 includes 16 primary and 3 secondary academisations during the financial year. *Without the academy conversions school balances would have largely remained unchanged with an aggregate change of £0.017m.*

2024/25 School Balances – In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	10	14
Primary	211	204
Secondary	16	19
Special	8	20
Short Stay	3	5
Total	**248**	**262**

To Summarise, 248 schools operated an in-year deficit in 2024/25, which equates to 49%, with 262 schools, 51%, operating an in-year surplus. In comparison, in 2023/24, 45% of schools operated an in-year deficit.

2024/25 School Balances – Number of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance	Count of schools subject to clawback with a balance deemed in excess
Nursery	8	16	2
Primary	31	384	6
Secondary	1	34	0
Special	4	24	4
Short Stay	0	8	0
Total	**44**	**466**	**12**

A total of 44 schools ended the 2024/25 financial year in deficit. The number of schools in deficit on 31 March 2025 has increased by 6 schools in deficit a year earlier.

At the opposite end, a total of 12 schools ended the 2024/25 financial year with a balance deemed in excess of the clawback policy, which is the same number as the 2023/24 financial year.

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 2025	44
31 March 2024	38
31 March 2023	42
31 March 2022	21
31 March 2021	30
31 March 2020	41
31 March 2019	39

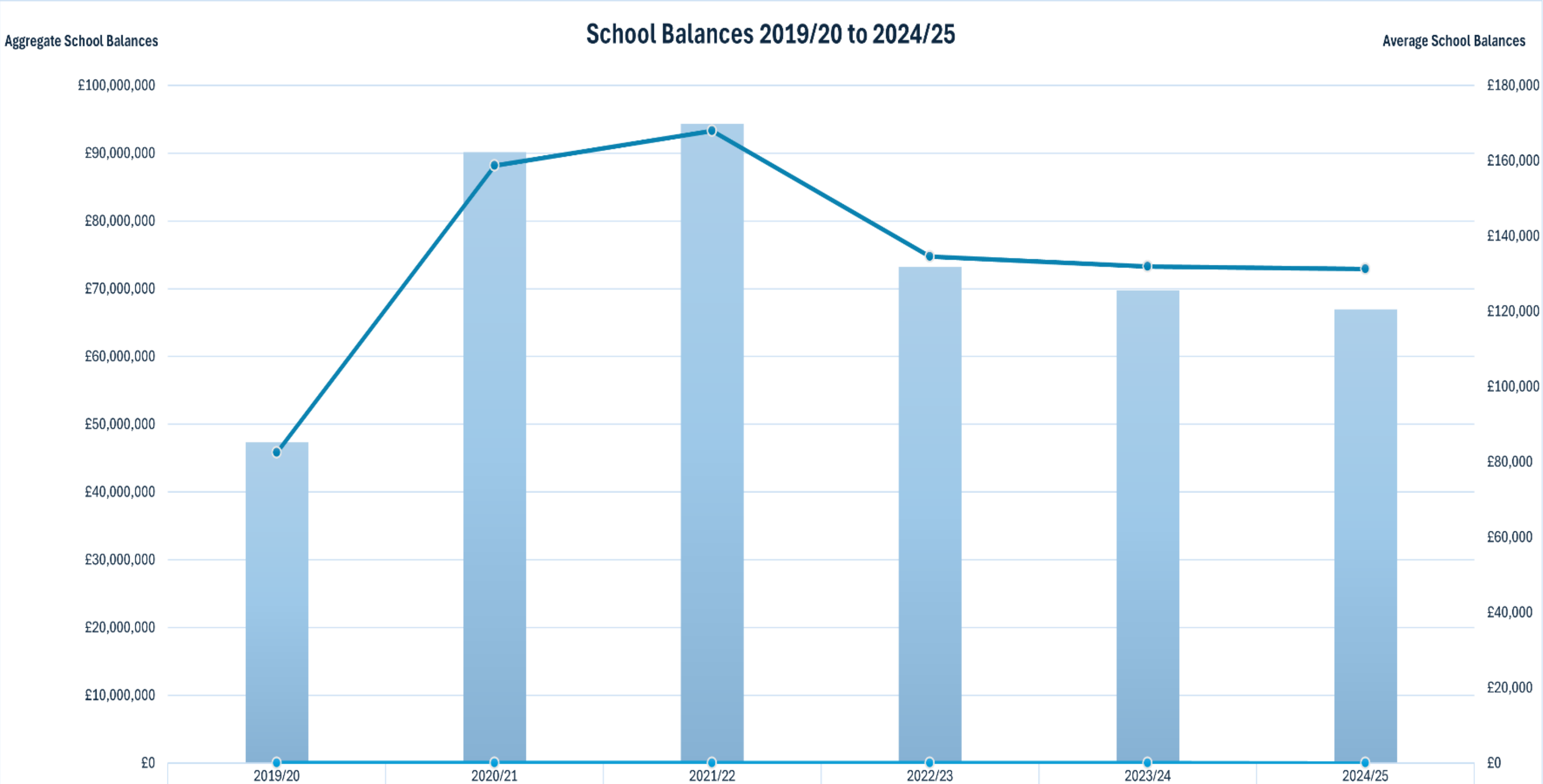
Support for Schools in Deficit
The county council, in consultation with the Lancashire Schools Forum, has continued to provide significant targeted support and enhanced monitoring and early warning to support schools that are in, or may be heading towards, financial difficulty. This includes monitoring 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.

Clawback 2024/25
At 31st March 2025, 12 schools held balances above the clawback guidelines. This totalled £292,000, of which 50% (£146,000) of the total balance in excess will be recovered.

All maintained schools received a letter on the Schools Portal on 9 May 2025, outlining the year-end balance in accordance with the clawback policy. Clawback funds will be transferred to assist with pressures in the high needs block.

The following 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 between 2020 and 2022, school balances have slightly decreased at March 2025, however without academy conversions school balances would have largely remained unchanged.

Aggregate School Balances by Year



	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Aggregate Balances	£47,319,014	£90,151,339	£94,373,281	£73,162,987	£69,790,393	£66,925,224
Number of Schools	574	568	562	544	529	510
Average Balances	£82,437	£158,717	£167,924	£134,491	£131,929	£131,226

Balance Comparison 2019/20 – 2024/25

Phase	2019/20 Aggregate Balance	2024/25 Aggregate Balance	Difference
Nursery	£382,574	£624,041	£241,467
Primary	£35,953,268	£38,482,478	£2,529,210
Secondary	£7,658,903	£17,888,244	£10,229,341
Special	£2,576,223	£8,397,905	£5,821,682
Short Stay	£748,046	£1,532,557	£784,511

Phase	2019/20 Average Balance	2024/25 Average Balance	Difference
Nursery	£15,941	£26,002	£10,061
Primary	£77,485	£92,729	£15,244
Secondary	£159,560	£511,093	£351,533
Special	£88,835	£302,849	£214,014
Short Stay	£83,116	£191,570	£108,454

Phase	2019/20 Number of Schools	2024/25 Number of Schools	Difference
Nursery	24	24	0
Primary	464	415	-49
Secondary	48	35	-13
Special	29	28	-1
Short Stay	9	8	-1

A further analysis has been undertaken to compare the 2024/25 schools outturn to the historic 2019/20 schools outturn.

The analysis shows that schools are continuing to hold balances some £20m higher than the historic 2019/20 total of £47m. The average school balance as shown in the 'aggregate school balances by year' graph is £131,000. This is £49,000 higher than the historic 2019/20 average of £82,000.

Furthermore, with academy conversions there are less Lancashire schools in 2024/25 compared to 2019/20, meaning that Lancashire has less schools but higher collective balances. Across all sectors both the average balance and aggregate balances are higher in 2024/25 when compared to 2019/20, with significant increases within the Secondary, Special, and Short Stay sectors.

Analysis provided by schools about their year-end position at 31 March 2025 indicates that circa £15.5m of total balances are classed as 'committed'.

Individual School Balances 2024/25

Attached at **Annex A** are details about the movement in balances at an individual school level in 2024/25. 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.

Schools Budget Reserves 2024/25

		£
1	**DSG Reserve**	
	Opening Balance	-18,429,170
	24/25 overspend	41,523,443
	Transfer Clawback Balance from SiFD	-751,182
	Closing Balance	**22,416,986**
2	**Schools in Financial Difficulty Reserve**	
	Opening Balance	-7,020,536
	Academy School Balances	-308,437
	Underspend 24/25	-68,872
	Transfer Clawback Balance to DSG Reserve	751,182
	Closing Balance	**-6,646,663**
3	**De-delegated Reserves**	
	Opening Balance	-966,411
	Underspend 24/25	-59,828
	Closing Balance	**-1,026,239**
4	**Supply Teacher Reserve**	
	Opening Balance	-1,537,080
	Underspend 24/25	-131,791
	Closing Balance	**-1,668,871**
5	**Schools Balances**	
	Opening Balance	-69,790,392
	Underspend 24/25	-17,011
	Academy Conversions & Closed School	2,882,179
	Closing Balance	**-66,925,224**
6	**Schools Forced Conversions Reserve**	
	Open Balance	0

	Net In Year Movement	25,878
	Closing Balance	**25,878**
7	**Total All Reserves**	
	Open Balance	-97,743,588
	Net In Year Movement	43,919,456
	Closing Balance	**53,824,132**

Further information about the year-end reserves are provided below.

1. Dedicated Schools Grant (DSG Reserve)
The DSG overspent by £40.85m in 2024/25. Details of this figure are provided in the Schools Budget Outturn report 2024/25. The outturn position for the DSG Reserve is therefore a balance of **-£22.40m.**

2. Schools in Financial Difficulty Reserve
To maximise the funding available in the Schools in Financial Difficulty (SIFD) Reserve, several adjustments have been made to the reserve in 2024/25.

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. The LA have recently created a new cost centre to hold the forced academy conversions of which further detail is provided below. It is proposed that a similar approach is adopted for converter academies.

The reserve has decreased by £0.373m in year. Due to the high level of reserves the de-delegation ask to schools was reduced, and as such a further reduction in reserves is expected at 2025/26 outturn.

3. De-Delegation Reserve
The de-delegation reserve ended the year with a surplus of circa £1.026m.

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, the £750,000 remaining balance 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 £131,000, leaving an outturn position of circa £1.67m.

The Forum has previously agreed that any year-end balance above £1.5m should be redistributed to scheme members, however it is proposed the £131,000 underspend is put into reserves. For 2026/27, members will need to consider a rise in the premiums charged for the teaching staff scheme, but it may be possible to hold the premiums on the support staff element of the scheme to 2025/26 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 c£67m at the end of 2024/25.

6. Schools Forced Conversions Reserve

As mentioned above, the LA has now created a new cost centre to hold forced academy conversions with the balance (surplus or deficit) remaining with the LA. Whilst this is a small balance, ensuring balances of any forced academy conversions do not escalate is key to minimising any financial risk to the LA.

The working group:
Noted the report
Discussed:

- **Concerns were raised about significant funds held by some secondary and special schools while pupils are being denied places. There is a lack of visibility around high balances in the context of inclusion.**
- **It was emphasized that schools with high balances should be held accountable, ensuring funds are used to support current pupils. A suggestion was made to consider including high-balance schools in the revised Red Book, alongside those with low or deficit balances.**

3. Clawback 2024/25 (Attached)

Detail

Lancashire's Scheme for Financing schools includes a balance control mechanism, which is designed to control and clawback, where appropriate, schools' excessive surplus balances.

The clawback mechanism (section 4.2) states " *For schools that hold balances greater than the Authority's recommended guideline the Authority shall be empowered to deduct from the current year's budget share a percentage of the excess surplus balances (clawback) as agreed following consultation with the Lancashire Schools Forum. The rate and any exceptions shall be reviewed annually by the Authority in consultation with the Lancashire Schools Forum, and guidance issued to schools".*

"Lancashire Schools Forum can consider exceptional cases for an exemption from the clawback provisions as stipulated in the current clawback policy available on the Schools Forum website".

School Balances and Clawback Policy 2025/26

Whilst clawback had been suspended on year end balances at March 2020, 2021 and 2022, since 2022/23, Schools Forum has voted to reintroduce clawback. The 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 2026.

Although the 2024/25 outturn positions have slightly decreased by circa £3m since 2023/24, aggregate school balances however are still some £20m higher than the historic pre 2019/20 average of £45m. The average school balance of £131,000 is also some £49,000 higher than the historic pre 2019/20 average of £82,000.

In addition, current budget submissions for the 2025/26 financial year show a total forecasted outturn of £47.75m, which remains higher than the historical £45m outturn average. The previous two financial years outturn data shows that schools outturn balances increase by c35% compared the initial budget forecast.

DfE guidance has previously stated that balances are deemed in excess, where they are greater than 5% (Secondary) and 8% (Primary, Special, PRU, Maintained Nursery schools) of CFR income. Recent benchmarking has shown that many local authorities implement these recommendations within their clawback policies.

Based on the above information, the local authority has proposed the following options:

a) Apply the clawback policy in 2025/26, at 12% CFR income threshold to all schools

b) Apply the clawback policy in 2025/26, but reducing the 12% CFR income threshold down to 8%

c) Apply the clawback policy in 2025/26, but reducing the 12% CFR income threshold down to 5%

All options include the continuation of the minimum £75,000 balance threshold and clawback would continue to apply as per the below

- 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)

The proposed Clawback Policy is attached as Annex B with the local authority recommending **option B**.

The working group:
Noted the Report
Supported recommendation for option B*) Apply the clawback policy in 2025/26, but reducing the 12% CFR income threshold down to 8%*
Discussed:

- **It was acknowledged that while the proposal may not be well received by schools, it is considered necessary. There may also be a need to review and potentially raise the funding base level.**

4. Schools in Financial Difficulty Recovery Plan Bids (Attached)
Background
The Schools Forum voted to implement the Clawback policy to excess school balances at 31 March 2023 due to the continued high level of balances across the authority. As a result, circa £751,000 was clawed back from eighteen Schools.

During their meeting on 18 October 2023, the Schools Forum agreed to use some of these funds to support schools in financial difficulty who were actively working with the authority to reduce their deficit.

In line with the Schools in Financial Difficulty policy, schools with recovery plans were eligible to 33% of the greater of the 2022/23 or 2023/24 outturn deficit. This was to be allocated over two financial years. Schools shown in the table below were eligible and received 50% of this funding in the first year, 2024/25. The remaining balance however was only agreed to be payable in 2025/26 if the schools continued to work with the authority and are actively working to reduce the deficit in line with their approved recovery plan and have met the conditions of their recovery plan.

The table below shows the 2024/25 outturn position of the ten schools. This shows three schools have reached a surplus budget position and as such will not require the 2nd year allocation. There are also two schools that have breached their recovery plans and are not eligible for the 2nd year allocation. In addition, the remaining five schools have a balance in line, or better than their agreed recovery plan and will be eligible for the 2nd year payment.

School	Outturn March 2024	Outturn March 2025	Year 1 Allocation	Agreed recovery plan balance 2025	In line with Recovery Plan	Year 2 Allocation	Comments
1	-£8,535	£1,390	-£3,264	-£5,641	Yes	£0	Recovered
2	-£15,752	-£18,097	-£2,599	-£20,928	Yes	-£2,599	Eligible for 2nd year allocation
3	-£48,174	-£33,181	-£7,949	-£42,107	Yes	-£7,949	Eligible for 2nd year allocation
4	-£22,415	-£8,454	-£3,699	-£28,048	Yes	-£3,699	Eligible for 2nd year allocation
5	-£93,654	£842	-£15,453	-£46,876	Yes	£0	Recovered
6	-£294,402	-£230,014	-£48,576	-£253,008	Yes	-£48,576	Eligible for 2nd year allocation
7	-£43,008	-£57,563	-£7,096	-£38,762	No	£0	Not in line with recovery plan
8	-£227,009	-£131,818	-£37,457	-£6,805	No	£0	Not in line with recovery plan
9	-£44,636	£37,960	-£7,365	-£26,369	Yes	£0	Recovered
10	-£172,351	-£101,585	-£30,511	-£144,008	Yes	-£30,511	Eligible for 2nd year allocation

The working group:
Noted the Report
Discussed:

- **For schools that did not actively engage, support continues to be offered in the same manner. However, it remains the responsibility of school leadership and governing bodies to ensure ongoing compliance and effective financial management.**
- **Confirmed this aid is not planned to be repeated in the future**
- **Acknowledged the request to show updated data on these Schools next year, to review how well the concept worked.**

5. Schools Forum Annual Report 2024/25 (Attached)

Detail
Since 2005/06, the Forum has produced an Annual Report, which is circulated to all schools via the Schools Portal and made available on the Forum website.
A draft Forum Annual Report for 2024/25 is now attached at Appendix A for consideration by the Working Group

The working group:
Thanked for the report, noted no issues

6. Early Years Funding Arrangements 2026/27

Detail
The early years operational guidance 2025/26 states that it is a requirement of all local authorities to pass through 96% of the funding rate received by the DfE to settings, with current guidance indicating that the minimum pass through rate will increase to 97% in 2026/27.

Currently and historically in Lancashire, the funding rate has been passed through to settings at 100% and no expenditure is held centrally as is allowed within the funding regulations.

Benchmarking to other local authorities shows that Lancashire are one of only three local authorities nationally that pass through 100% of the funding rate to settings.

Ahead of the 2026/27 financial year and budget setting that will take place in December 2025, modelling has been carried out using the 97% pass through to show the impact if the local authority proposed to hold a percentage of early years funding centrally in line with the regulations, which would require schools forum approval. For the purposes of the modelling, the central spend has been forecasted at £3m, which is split across the three entitlements.

3- to 4-year-old entitlement 2025/26 (102.91% Pass Through)

3/4 YO Pass Through (Excluding MNS)		
	£80,564,809	Base Rate Funding
	£1,317,894	IDACI Funding
	£1,250,000	SENIF
A	£83,132,703	Total Funding
B	£79,378	MNS Lump Sum (PFI)
C	14134177	Total Hours
C	£5.88	Average Funding Rate (A-B)/C
D	£5.71	DfE Funding Rate
D	102.91%	Pass Through (C/D)

Based on the DfE calculation of pass-through rate, for the 3- to 4-year-old entitlement, this shows the pass-through rate at 102.91% which is above the 96% required for 2025/26 and exceeds the funding rate received by the DfE.

3- to 4-year-old entitlement 2026/27 (101.16% Pass Through)

3/4 YO Pass Through (Excluding MNS)		
	£79,151,391	Base Rate Funding
	£1,317,894	IDACI Funding
	£1,250,000	SENIF
A	£81,719,286	Total Funding

B	£79,378	MNS Lump Sum (PFI)
C	14134177	Total Hours
C	£5.78	Average Funding Rate (A-B)/C
D	£5.71	DfE Funding Rate
D	101.16%	Pass Through (C/D)
	£1,355,211	Central Spend

Using the 97% pass through rate and distributing the £3m central spend across the three entitlements, modelling shows that the pass-through rate would forecast to be 101.16% which is above the 97% as is required within the regulations, and would be a reduction of c£0.10 on the 3-to 4-year-old base rate in 2026/27.

2-year-old entitlement 2025/26 (99.89% Pass Through)

2YO Pass Through		
	£49,193,843	Base Rate Funding
	£2,134,356	IDACI Funding
	£250,000	SENIF
A	£51,578,199	Total Funding
B	6594349	Total Hours
B	£7.82	Average Funding Rate (A/B)
C	£7.83	DfE Funding Rate
C	99.89%	Pass Through (B/C)

Based on the DfE calculation of pass-through rate, for the 2-year-old entitlement, this shows the pass-through rate at 99.89% which is above the 96% required for 2025/26.

2-year-old entitlement 2025/26 (98.49% Pass Through)

2YO Pass Through		
	£48,468,464	Base Rate Funding
	£2,134,356	IDACI Funding
	£250,000	SENIF
A	£50,852,821	Total Funding

B	6594349	Total Hours
B	£7.71	Average Funding Rate (A/B)
C	£7.83	DfE Funding Rate
C	98.49%	Pass Through (B/C)
	£771,143	Central Spend

Using the 97% pass through rate and distributing the £3m central spend across the three entitlements, modelling shows that the pass-through rate would forecast to be 98.49% which is above the forecasted 97% as is required within the regulations and would be a reduction of c£0.11 on the 2-year-old base rate in 2026/27.

Under 2-year-old entitlement 2025/26 (99.89% Pass Through)

Under 2YO Pass Through		
	£55,220,689	Base Rate Funding
	£2,109,311	IDACI Funding
	£150,000	SENIF
A	£57,480,000	Total Funding
B	5408491	Total Hours
B	£10.63	Average Funding Rate (A/B)
C	£10.63	DfE Funding Rate
C	99.98%	Pass Through (B/C)

Based on the DfE calculation of pass-through rate, for the Under 2-year-old entitlement, this shows the pass-through rate at 99.98% which is above the 96% required for 2025/26.

Under 2-year-old entitlement 2025/26 (98.49% Pass Through)

Under 2YO Pass Through		
	£54,355,331	Base Rate Funding
	£2,109,311	IDACI Funding
	£150,000	SENIF
A	£56,614,642	Total Funding
B	5408491	Total Hours
B	£10.47	Average Funding Rate (A/B)
C	£10.63	DfE Funding Rate

C	98.47%	Pass Through (B/C)
	£873,647	Central Spend

Using the 97% pass through rate and distributing the £3m central spend across the three entitlements, modelling shows that the pass-through rate would forecast to be 98.47% which is above the forecasted 97% as is required within the regulations and would be a reduction of c£0.16 on the Under 2-year-old base rate in 2026/27.

The modelling below also shows the average funding impact across the entitlements.

34YO	Funding Impact
Nursery School	£4,549
Nursery Class	£1,333
PVI	£2,402
Childminder	£157
Average	**£1,438**

2YO	Funding Impact
Nursery School	£1,491
Nursery Class	£324
PVI	£855
Childminder	£91
Average	**£501**

Under 2YO	Funding Impact
Nursery School	£595
Nursery Class	£304
PVI	£1,729
Childminder	£248
Average	**£917**

Summary	Funding Impact
Nursery School	£6,635
Nursery Class	£1,962
PVI	£4,986
Childminder	£496
Average	**£2,856**

The working group:
Noted the Report
Discussed:

- **There is a possibility of being pushed by the DfE to make changes due to overall deficits.**

- **Although the pence-per-hour increase appears minor, it accumulates significantly, especially given the informal SEN support settings provide due to limited top-down funding.**
- **The sector is heavily impacted by rising National Insurance and minimum wage costs, which are not matched by funding increases, threatening sustainability. The new administration is reviewing budget lines closely, noting that this council does not fund from blocks as others do.**
- **A breakdown was requested to model the impact of moving certain teams under the block, estimated at around £1 million. Any changes would require consultation and forum approval due to the formula change. While the DSG deficit stems from another block, Early Years had a slight underspend, raising concerns about the fairness of impact.**
- **The group discussed the implications of removing supplementary hour funding or shifting to a termly model. Neither option is ideal, and modelling is needed to assess the impact of removing the supplement versus reducing the base rate.**

7. Autumn Interim Payments

Mel Foster to Discuss

Details

Currently interim payments are calculated using the estimates hours submitted by providers or the previous terms actual hours if the provider fails to submit an estimate of hours.

Due to the number of overpayments that are being made as a result of providers not submitting an estimate of hours, we are proposing that the previous terms hours will no longer be used to calculate interim payments.

Therefore, for the autumn 2025 term onwards ALL providers must submit an estimate in order to receive an interim payment.

If the provider does not submit an estimate of hours the interim payment within the specific deadline, then the provider will not be paid an interim in the first month of term.

If the provider subsequently sends in an estimate of hours, it will be accepted however it will only be processed with the next month's interim payment (so in effect the provider will receive double).

The working group:
Noted the Report
Discussed:

- **Prompt submission of estimated hours is essential to prevent overpayments and support financial efficiency, benefiting settings like primary schools.**

- **The move of payment dates from the 15th to the 7th has raised concerns, particularly among childminders who prefer payments in the first month. However, due to tight processing timelines, a shift to a payment window is being considered, and ad hoc payments will no longer be possible.**

8. Local Authority Funding Agreement for the Provision of Early Education and Childcare

Mel Foster to Discuss

Detail

Following the publication of the updated statutory guidance relating the charging rules, the draft Local Authority Funding Agreement has been updated to reflect the changes. These are not significant changes as the underlying legislation has not changed in that 'Free Early Education Entitlements' (FEEE) must be delivered 'free' without the need for parents to pay any additional charges if they choose not to. The current Local Authority Funding Agreement makes this clear as outlined in clause 15.

The charging section of the revised draft Local Authority Funding Agreement has just been updated to reflect the new wording in the statutory guidance and provide more clarity.

The intention was to publish the new Funding Agreement in May; however this has been postponed due to the current consultation that is being undertaken in relation the revised Ofsted Inspection Framework.

The Inspection Framework will move away from settings being given one overall judgement of Outstanding, Good, Requires Improvement and Inadequate and the proposal is that are proposing that settings will receive a separate judgement across 8 areas instead.

Currently if a setting receives an inadequate inspection result, early education funding is withdrawn at the re-inspection if the setting remains inadequate.

At this stage we do not know what the outcome of the consultation will be and how it will affect the quality section of the statutory guidance.

We cannot therefore finalise the revised Funding Agreement until the new inspection framework is published and we understand the impact it has on the funding rules.

The working group:
Noted the Report
Discussed:

- **New funding is expected to be introduced around January 1st, depending on inspection timing and data release. Statutory guidance and DfE policy will influence how outcomes are judged, and parental agreements should already be in use.**

- **Settings must ensure claimed hours are attended, with accountability measures in place. While attendance is generally strong, policies should clearly define expectations.**
- **Some LAs, as noted by the Federation of Small Businesses, are auditing settings and reclaiming funding for early collections (e.g., 15 minutes). Current local guidance reflects statutory rules, including on artificial breaks.**

9. Backdating EHCP Funding

Detail

Background

The Education, Health and Care needs assessment process is a statutory 20-week process. The SEND system nationally has witnessed an unprecedented rise in requests for Education, Health and Care needs assessments and consequently local authorities are having to deploy additional resources to mitigate the volume of requests.

In November 2024, Lancashire shared a process with schools detailing how band funding assigned to a final Education, Health and Care Plan (EHCP) would be backdated to the term at which it should have been funded, and no further than April 2024, however, there hadn't been an agreed process for early years settings to receive the relevant backdated funding.

Early Years Backdated Funding Process

As of May 2025, a process has been agreed to backdate EHCP band funding. Settings do not need to action anything. This process will be actioned by the local authority and will begin over summer and will be actioned accordingly.

Financial information

The payment will be calculated based on the number of weeks between the finalised EHCP and the 20-week date. Each payment will have £83 per week SEND Inclusion Funding deducted to avoid overpayment and will be currently calculated at 60% of the WPN.

Banding	WPN	Weekly payment for settings
E2	1.0	£36
E3	1.5	£79.20
E4	2.5	£165
E5	3.5	£250.80

The working group:

Noted the Report

Discussed:

- **while processing is possible, it currently requires manual checks for each child due to the lack of a tracking mechanism. This is challenging given the high volume of children.**
- **Not all settings received Inclusion funding, resulting in some losses. A review process is underway, with a mechanism expected by September. Once available, the list will be worked through over the summer. If the mechanism is delayed, the standard process remains in place.**
- **Despite a 17-week delay, it was proposed to proceed with the current plans and address any issues as they arise.**

10. SEND/HNB Update

Aby gave a verbal update
A series of and webinars are scheduled to explain the current planning approach, based on area data and projections. Sessions will take place on 17th June (9:30–11:00), 18th June (13:30–17:00), and 25th June (9:30–11:00). These will include discussions on the proposed new special school, including timing and designation. The information has been shared with headteachers

The working group:
Noted the Update
Discussed:

- Attendees should have received an invite to discuss the plan.
- Sarah Jane is developing a 5-year capital strategy plan, and it would be beneficial for Early Years (EY) members to be involved.
- Meeting invite was requested and shared with the EY group.

11. Any Other Business

- **NDNA Case Study – Parental Complaint on Charges:**
  A parent raised a complaint about a setting enforcing mandatory charges for consumables, which they believed should be optional. The setting refused the parent's request to opt out, prompting the issue to be escalated to the Local Authority (LA), which agreed with the parent, citing non-compliance with guidance. After further disagreement, the case was referred to the National Day Nurseries Association (NDNA). A supporting document from the LA was shared to clarify the relevant guidance. *Copy added as Appendix H*

- **Early Years Capital Expansion Programme:**
  The first panel meeting for the Early Years Expansion Programme took place on Monday, with a strong emphasis on strict criteria and value for money (cost per place). Out of the applications received, 23 did not proceed to panel—some were deferred. If applications do not move forward, the next ones on the list will be considered. Notifications will be sent to both successful and deferred applicants.