

A summary of a meeting with Chair Phillipa Perks, Aby Hardy and Cllr Matthew Slater.

Considering the impact of LCC proposal to take £3m out of the EY funding allocation. ¹

1. Executive Summary, see section 13 below.
2. Government will be funding 80% of the childcare market² from Sept 2025. This is becoming a monopsony³ (a market situation where there is one major buyer and this creates imperfect market conditions typically to the disadvantage of the suppliers). Government is controlling income and expenditure of childcare settings through legislation. If poorly funded, it will lead to lower quality, exit from market, high staff churn due to low pay and poor prospects, recruitment difficulty and lack of parental choice. Why does this matter?
3. Imagine two settings:
 - a. Little Ducks, a charity run setting that receives 100% of its term time only income from funded places. The setting has an increase in costs due to inflation, NMW, rates etc of 10% but the increase in funding from government is 5%. Where can it obtain the difference?
 - b. Little Owls has 50% funded income. The setting has an increase in costs due to inflation, NMW, business rates etc of 10% but the increase in funding from government is 5%. This setting must increase the cost to parents by 10% to cover their proportion of the costs PLUS a further 5% to cover the government shortfall. Total 15% increase.
 - c. Impact
 - i. Prices for childcare have risen faster than inflation because paying parents are and have been for many years, subsidising the so-called free childcare the government has chosen to under fund.
 - ii. There are diminishing opportunities for settings to claw back the underfunding. See high court decision⁴ on extras.
4. Lancashire receives lowest funding rates in the country because of the flawed National Funding Formula. LCC has lobbied government for this to change and it impacts PVI and maintained settings alike.
5. Every childcare setting has recently had to find extra money to fund:
 - a. An increase in minimum wage of 6.7% (£1,500/employee)
 - b. An increase in 18-20 year old NMW of 16.3% (£2,730/employee)

¹ Compiled by P T Hindle July 2025

² A New Social Contract in the Child Care System, Abby Jitendra, JRF

³ Monopsony in Local Markets, Alan Manning, Institute of Fiscal Studies

⁴ Statutory Guidance for the Local Provision of Early Education and Childcare 1 April 2025

- c. An increase in employers NI moving from 13.5% to 15% and a change to start rate drop from £9,100 to £5,000. (£770/NMW employee)
 - d. Inflation at 3.5%
 - e. Net impact on an average setting of 12 FTE. NMW £24,550. Inflation £3,500. NI £10,000. **Total £38,050 increased costs**, before LCC proposed deduction.
6. There is already a £2.25/hour shortfall (£2565pa) for 3-4 yo's in funding in Lancashire. 85% of settings struggle to recruit and 60% find it very difficult (EY Alliance). 76% of settings expect to make a loss or break even this year. 34% of childminders are in deficit. 48% of group based settings report that income does not cover costs.⁵ Maintained nurseries are struggling as well.
 7. Lancashire has always argued that due to the diversity in the county, and the low level of funding received and the desire to ensure every child has the best start in life, it should pass through all the funding from the NFF. The guidance ⁶ states that, "local authorities should consider changing pressures on local markets when determining their pass-through rate"
 8. A presentation to Schools Forum has proposed that circa £3m is top sliced from the EY funding to be allocated to unspecified Central Spend. It further indicated that the average setting would be negatively impacted by £5,000.
 9. Recent NDNA⁷ survey feedback from 84 providers in Lancashire revealed this would be £13,000. With range from £2,000 to £145,000 loss of income.
 10. The survey also asked what impact this cut would have.
 - a. 9 nine nurseries with 425 places said they will have to close, meaning job losses and families searching for local childcare. This would be disruptive and stressful to working parents.
 - b. Over 20% stated they would have to cut back on looking after children with SEND as they are most labour intensive; settings are not paid for one to one care. If that sentiment and action is extrapolated to the whole of Lancashire, many children and families will have nowhere to go for support. This would further compound the SEND overspend the Council faces, making the core issue at hand even more acute.
 - c. 20% would have to increase fees to parents to cover the cuts imposed by the Council. They are already going up by 10-15%.
 - d. 99% said they would have cut back on staffing either through reducing funded places, removing ancillary staff (cook and cleaner), changing ratios (that gives less child direct contact time by 20%) or reducing staff

⁵ DfE Pulse survey July 2025

⁶ Early Years Operational Guidance 2025/26

⁷ NDNA Survey of Lancashire EY settings on the proposed LCC cut back in funding. July 2025

hours or not having pay increases. All of which increases staff churn and recruitment issues. This would impact on the Council's statutory responsibility for sufficiency and lead to increased costs for LCC.

- e. 10% said they would have to cut back on the provision of food by either not providing it or reducing quality. Parents bringing packed lunches. The poorest families have been shown⁸ to bring the least healthy lunches. Food allergies are difficult to control when cross contamination becomes more likely. Obesity rates continue to climb in young children.

11. 4% said they would have to cut maintenance of their property or buildings, which could lead to health and safety concerns.

12. Quotes from the survey.

- a. "Each year I have to borrow more to keep afloat, funding each month does not cover my current wage bill let alone other costs."
- b. "More Champaign Nurseries⁹ at Lemonade Funding, it is bad enough that Government does not pay us enough, now LCC wants to rob us as well."
- c. "We have been around for 59 years as a charity and do not make profit. If the cuts go ahead, we will lose even more money and will have to close."

13. In conclusion

- a. The PVI and Maintained sector reject any proposal to reduce funding.
- b. LCC officers and Schools Forum should unanimously reject this proposal because apart from reducing quality of care, it will:
 - i. Go against Lancashire's long term plans
 - ii. Cost LCC more than it saves from EY, especially in SEND provision
 - iii. Close settings currently on the edge of financial difficulty
 - iv. Reduce sufficiency of childcare and parental choice
 - v. Impact SEND children disproportionately
 - vi. Negatively impact settings and children in deprived areas
 - vii. Reduce staff retention and make recruitment even harder
 - viii. Reduce healthy eating and provision of quality meals
 - ix. Impact parental fees and choice.
 - x. Reduce quality of care for children leading to a reduction in the 96% of settings with good or outstanding Ofsted outcomes. (92% in primary schools¹⁰)
- c. Lancashire should be proud that it passes on 100% of the funding and should continue to do so. Most importantly, Schools Forum has been great over the years at putting children first. That needs to happen now.

⁸ Packed Lunch Provision and Consumption in Early Years Settings in Sheffield: A Cross-Sectional Study, May 2025

⁹ <https://www.youtube.com/watch?v=e3zWT90rVac>

¹⁰ LG Inform data 23/24

Feedback from Sector to Early Years Chair

Questions

1. Is this a consultation in its final form or is it a consultation on the consultation?
2. Can we propose changes to it?
3. My view is that it is so long as to switch most off from answering it. Now that might be a good thing as it means many will not reply but all your contacts will and provide your desired outcome.
4. Someone needs to read and critique the so called evidence on pager 45/80 in the Agenda. Evidence of National Research
5. Page 42/48 states that current traded service costs up to £423 for early years settings are a barrier for smaller providers.” So how is taking £10,000 off them going to help that?
6. Page 47/80 states the average but what is the range, a full impact assessment has not been done here. The impact assessment should also include reviewing the impact in deprived areas of this mad policy change.

Nursery school £13,270

Nursery class £3,924

PVI £9,972

Childminder £992

Average £5,712

7. Page 50/80 lists all the great benefits of giving up 1.5%, suggest you find the counter argument for each point line by line.

a. E.g. “This also provides sustainability for the early years service” ... at the expense of the sustainability of the sector

b. E.g. “Support settings in delivering high-quality care, especially in disadvantaged areas” ... it is settings in disadvantaged areas that are going to be most negatively impacted by this proposed change. They have the least parental income to provide additional income.

c. As a general comment, all this extra teaching delivered over 1000 settings is diluted and one has to wonder how effective it will be.

d. If the local authority is short of money, how can they afford all these extra services for recruitment? I suspect these are sales promises that will never materialise.

e. You have to decide if this package is worth £5k on average.

8. I think that if the local authority allowed to state its preference, then representatives should be allowed to do the same in the consultation document

9. The final consultation summary 51/80 should state

a. Please let us know your preference regarding the percentage of early years funding to be cut from your income in 2026/27.

10. Make sure that my report goes out with the consultation.

11. On page 49/80 the chart shows total reduction per hour in £. What relevance is that? This shows a lack of understanding but hopefully providers will see that and vote against any change?

12. Finally ask what will happen if the sector votes against any change? Will they still press ahead?

To the Chair of the Early Years Forum

As LCC is now clearly against the whole EY sector including maintained and nursery schools and has little understanding of what we do and under what conditions, please do not use my name in this for fear of reprisals.

I am concerned that there are a lot of promises here but no real costed “meat on the bone”. There is no clear plan. I suspect if we agreed to any of this, it would very quickly be whittled back to where we are now.

As an over-arching point, the removal of funding resource from front line service to back room at this time would be a disaster and I note and substantially agree with the report Appendix C re Impact of taking £3 million out of EY funding. Now LCC propose £6 million so those comments are compounded with more settings closing and more front line problems, less to spend on resources and less to pay staff.

There is only so much juice you can squeeze from an orange and in early years the pips are already squeaking.

I wish to raise questions and counter arguments from the points raised on page 50 under “The benefits of this would be”

1. 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

a. Options C-F include recruitment of additional central staff. The EY sector needs staff to be working directly with children. Why, in a time of significant financial strain, should we be removing funding from the frontline to fund central posts?

2. Addresses gaps in specialist support and improves outcomes for vulnerable children

a. No clarity about what this means but surely having resources on the front line is the best solution for vulnerable children

3. Removal of traded service fees; all training becomes free and accessible.

a. 7 below states that some settings cannot afford £423.50 fee. How will taking £10,000 off them support this?

4. Support settings in delivering high-quality care, especially in disadvantaged areas

a. Lancashire EY has a high quality of delivery based on OFSTED results. The settings in disadvantaged areas will be most impacted by raiding the funding for central use as these are the settings with limited parental income to support the already underfunded FEE.

5. Expansion of both teams to provide proactive support, funding modelling, and on-site guidance.

a. They should be doing this already. No indication on what extra will be delivered for £1.1m

b. If all settings require on site guidance, training extra visits and meaningful engagement, how will they manage the work load?

6. Enables more frequent and meaningful engagement with settings.

a. As 5 above

7. Current traded service costs (up to £423.50 for early years settings) are a barrier for smaller providers.

a. As 3 above

8. Central funding removes this burden, promoting equity and sustainability.

a. What burden when you are proposing to take funding away greater than the benefit?

9. This also provides sustainability for the early years' service

a. How is this our issue? Many LA's do not have the QA team.

10. 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

a. Why is this already low? How will cutting front line services support this? Many of these resources are on-line either free or for low cost.

11. 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

a. Further explanation of this is needed. Many other organisations offer this for free. Mark making is in our remit not writing.

12. Funding Wellcomm programme including training for all settings will improve speech and language which will stop escalating SEND need and improve ELG

a. If the sector values this it could be purchased individually or a licence for all settings to use.

13. Targeted projects from data – such as support to improve outcomes for boys, EAL learners, FSM

a. This is a primary school issue and is also vague, unless you are proposing to offer FSM to all settings.

14. Early literacy focus to improve mark making in preparation for writing

a. What does this mean?

15. PSED focus to improve managing emotions and social interactions

a. Wealth of free resources online

16. Great teaching support around metacognition/cognitive load to improve outcomes

a. EEF already provides this mostly FOC

17. Moderation support for assessment of early years settings

a. Already provided on the fixed annual visit

Finally, this is all very rushed and there is no time to reflect or consider the points that LCC have had months to put together. Despite the time LCC have had to work on it, no impact assessment has been done to show the range of financial impacts on settings, only an average.

This whole thing shows the growing lack of respect or appreciation by LCC for the Early Years sector.

ANON

Schools Forum Early Years Working Group

· The LA is proposing to retain 3% of EYs funding which would include transferring £3m-£4m to HNB. The LA are also proposing to transfer 0.5% of the schools' block, or £5.1m, to HNB. The EY Block serves a maximum of 3.5 academic years whereas the Schools Block serves 13 academic years. This is a disproportionate demand on the EY Block.

· Although the EY sector would like to be able to support the HNB it is facing its own SEND issues

o There are increasing numbers of children with SEND requiring their needs to be met in the EYs with no additional support. This has been exacerbated by the expansion of Government funded early education provision.

o Children with complex needs continue to present at EY settings with no funding in place to provide additional support

- o The EYs are facing a recruitment crisis (hence Government advertising to promote working in the sector), including for temporary positions to support children with SEND

The EYs sector identifies children's needs earlier, implements interventions and applies for EHCPNA so that children transferring to primary school have support in place, lessening the burden on the primary school sector.

- The EY sector continues to be under extreme financial pressure with successive years where increases to Government funding is significantly below the imposed increases to the NLW and NICs. Large number of staff are employed at the NLW so these increases have the greatest impact to the EY sector. Reducing the base rate will increase financial pressures resulting in settings having no headroom within statutory ratios. It will increase workload for practitioners and leaders, and reduce or eliminate time for staff to plan, prepare, assess, and to access CPD. Settings are reporting that the proposed cuts to base rates will result in staff losses, closure of settings, lack of sufficiency for the LA and ultimately costs passed on to families.

- In EYs there are low rates of pay, high turnover of staff and demoralisation in the sector as a whole. The implication will result in a continuation of low pay, undervalued staff and high turnovers. The training will be pointless if this continues to occur.

- The EEF report quoted in the consultation document shows that

- o 58% respondents identified staff cover as a barrier to CPD

- o 56% respondents identified lack of time as a barrier to CPD

- o 43% respondents identified maintaining ratios as a barrier to CPD

- o Free training and support will not address these barriers, staff will continue to be unable to be released from ratios to participate in CPD, and it is likely to worsen if funding is cut

- All options in the consultation include funding for the quality assurance team. At the moment this is a traded service, similarly to the schools' advisory service and LPDS being traded services to schools. The proposed changes remove choice of CPD provider from the EY sector. Why should the EY be treated differently to schools in being able to choose their CPD providers?

- Options C-F include recruitment of additional central staff. The EY sector needs staff to be working directly with children. Why, in a time of significant financial strain, should we be removing funding from the frontline to fund central posts?

- o Minimum cost of 1 HLTA, with oncosts, TTO = £41,347

o Minimum cost of 6 HLTAs + 1 senior HLTA = 7 x £41,347 = £289,429

· If the LA is looking at making savings in education budgets what savings/changes to job roles are being made in the central services to make them more affordable?

o N.B. EYs and education settings have had to extend their job roles with no additional funding e.g. family support on CON level 1 and 2; SALT support; increased SEND support within standard staffing ratios

· The proposals are based on comparisons with other LAs and their retention of central EY Block funding. If the comparison with other LAs is widened, there are many LAs with a very small EY quality assurance team e.g. North Yorkshire. Settings in those LAs make use of the many CPD providers e.g. Early Years Stronger Practice Hubs, DfE free training, free training through professional organisations, setting to setting support

· There is insufficient detail in the consultation document and information coming to the Schools Forum EY block – what is being funded in the sufficiency team and is it purely their EY responsibilities? what is meant by ‘uplift’? why would the EYs be funding LPDS? What is meant by sufficiency uplift?

· The consultation document needs to give more detail on what is being funded in each option.

· The consultation document needs to separate proposed funding into sufficiency team, quality assurance team, HNB contribution rather than the current ‘packages’. Schools forum already uses this model when consulting on de-delegations.

Looking at the consultation and paperwork for the Early Years Forum, I feel the proposal lacks a lot of detail which the Forum needs to make an informed decision and having sat on the High Need Forum for many years it is not unusual for us to say there isn't enough detail and we need more information and at least abstain until that is provided. Also, the amount they are planning on taking is disproportioned compared to other sectors.

The proposal states that all authorities except 3 top slice EY funding and the LA proposal is to take 3%. However, the report doesn't break down what each local authority receives per head, what percentage they actually take and what that money is spent on. I think we need to ask for this information.

Appendix C sums up very well the opinion of the EY sector and presents a very clear argument.

The report outlines some settings are struggling to afford training (cost £423.50) but then proposes to cut funding by a lot more, which is counterintuitive.

It doesn't discuss low rates of pay, high turnover of staff and demoralisation in the sector as a whole. The implication will result in a continuation of low pay, undervalued staff and high turnovers. The training will be pointless if this continues to occur.

Its argument states that the base rate has risen but hasn't considered that this hasn't kept pace with inflation, staff costs etc. The sector is already underfunded and struggling and the impact for a full 3% will be staff losses, closure of settings, lack of sufficiency for the LA and ultimately costs passed on to families.

I have been asked to attend a two-day panel regarding the funding for inclusion hubs which I've agreed to do as I'm worried funding will be taken away from this area. I'm hoping the Primary, Secondary sector will also recognise that the EY sector cannot lose funding.

I think there are too many options. I don't think there is sufficient evidence of the impact to allow settings to make an informed judgement.

I think the language is quite emotive and the benefits are not real benefits as it takes away our right to choose who provides our training. Also needs to demonstrate that Lancashire still remains one of the lowest paid authorises in the country.

Timescales to turn round the evidence from the consultation is too short. Our responses have to be received by the 10th and full forum has to vote on it on the 14th. That leaves 1 day as there is a weekend in between

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- This is for the person who is discussing the proposed reduction in funding. Please can you tell me where you get the circa figure of a reduction in annual funding of 10K from? I'm unclear of how this is calculated. Is this from the surveys we complete? i.e the recent CSA survey that informs of our fee structure? Must we complete these surveys? If so, please can I have the paperwork that states we must complete them? I feel that going forward I will not divulge the information if it is going to come back and have a negative impact on my businesses.
 - You mentioned an annual loss of approximately 10k. Who did these calculations? I would like some transparency on how they came to the

figure. As I do recall a couple of months ago when these proposals were initially made that the annual loss would be circa 9k. Why the change now? And my calculations are so much higher than 10k per annum.

- What other avenues have LCC looked at to get the 3 million plus back? It seems extremely unfair to take it off us private providers when for the last 12 months it seemed like we were getting a decent annual increase for which we could pay our staff higher salaries, invest in our businesses and finally have a decent forecast for our financial sustainability.
- How much hourly funded rate do the maintained (school nurseries get?) As this whole process seems like a way of pushing us private providers out, so that the new school-based nurseries fill their spaces. Please can someone elaborate on this?
- Do you think that a 10k per annum is an ok figure for a nursery to lose? This is a part time member of staff salary. How can you justify this when Ofsted and the government are continually pushing for high quality childcare? Our best resources are our staff.
- I'm very, very worried about the future of my businesses. Our Lancaster settings income is now 99% funding and the Carnforth setting is 80% funding. I don't know of many other businesses who are completely reliant on government funding and who cannot add fees on to top up the funding rate, when parents want to claim the 15/30 hours only per week which for my businesses is what is happening. It feels like you have now tied our hands on how to run the financial side of our businesses, but have gone backwards in providing a decent rate to run our businesses. Please can you tell me what security measures will be put in place when we lose this money, because let's face it, that is what is going to happen.
- When will these decreases come into play?
- How can we possibly manage any financial forecasts for our businesses when these changes are made? We only ever get our new hourly rate of funding at the end of January. The new rates then came in to play in April. Please can someone elaborate?

This next point is for whom ever is responsible for promoting school nurseries.

- Please can you tell me where I can find any evidence that school-based nurseries are the best start in life for children. I have researched this and can find nothing. For the last 30 years I have been providing childcare within our communities, to now feel that what I have been doing is basically not worthwhile as we now have school-based nurseries appearing and using banners such as

the one I've attached to a separate email stating that they are the best start. How can they be better when the ratios are different. We have to use a 1:8 ratio for 3 and 4-year-olds without a teacher /EYP etc, when schools I believe use a 1:13 ratio if a teacher is present. As I have already pointed out from years of experience our best resources are our fabulous staff.

- This just feels like an indirect way of brainwashing parents (because it's government funded), into believing that school-based nurseries are better than private day nurseries, when from what I could find they are not. They are just different in so many ways. I would like hard research to support the claim that they are the best start. And not any government papers that just say they are better. Independent research would be the best option. Thank you. Maybe the banner should say " School-based nurseries another choice for parents." As for me it has always been about the choice that parents want for their child/ren. And I always encourage parents to look around other settings, as we are all very different.

Thank you for allowing me to have my say. Not sure if it will make any difference.

Apologies if I seem negative, but I feel that it reflects the general mood of the sector.
