

Item 7

Recommendations of the Early Years Block Working Group

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Brief Summary

On 25 September 2025, the Early Years Block Working Group considered several reports, including:

1. **Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast**
2. **Early Years Block Funding Arrangements 2026/27**
3. **Strategic Support Partnership Handbook - SRAS De-delegation Criteria 2026/27**
4. **Early Years Payment Terms**
5. **New Ofsted Inspection Framework Funding Implications**
6. **Early Years Net Closure Update**
7. **Any of Business**

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 25 September 2025
- b) Ratify the Working Group's recommendations.

Detail

On 25 September 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. Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast

Detail

Due to the cost and demand led pressures on the High Needs Block budget, arrangements were introduced from 2018/19 to provide the Forum with termly budget HNB monitoring.



Following the reporting of the council's DSG deficit of £22m at March 2025, monitoring has been provided showing the period 1-5 budget monitoring position of the full DSG and longer-term financial forecast.

The DSG is currently forecasting a **£54.036m** overspend at 31 March 2026, with a forecast cumulative DSG deficit total of **£76.453m**. **There are however additional forecast financial implications on DSG due to the SEND recovery plan, which are included in this report.**

There remains significant ongoing financial pressure facing the HNB block as the demand and costs continue to rise as the number of children and young people with EHCPs continues to grow, but the HNB Block funding from DfE has not kept paced and increased in line with this growth. Over the years, this has created financial pressures on a national level resulting in many authorities holding deficit DSG balances.

The remaining DSG funding blocks are forecast to remain near to the agreed budget line.

A full monitoring breakdown of the HNB has been provided at **Appendix A**.

DSG Period 1-5 Budget Monitoring 2025/26

DSG Monitoring 2025/26 - High Level Summary			
	Budget (£)	Forecast (£)	Variance (£)
High Needs Block	£208,328,762	£261,936,945	£53,608,183
Early Years Block	£202,149,983	£202,060,288	£89,695
Schools Block	£1,051,778,166	£1,052,188,174	£410,008
Central School Services Block (CSSB)	£8,633,102	£8,491,697	£141,405
Early Years Block DSG Adj 2024/25	£0	£248,456	£248,456
Total	£1,470,890,013	£1,524,925,560	£54,035,547

High Needs Block 2025/26			
	Budget (£)	Forecast (£)	Variance (£)
Mainstream Schools	40,534,901	59,146,448	18,611,547
Special Schools	94,617,441	96,114,727	1,497,286
Alternative Provision	14,432,767	17,056,312	2,623,545
Further Education - Post 16	5,801,448	7,534,260	1,732,812
Early Years	500,000	3,526,446	3,026,446
Exclusions	- 1,500,000	- 1,777,335	- 277,335
Commissioned Services	54,464,373	80,336,086	25,871,713
Total Expenditure	208,850,930	261,936,945	53,086,015
Total Grant	- 208,850,930	- 208,328,762	522,168
Total Variance	- 0	53,608,183	53,608,183

Early Years Block 2025/26			
	Budget (£)	Forecast (£)	Variance (£)
Under 2YO	57,342,256	57,342,256	-
2YO	51,328,199	51,328,199	-
3_4 YO	87,101,163	87,709,062	607,898
Early Years DAF	970,830	970,830	-
Early Years PPG	3,161,301	3,161,301	-
SEN Inclusion Fund	1,650,000	1,548,640	- 101,360
Total Expenditure	201,553,750	202,060,288	- 506,538
Total Grant	- 201,553,749	- 202,149,983	596,234
Total Variance	- 0	- 89,696	89,695



Schools Block 2025/26			
	Budget (£)	Forecast (£)	Variance (£)
Maintained Schools	703,875,895	688,302,665	15,573,230
Growth	1,501,534	2,150,812	-649,278
Academy Recoupment	342,576,091	357,273,718	-14,697,627
Academy Recoupment NNDR	1,552,481	2,067,843	-515,362
De-Delegations	2,272,165	2,393,136	-120,971
Total Expenditure	1,051,778,166	1,052,188,174	-410,008
Total Grant	-1,051,778,166	-1,051,778,166	0
Total Variance	0	410,008	-410,008

CSSB 2025/26			
	Budget (£)	Forecast (£)	Variance (£)
ESG Retained Duties (transferred to DSG)	2,591,000	2,591,000	0
Overheads	875,160	875,160	0
Copyright Licence	1,209,749	1,311,844	-102,095
School Forum	188,000	188,000	0
Pupil Access (Admissions)	867,500	867,500	0
Rates appeals	-111,441	-111,441	0
PFI - Sixth Form	3,013,134	2,769,634	243,500
Total Expenditure	8,633,102	8,491,697	141,405
Total Grant	-8,633,102	-8,633,102	0
Total Variance	0	-141,405	141,405



SEND Priority Action Plan – DSG Impact

Whilst the monitoring position shows current DSG spend to date, the implementation of the SEND Priority Action Plan (PAP) is forecast to further increase the financial pressure on the HNB DSG.

With an additional 3,818 EHCPs forecast to be completed by December 2025, the Lancashire rate of children with EHCP in special schools is currently 48.4%, which is almost 10% higher than the national figure of 38.6%. Assuming the same rate of pupils that are assessed in this calendar year will require a special school placement, there will be a requirement for 1,848 additional places across our estate to secure appropriate provision and name it in the final EHCP. For context, there are currently 3,918 pupils occupying a place at Lancashire special schools.

Due to Lancashire special schools being at full capacity, there will be a further need to utilise the independent sector at an average placement cost of £57,000. This will also increase our current reliance on independent schools from 5.1%, which is already over the national level of 4.8%. The remaining 51.6% (1,970) are assumed to be placed within mainstream schools at an average placement cost of £9,100, however **the financial implications will only be known once all EHCPs are finalised.**

With our current total EHCP level 13,402 as of the end of June 2025, the additional 3,818 will take our total number of EHCPs to 17,220 by the end of December 2025. It is assumed that these additional plans will remain in the system and not be ceased, as such significantly increasing our HNB expenditure annually. In addition, a growth factor of 10.50% has been forecasted from January 2026, which is forecast to take the total EHCPs to 17,673 by March 2026.

£57,000 x 1,848 (rounded) = **£105,330,984 (Annual)**

£9,100 x 1,970 (rounded) = **£17,927,801 (Annual)**

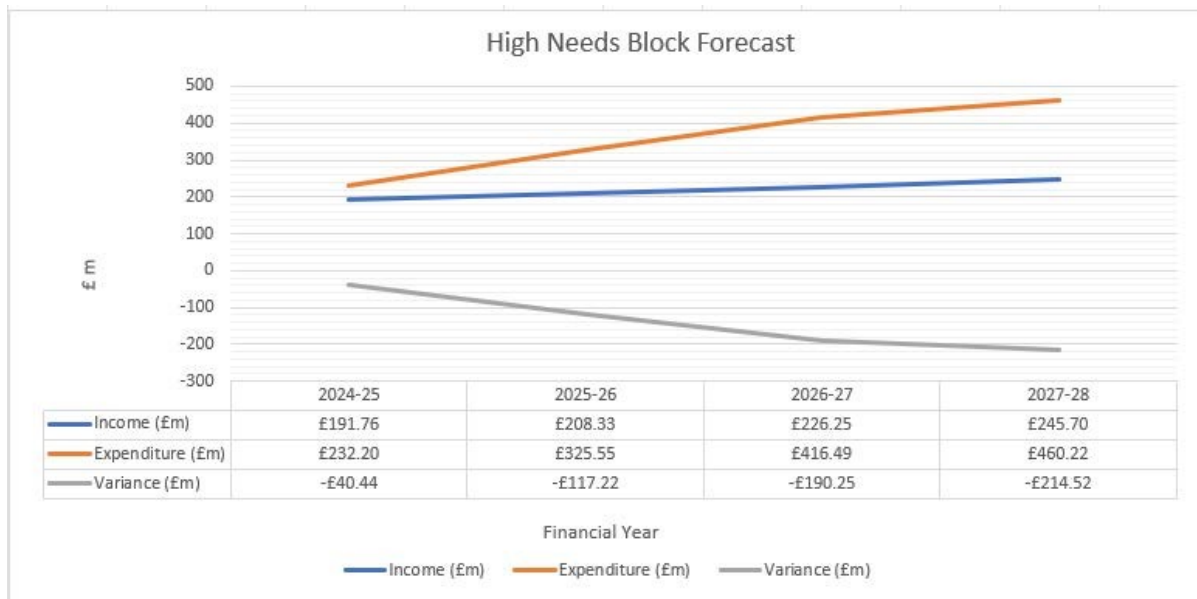
Total - £123,258,785

The modelling assumes that all 3,818 EHCPs remaining at mainstream provision until the end of October 2025, with 48.40% then placed at independent provision from November 2025.

The impact of this is a forecasted overspend of **£117m within the HNB in 2025/26, and a total DSG deficit of £140m by March 2026.**

Based on average annual growth in EHCPs at 10.50%, and forecasted HNB income received from DfE, the DSG deficit would continue to rise to £328 by March 2027, and **£545m by March 2028.** This would have significant and wider impacts for the council due to the statutory override, which is due to end by March 2028.





The impact of the SEND PAP is being regularly monitored, and an updated forecast position will be presented at the next working groups

Statutory Override

Currently there is a statutory override in place, which specifically allows councils to exclude deficits related to HNB DSG from their main revenue accounts. This means these deficits do not count against the council's general fund and councils are not required to immediately balance these deficits by reducing budgets to finance the shortfall. The override was introduced in financial year 2019/20 and has recently been extended again, until March 2028 due to the growing scale of SEND-related financial pressure.



Whilst the impact of a DSG deficit on the council's revenue budget is mitigated by the statutory override, the council is still required to finance the deficit as expenditure is being incurred without the cash being received to fund it. Ordinarily councils are not allowed to borrow for revenue expenditure. Under the Local Government Act 2003 local authorities are however able to borrow for the purpose of prudent management of their financial affairs.

According to the County Councils Network, local authorities are collectively carrying over £6 billion in DSG deficits, which is forecasted to rise to £10 billion by March 2028.

The statutory override has been a necessary stopgap, but it is not a solution. The conclusion of the sector is that without decisive reform and sustainable funding, local authorities will face escalating financial pressures that threaten both SEND provision and wider council services.

The working group:

Noted the report

Discussed:

- **Demand for special school places is rising faster than capacity; 200 places added yearly, but new builds take time.**
- **£57M in building work planned; SEND units are quicker but depend on school willingness.**
- **Parent choice and lack of capacity are pushing more children into independent provision (currently 900).**
- **No formal projections for future SEND numbers; better data and early warning systems are needed.**
- **Funding challenges: LA can't lobby, but forum members are encouraged to raise issues with MPs.**
- **Budget review ongoing; focus on high-cost areas and planning improvements.**
- **Awaiting Ofsted feedback next week.**

2. Early Years Block Funding Arrangements 2026/27

Detail

Following the report and modelling presented to the Early Years Working Group in June 2025, Lancashire County Council proposes retaining 3% of the Early Years Block centrally for the 2026/27 financial year. This strategic move aligns with national funding regulations and anticipates the Department for Education's (DfE) increase in the minimum pass-through rate to 97%. The proposal aims to enhance service quality, inclusion, and sustainability across early years settings, while ensuring equitable access to professional development and specialist support. In addition, this will support pressures within the High Needs Block



Where a local authority proposes to make changes to the funding formulae it used during the previous financial year that will affect early years providers, it must first consult its school's forum, maintained schools, and early years providers. Local authorities must also seek approval from their school's forum to agree any entitlements funding they intend to retain to fund central functions. A summary of the proposal has been provided, with the consultation attached as **Appendix B**

It is extremely important to the County Council and the Schools Forum to be able to reflect the views of early years providers when making decisions about centrally retained early years funding for 2026/27, as these decisions are binding on all early years providers.

Please let us know your views on the proposals for 2026/27, by completing the consultation questionnaire available here, **10 October 2025**, so that responses can be reported and voted on by the Schools Forum on **14 October 2025**.

Early Years Consultation Summary 2026/27

Modelling for retaining 3% centrally would equate to circa £6 million with the forecasted impact on the three individual entitlements listed below.

3- and 4-yearolds	Funding Impact £
Nursery school	£9,098
Nursery class	£2,666
PVI	£4,804
Childminder	£314
Average	£2,876
2-year-olds	
Nursery school	£2,982
Nursery class	£648
PVI	£1,710
Childminder	£182
Average	£1,002
Under 2-yearolds	
Nursery school	£1,190
Nursery class	£608
PVI	£3,458
Childminder	£496
Average	£1,834



The forecast average impact across all entitlements for 3% retention is also demonstrated below.

Nursery school	£13,270
Nursery class	£3,924
PVI	£9,972
Childminder	£992
Average	£5,712

The forecast modelling of varying percentage rates that could be held centrally is below, which ranges from 0.5% to the full 3%.

	Percentage Held centrally	Total EY spend	3-to-4 reduction per hour in £	2-year reduction per hour in £	Under 2 reduction per hour in £	Total reduction per hour in £	Average reduction in funding per setting
A	0.5%	£975,000	0.02	0.03	0.03	0.08	£952
B	1%	£1,950,000	0.04	0.05	0.07	0.16	£1,904
C	1.5%	£2,925,000	0.06	0.08	0.10	0.24	£2,856
D	2%	£3,900,000	0.08	0.11	0.13	0.32	£,3808
E	2.5%	£4,875,000	0.10	0.13	0.17	0.40	£4,760
F	3%	£5,850,000	0.12	0.16	0.20	0.48	£5,712
G	0%	£0	0	0	0	0	0

Option A

Using 0.5% for central spend would fund the early years' sufficiency team posts and some of early years' quality assurance team. This would assist with Education Improvement budgets but would not provide improvement in the sector.

Option B

Using 1% for central spend would fund the quality assurance and sufficiency early years team posts. This would assist with Education Improvement budgets. It also means that all current training would become free and accessible to all settings.

Option C

1.5% has a wider range of benefits as captured below.

Financial Breakdown

Item	Cost (£m)
Sufficiency team staff	0.3



Quality Assurance current staff	0.9
Sufficiency uplift	0.15
Wellcomm	0.15
Early Maths	0.175
LPDS staff uplift	0.42
Quality Assurance staff uplift	0.652
Item	Cost (£m)
Early phonics	0.253
Total	3.0

The benefits of this would be :

- Recruitment of 6 HLTA and one senior HLTA to focus on ensuring ordinarily available provision is being used in settings and focus on SEND support
- Addresses gaps in specialist support and improves outcomes for vulnerable children.
- Removal of traded service fees; all training becomes free and accessible.
- Support settings in delivering high-quality care, especially in disadvantaged areas
- Expansion of both teams to provide proactive support, funding modelling, and on-site guidance.
- Enables more frequent and meaningful engagement with settings.
- Current traded service costs (up to £423.50 for early years settings) are a barrier for smaller providers.
- Central funding removes this burden, promoting equity and sustainability.
- This also provides sustainability for the early years service
- Funding high quality curriculum resources programmes such as Early Phonics and Early maths alongside funded training will increase number of children meeting their Early Learning Goals
- Funded training from LPDS and Quality Assurance staff on other aspects of the curriculum such as Understanding the World, Writing and Expressive Arts will also support ELG
- Funding Wellcomm programme including training for all settings will improve speech and language which will stop escalating SEND need and improve ELG



- Targeted projects from data – such as support to improve outcomes for boys, EAL learners, FSM
- Early literacy focus to improve mark making in preparation for writing
- PSED focus to improve managing emotions and social interactions
- Great teaching support around metacognition/cognitive load to improve outcomes
- Moderation support for assessment of early years settings

Option D

2% would provide all the advantages above, plus the ability to transfer £1million of early years services currently funded from the high needs block into the early years block, and supports the growing high needs block deficit.

Option E

2.5% would provide all the advantages above plus the ability to fund all the current budget on specialist teaching early years staff, moving this from high needs block into the Early Years Block. This would decrease the pressure on the high needs block by £3million.

Option F

3% has the same benefits as Option E but could also mean a further £1million investment in staffing for the quality assurance team to visit settings and spend more time with them training/modelling/supporting in settings or provide further savings to the high needs block.

Option G

0% means there will be no changes to funding for early years settings in 2026/27, and the training to early years will need to remain traded.

The local authority preference is that the full 3% is retained to support improved outcomes for pupils with SEND, administration of the extended entitlements, improved practice across the sector through fully funded training opportunities, and to support pressures within the High Needs Block

The working group:

Noted the report

Summary of Discussion Points:

Team Capacity & Sector Engagement

- The local authority's early years teams are smaller than in other LAs, making it harder to keep up with demands.
- There's potential for greater involvement with the sector to better utilize funding and improve positioning.
- The proposed changes (1.5% D/E/F) mirror previous ones, but additional funding would come from the High Needs Block (HNB).

Funding & Legislation



- Local Government Reorganisation (LGR) could shift funding dynamics; most surrounding areas already take the full percentage from their block.
- Legislation allows the Secretary of State to approve up to 3% transfers, though some LAs exceed this via disapplication requests to the secretary of state (SoS)
- Previous promises of support were not fulfilled, leading to disappointment and concern over staff reductions.

Impact on Quality & Staffing

- A 3% transfer would force staff cuts, reducing quality, training, and capacity to support children.
- 90% of the sector is currently rated good/outstanding—cuts risk lowering these standards.
- Reduced funding could worsen existing problems the sector is trying to address.

Consultation & Transparency

- Concerns raised about the lack of detailed breakdowns in the consultation—settings need more clarity to make informed decisions.
- EY block had a separate consultation due to different legislative limits.
- Simplicity of the consultation may hinder full transparency.
- Feedback was read anonymously

Sector Sustainability & Equity

- LA teams are underfunded (e.g., £250k funding vs £1m cost).
- Settings in low-deprivation areas struggle to stay open due to lack of parental contributions.
- April changes would disrupt academic year budgeting and planning.

Quality Assurance & Role Duplication

- Quality Assurance teams do more than training—they ensure compliance and support.
- Concerns about duplication with Stronger Inclusion Hubs.
- This is the first time such consultation has occurred, meaning feedback is crucial.

Decision Process & Sector History

- Forum must vote post-consultation; LA can appeal to Secretary of State by 17th November.
- Sector were reminded of historic block transfers from schools block to EYB, and consider that additional funding support is provided from the HNB for EY services.
- Blackburn LA passes through 96%—their outcomes are good/outstanding.

Consultation Participation

- Low response rates are a concern, but non-responses are not assumed to be agreement.
- 0% transfer was unanimously supported by 11 members at the meeting
- Decision cannot be delayed due to budget timelines.



3. Strategic Support Partnership Handbook - SRAS De-delegation Criteria 2026/27

Detail

The Schools Requiring Additional Support (SRAS) criteria are kept under regular review. To be eligible for some elements of the support, the policy requires that schools in deficit have a Recovery Plan agreed with the authority. Any support from SRAS must be in line with the Schools Requiring Improvement handbook (to be renamed *Strategic Support Partnership SSP Handbook*), with the policy agreed by schools forum where any changes in support criteria are proposed. The statutory framework however for all schools to adhere to, is set out in the Scheme for Financing Schools.

Officers have been reviewing the current handbook, and the proposed changes are to reflect the proposed changes to the SRAS de-delegation proposal to schools which includes the advisers/consultants that undertake the SSP being funded from the Schools Requiring Additional Support fund for 2026/27. The summary is included in this report as **Appendix A**.

The Lancashire SRAS process also includes an action chart, which sets out some key dates and actions that take place through the year for schools and the LA. A copy is provided at **Appendix B**. The action chart includes reference to an ongoing policy where a Notice of Concern (NOC) in Respect of Financial Delegation will be issued to any school due to convert under a forced academy notice, or any school that is not complying with the scheme.

If the Forum approves these amendments to the SRAS arrangements this will be implemented from April 2026. It should also be noted that the policy change is subject to de-delegation approval from forum and also requires approval from the school improvement group (SIG). The revised SSP handbook is included as **Appendix D**

Appendix A

Schools Requiring Additional Support Criteria

The SRAS support criteria is administered through the School Improvement Group Board (SIG).

The current support arrangements have been developed by the Authority for schools that may be experiencing exceptional financial difficulty. Financial difficulty can arise from a number of causes which lead either to budget reductions for example due to falling rolls, or from the need for short term increases in expenditure. Examples include:

- Being placed in special measures or requiring significant improvement as identified by Ofsted;
- Identified by the School Advisor/Area Team Leader as requiring additional support for serious educational difficulties or failure to meet attainment targets;



- Subject to intervention by the Authority;
- Faced with serious personnel difficulties.
- Falling roll situations because of demographic changes.

The consequences of these are that the school can experience serious financial difficulty. The Schools Forum has agreed that the SRAS can provide support to schools requiring additional support that has resulted from the above.

In addition, the SRAS budget is also used to:

- Mitigate the interest charges that would otherwise have to be met by schools that have implemented an agreed recovery plan (i.e. have implemented appropriate measures to ensure that they do not exceed agreed deficit limits);
- Meet the cost of Contracting the School Financial Services Team at an enhanced level;
- Provide financial support to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves, in accordance with the financial support criteria agreed with the Forum;
- Provide one off financial support to schools who otherwise would not be able to recover from a deficit position. As a general guide, SICB suggested 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 not exceed 33% of the relevant deficit, but many may be lower.
- The delegation will also fund the salaries of the SSP team who provide the professional advice and guidance to the schools that require support, and the advisors who provide financial and governance support outside of the SLA arrangements that schools sign-up for individually

The budget for this support is obtained through the de-delegation, which is agreed annually by the Forum, following a consultation with schools.

FINANCIAL SUPPORT FOR SCHOOLS REQUIRING ATTENTION

The funding for the SSP team work and salaries for their work come from the de delegated Schools Requiring Additional Support funding which is agreed by forum each year.

The salary costs for the advisers/consultants that undertake the SSP work will be funded from the Schools Requiring Additional Support fund for 2026/27, and this arrangement will be reviewed annually in consultation with Schools Forum. The costs for April 26/27 financial year will be:

SSP adviser staff	£481,953
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Part salaries of Adviser staff for statutory visits	£195,395
Part salaries of LPDS staff who support SSP work	£243,399

The Lancashire Schools Forum has agreed the criteria whereby financial support will be provided to schools from the Schools Requiring Additional support budget. The formula and assumptions used in this assessment will be reviewed annually by the Forum.

This applies to all funding decisions agreed by the School Improvement Group e.g. contracts, additional funding bids, associate and acting arrangements. Separate arrangements apply to Voluntary Redundancy, Compulsory Redundancy and Severance payments (see below).

It should be noted that the Schools Requiring Additional Support fund will not be used to pay off a school's deficit budget.

The formula

Financial support will be provided to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves. To ensure fairness and equity across all phases and size of schools, the following formula will be used to determine the contribution the school will be required to make. Where:

Schools are in deficit or have a surplus balance below their floor balance:

- The full cost of the support will be met from the Schools Requiring Additional Support fund.

Schools have balances above their floor balance but below their ceiling balance:

- Schools will pay the lower of:
 - The full cost of the support, or
 - 50% of their balance above their floor balance
- Any difference between the school contribution and the cost of the support will be met by the Schools Requiring Additional Support fund.

Schools have balances above their ceiling balance:

- Schools will pay the lower of:
 - The full cost of the support, or
 - The balance above their ceiling balance, plus 50% of their balance above their floor balance and ceiling balance



- Any difference between the school contribution and the cost of the support will be met by the Schools Requiring Additional Support fund.

For the purpose of this formula:

- A school's floor balance is set at the greater of £20,000 or 1% of CFR income.
- A school's ceiling balance is set at the greater of £60,000 or 4% of CFR income.
- The level of support from the Schools Requiring Additional Support fund will be calculated based on the year end position in the preceding financial year.
- Any allocation made to Schools in Deficit or Schools in Surplus that qualify for support under the agreed formula will not be reduced. All bids will be re-calculated once the final outturn for the current financial year is known. Any additional support required, after applying the agreed formula to the final outturn will be funded to the school before financial close.

Schools in deficit or forecasting to move into deficit by 31 March are required to:

- Agree a Recovery Plan with the Local Authority.
- Provide termly I&E submission with a revised forecast closing balance, and
- Provide a copy of the termly management accounts that are submitted to the governing body.

Procedures are in place to challenge schools where the approved recovery plan is not on target.

Financial Support for Voluntary Redundancy, Compulsory Redundancy and Severance payments

Financial support for VR, CR and severances is treated separately to other **Schools Requiring Additional Support (SRAS)** decisions. Financial support is not based on cumulative figures throughout the year, nor is it re-calculated* once the final outturn for the current financial year is known.

Financial support for VR, CR must have prior approval from the School Improvement Group (SIG). Any VR or CR payments arising without SIG prior approval will be charged in full to the school budget.

Financial support for severances must have prior HR approval.

The formula (for VR, CR and severances)

Financial support will be provided to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves. To ensure fairness and equity across all phases and size of schools, the following formula will be used to determine the contribution the school will be required to make. Where:

Schools are in deficit or have a surplus balance below their floor balance:



- The schools will pay 20% of the cost with the remaining 80% being met from the Schools Requiring Additional Support fund.

Schools have balances above their floor balance but below their ceiling balance:

- Schools will pay 50% of the cost with the remaining 50% being met from the Schools Requiring Additional Support fund.

***Schools have balances above their ceiling balance:**

- The schools will pay 80% of the cost with the remaining 20% being met from the Schools Requiring Additional Support fund.

*where schools have balances above their ceiling balance, SICB reserve the right to recharge any Schools Requiring Additional Support fund contributions towards VR, CR or severances made during the year if balances remain above their ceiling balance at the end of the current year.

For the purpose of this formula:

- A school's floor balance is set at the greater of £20,000 or 1% of CFR income.
- A school's ceiling balance is set at the greater of £60,000 or 4% of CFR income.
- The level of support from the Schools Requiring Additional Support fund will be calculated on the basis of the year end position in the preceding financial year.

Appendix B

Schools Requiring Additional Support (SRAS) – Action Chart 2026/27

School Action	Deadline	LA response
Year end closure process for previous financial year	Determined date prior to 31 March	LA monitors position and contacts schools with unlicensed deficit or in breach of recovery plan
Income and Expenditure (I&E) return to be submitted	Before May half term	LA monitors submissions
Non- submission of I&E	June	LA writes to HT and CoG requesting I&E and recovery plan if required
Budget Anticipation/Recovery Plan to be submitted, if required, or Income and Expenditure return to be re-submitted showing balanced position	30 June	LA approves recovery plan and requesting termly outturn submissions. Where appropriate, issue Notice of Concern in Respect of Financial Delegation
Termly outturn submitted showing the same or better position than the approved recovery plan	termly	No Action



Non- submission of revised I&E or recovery plan despite reminder	September	Issue Notice of Concern in Respect of Financial Delegation
	Autumn term	SIG to invite school into county hall for a meeting, and SIG to attend full governors meeting
Non- submission of I&E or recovery plan despite Notice of Concern in Respect of Financial Delegation and SIG attendance at Full Governors Meeting	Autumn term	LA work with Regional schools Commissioner (RSC) to discuss where they judge that a warning notice is necessary
	January	Issue 'early warning' letters to schools triggering financial thresholds indicating the possibility that the school is heading towards financial difficulty
	Spring term	Performance and Standards Warning notice for withdrawal of delegation issued to CoG and Headteacher, which will specify action to be taken if failure to comply
	Spring term	Copy of the warning notice to be provided to Ofsted, and appropriate diocesan authority if necessary
	1 April	Withdraw Delegation / Intervention enforced Consideration of Interim Executive Board (IEB)

Throughout the year, a Notice of Concern in Respect of Financial Delegation, will be issued to any school due to convert under a forced academy notice, in order to safeguard the long term financial position of the school and the academy trust going forward and in recognition that where a maintained school becomes a sponsored academy any budget deficit that accrues remains with the Authority.

The working group:

Noted the Report

- **Was previously MIT, the new Handbook sets out criteria, covering various levels of support.**

4. Early Years Payment Terms

Background

Currently, Early Education Funding (EEF) providers in Lancashire are offered two payment options:

- Option 1: Monthly payments
- Option 2: One large interim payment



This dual-option model was introduced following a formal sector-wide consultation in April 2024, in response to mixed preferences among providers. Of the 936 registered Private, Voluntary, and Independent (PVI) providers and childminders, 542 (58%) have opted for monthly payments, while 394 (42%) have chosen the large interim payment model. All providers receive final balance payments in the last month of each term.

The County Council's Treasury Management Team has identified that significant borrowing cost savings could be achieved if all providers were paid monthly rather than via large lump sums in advance. Monthly payments also align with government guidance encouraging local authorities to support provider cash flow and sustainability through regular payments. Additionally, managing two payment models adds complexity to administrative processes and error correction. A single monthly payment model would simplify operations and reduce the risk of payment delays.

If a decision is made to move to monthly payments for all providers, the Funding Agreement for the Provision of Early Education and Childcare, which outlines the terms and conditions of payment, would need to be updated to reflect the revised payment terms.

Impact on Settings

Transitioning to a single monthly payment model may affect settings that currently rely on the large interim payment for cash flow management. These providers would need to adjust their financial planning to accommodate regular monthly payments. This could affect budgeting, payroll scheduling, and financial planning, particularly for providers that rely on upfront funding to cover initial term expenses. Clear communication and reasonable notice will be essential to support providers through this transition, should the proposal be implemented. Providers already on monthly payments will not be affected by these proposed changes.

The County Council proposes to implement this change when the next Funding Agreement is published, which is likely to be **1 January 2026** following the release of Ofsted's new inspection framework. We are not proposing to undertake a formal consultation. Instead, we ask the Early Years Working Block Group to note the contents of this report and provide any feedback to inform final decisions.

The working group:

Noted the Report

Discussed:

- **Treasury team identified auto-pay in 7th month; LA will change approach without consultation due to mixed feedback.**
- **Monthly payments likely to be introduced for all settings soon; this may be the last term under the current system.**
- **Concerns raised about delays in EHCP top-up payments and risks to SEND provision.**
- **Settings with capital plans may be impacted by funding changes.**



- **No fixed start date, but proposal aims for January 2026, with a recommended start of April 2026 of which the EYBG agreed.**
- **Monthly opt-in already available; aligns with maintained school payment schedules.**

5. **New Ofsted Inspection Framework Funding Implications**

Detail

In the event of an inadequate judgment under the current Ofsted Inspection Framework, settings continue to receive early education funding until next inspection in Lancashire. If a setting remains inadequate at the next re-inspection, funding ceases four weeks after the re-inspection report is published.

Detail

Based on the latest updates issued by the DfE, the County Council is proposing it applies the same principles to when funding would be withdrawn under the new inspection framework, specifically:

- Where a setting receives a **'Not met'** judgement for **Safeguarding** and/or an **'Urgent improvement'** for **Leadership and Governance**, funding will continue until the next inspection (as it does now).
- If either of those judgements remains unchanged at re-inspection, funding will cease four weeks after the re-inspection report is published (as it does now where the overall judgement remains inadequate).

The latest updates from the DfE do allow local authorities to remove funding for disadvantaged 2YO's if the leadership and governance is not 'expected standard' or above under the new framework. This is the same principle as the current guidance which allows local authorities to remove funding for disadvantaged 2YO's where the overall judgement is less than good. However, in Lancashire we have not previously differentiated between these scenarios, and it is proposed to continue with that approach i.e. using only the **Safeguarding 'Not met'** and **Leadership and Governance 'Urgent improvement'** judgements as the trigger points for funding withdrawal at re-inspection

The working group:

Discussed:

- **Settings rated below 'Good' may lose access to under-2s funding.**
- **Updated e-guidance expected January; discussions ongoing around compliance.**
- **Settings can make changes if compliant, though parents have raised concerns.**
- **DfE under pressure to remove the 10-hour limit for large nursery chains.**
- **Meal payments: Parents can opt out; some large chains have refunded fees after changes.**
- **Parental confusion around meal charges is being reviewed.**



- **Free childcare is subsidised, not fully funded.**

6. Early Years Net Closure Update

Verbal update from Mel Foster, Operational Delivery Lead (Early Years Funding & Sufficiency).

Detail

- **Lancashire's early years sector remains positive overall.**
- **Since the last report: 2 fewer childminders, 1 fewer day nursery, but 11 more school-based provisions.**
- **Admissions guidance: Schools should follow the national admissions code. LCC schools are guided by the council; others set their own criteria.**
- **Concern raised about parents being told they must agree to a one-year placement to gain admission to a linked school.**

The working group:

Noted the Update

7. Any Other Business

Sapphire has brought the below points for a verbal update:

- Informal arrangements between setting / parent or carer to delay entry to Reception.
- STS Inclusion Funding / Service offer update

Service & Inclusion Fund Update

- Link Visits: Positive feedback so far. Trial phase—feedback welcomed.
- Visit Options: Will follow options 2/3/4 unless child has specific needs. Individual visits still possible.
- Support Model: Longer-term cohort work planned, including half-day sessions in settings.
- Collaboration: Strong links with specialist teachers and settings.

Inclusion Fund Changes

- New process linked to funding speed.
- Doesn't apply to current open cases.
- RFI triaged; service sends letter to support eForm submission.
- No separate pots for A/B.
- Requests must include child info, demographics, referrer, outcomes, training needs.
- Existing cases stay as-is until review.
- Sapphire will send income details and write guidance.
- If Portage involved, they handle RFI.

The working group:

- **Noted the Update**

