



**Subject Heading:**

**Early Years Funding 2025-26**

**Report Author:**

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**Eligibility to vote:**

**Information only**

### **SUMMARY**

This report summarises the announcement of indicative DSG Early Years Block funding for financial year 2025-26 and outlines the process for the Local Authority to determine early years funding rates for the next financial year.

### **RECOMMENDATIONS**

The Schools Funding Forum:

- (i) notes the indicative funding allocations for 2025-26
- (ii) notes the process and timeline for determining funding rates for 2025-26

### **REPORT DETAIL**

## 1 Funding arrangements for 2024-25

The funding rates for 2024-25 for providers in Havering were originally agreed in February 2024.

Funding rates for 2024-25 are as follows:

Funding Factor	Funded age of the child	2024-25 Funding Rate
<b>Factor 1</b> Base rate	<b>9 months to two year olds (Under twos)</b>	£11.05 per hour
	Two year olds – working parents	£8.05 per hour
	Two year olds – disadvantaged families (includes an in-built deprivation rate)	£8.59 per hour
	<b>Three and four year olds</b> Universal 15 hours funding Extended 30 hours funding	£5.56 per hour
<b>Factor 2</b> Deprivation Funding rate	<b>Three and four year olds</b>	IDACI A - £0.78 per hour IDACI B - £0.59 per hour IDACI C - £0.55 per hour IDACI D - £0.51 per hour IDACI E - £0.33 per hour IDACI F - £0.27 per hour
<b>Factor 3</b> Early Years Pupil Premium (EYPP)	<b>9+ month, two, three and four year olds</b>	£0.68 per hour
<b>Factor 4</b> Disability Access Funding (DAF)	<b>9+ month, two, three and four year olds</b>	£910 per annum
<b>Factor 5</b> SENIF – Complex Needs / EHCP	<b>9 months to two year olds (Under twos)</b>	£6.95 per hour*
	<b>Two year olds – working parents</b>	£8.95 per hour*
	<b>Two year olds – disadvantaged families</b>	£8.41 per hour*
	<b>Three and four year olds</b>	£11.44 per hour*

\* This is the sum required to bring the total hourly funding for a child to £17.00. This is the current hourly rate paid in support of an EHCP for a pupil in Years R -11.

## 2 Indicative Early Years Block allocation 2025-26

As part of the expansion of funding childcare, announced in the Spring 2023 Budget, under two year olds and two year olds, of working parents, will be funded up to 15 hours at different points from financial year 2024-25.

This funding forms part of the roll-out of the expansion programme, where central government's objective is to provide 30 hours of funded entitlement for children from 9 months to 4 years old of eligible working parents.

The funding rates for Havering for 2024-25 are as follows:

Age	2024-25 total rate £	2025-26 total rate £	Change £	Change %
Under 2 year olds	12.11	12.45	0.34	2.81

Age	2024-25 total rate £	2025-26 total rate £	Change £	Change %
2 year olds	8.90	9.17	0.27	3.03

Age	2024-25 EYNFF* rate £	2023-24 EYSG** rate £	2022-23 TPPG*** rate £	2023-24 TPPG*** rate £	2024-25 TPPG** * rate £	2024-25 total rate £	2025-26 total rate £	Change £	Change %
3/4 year olds	5.76	0.19	0.07	0.07	0.07	6.16	6.40	0.24	3.90

\* EYNFF – Early Years National Funding Formula

\*\* EYSG – Early Years Supplementary Grant

\*\*\* TPPG – Teachers’ Pay and Pension Grants

The 2024-25 total funding rate for 3&4 year olds is £6.16. This incorporates the Early Years Supplementary Grant of 19p and the grants for teachers’ pay and pensions from 2022-23 to 2024-25, which was previously paid separately in each of the applicable years to maintained schools with nurseries, totalling 21p. The funding rate for 2025-26, which incorporates the previous grants is £6.40, a rise of 24p (3.9%).

Indicative allocations for 2025-26 have been calculated by applying the 2025-26 hourly funding rates to January 2024 data.

**2.1 The table below shows a comparison between the indicative figures for 2025-26 and the indicative figures for 2024-25 released in December of each of the respective years that the final DSG allocations have been released.**

Category	2025-26	2024-25	Change in numbers	Change £	Change %
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Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.40	6.16	-	0.24	3.90%
Number for 3 and 4 year old universal entitlement funding (part-time equivalent)	4,166.20	4,096.42	69.78	-	1.70%
<b>Indicative funding allocation for universal entitlement (15 hours) for 3 and 4 year olds (£s)</b>	<b>15,198,298</b>	<b>14,383,350</b>	<b>-</b>	<b>814,948</b>	<b>5.67%</b>

Hourly rate for 3 and 4 year olds from early years national funding formula (£ / hr)	6.40	6.16	-	0.24	3.90%
Number for 3 and 4 year old additional 15 hours entitlement for	1,934.19	1,832.76	101.43	-	5.53%

eligible working parents (part-time equivalent)					
Indicative funding allocation for <b>additional 15 hours entitlement for eligible working parents of 3 and 4 year olds</b> (£s)	7,055,853	6,435,187	-	620,666	9.64%

Hourly rate for 2 year old entitlement (£ / hr)	9.17	8.90	-	0.27	3.03%
Number for 2 year old disadvantaged entitlement funding (part-time equivalent)	480.57	505.14	-24.57	-	-4.86%
Indicative funding allocation for <b>2 year old disadvantaged entitlement (15 hours)</b> (£s)	2,511,892	2,562,576	-	-50,684	-1.98%

Hourly rate for 2 year old entitlement (£ / hr)	9.17	8.90	-	0.27	3.03%
Estimated number for 2 year old entitlement for working parents (part-time equivalent)	1,740.66	1,119.28	621.38	-	55.52%
Indicative funding allocation for <b>2 year old working parent entitlement (15 hours – Apr-25 to Aug-25 / 30 hours – Sep-25 to Mar-26)</b> (£s)	9,098,256	5,678,108	-	3,420,148	60.23%

Hourly rate for under 2s entitlement (£ / hr)	12.45	12.11	-	0.34	2.81%
Estimated number for under 2s entitlement (part-time equivalent)	1,896.00	567.09	1,328.91	-	234.34%
Indicative funding allocation for <b>under 2s entitlement (15 hours)</b> (£s)	13,454,965	3,914,453	-	9,540,512	243.73%

<b>***Sub-total Early Years Block (£s) – Entitlements***</b>	<b>47,319,264</b>	<b>32,973,674</b>	<b>-</b>	<b>14,345,590</b>	<b>43.51%</b>
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Indicative funding allocation for <b>early years pupil premium for 3 and 4 year olds</b> (£s)	202,060	128,602	-	73,458	57.12%
Indicative funding allocation for <b>early years pupil premium for 2 year olds</b> (£s)	89,262.00	71,160.00	-	18,102	25.44%
Indicative funding allocation for <b>early years pupil premium for under 2s</b> (£s)	8,032.00	3,559.00	-	4,473	125.68%
Funding allocation for <b>disability access fund for 3 and 4 year olds</b> (£s)	145,390	138,320	-	7,070	5.11%
Funding allocation for <b>disability access fund for 2 year olds</b> (£s)	44,086.00	39,130.00	-	4,956	12.67%
Funding allocation for <b>disability access fund for under 2s</b> (£s)	11,256.00	15,470.00	-	-4,214	-27.24%

<b>***Sub-total Early Years Block (£s) – Early Years Pupil Premium and DAF***</b>	<b>500,086</b>	<b>396,241</b>	<b>-</b>	<b>103,845</b>	<b>26.21%</b>
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<b>Total early years block (£s)</b>	<b>47,819,350</b>	<b>33,369,915</b>	<b>-</b>	<b>14,449,435</b>	<b>43.30%</b>
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The indicative figures for 2025-26 include the funding added into the hourly rate to replace the teachers' pay and pension grants.

The indicative allocations for the **existing entitlements** for 2025-26 will be updated as follows:

- July 2025 - updated based on January 2025 census numbers
- July 2026 - updated based on five-twelfths of the January 2025 census numbers (to cover the period April 2025 to August 2025 period), and seven-twelfths of the January 2026 census numbers (to cover September 2025 to March 2026)

The indicative allocations for the **new entitlements** for 2025-26 will be updated on the basis of actual take-up for each term, collected through 2 additional headcounts. Every local authority will have to provide the DfE with these additional headcounts for 2025 summer and 2025 autumn terms. This is in addition to the yearly spring census (January 2026) that LAs provide as part of the current arrangements.

Further information about the termly collections will be released by the DfE. Provisional dates that the DfE have advised that the headcounts will occur are as follows:

- June 2025
- November 2025

### **3 Determining funding rates for providers 2025-26**

For 2025 to 2026, the pass-through rate requirement has increased from 95% to 96%, and will apply separately to each individual entitlement for:

- 9 months old, up to 2-year-olds of working parents (under two year olds)
- 2 year old children of working parents
- 2 year-old children from disadvantaged families
- 3 and 4 year olds (universal and additional hours)

For 3 and 4 year olds, there is no change to current arrangements, and the pass-through requirement will apply to the universal and additional hours in combination.

Whereas, for 2 year olds and under two year olds, the requirement will apply to each of the entitlements individually.

If a local authority intends on having a single funding formula for both of the 2 year old entitlement funding streams (children of working parents and children from disadvantaged families), the pass through will have to be calculated separately for each of these. The DfE have set these arrangements to prevent cross-subsidisation between the working parent formula and the disadvantaged formula.

The Local Authority is planning to meet with the Early Years Provider Reference Group (EYPRG) to discuss funding for 2025-26 and to agree the content of the consultation with providers.

The outcome of the consultation will be shared with EYPRG and the resulting proposals brought to the meeting of the Schools Funding Forum on 13th February 2025 for approval.

#### **4 Teachers Pay and Pension Grants (TPPG)**

In the financial year 2025-26, the DfE have made funding adjustments to incorporate the September 2024 teachers' pay award into the hourly funding rates for 3 and 4 year olds. This aligns with previous practices, such as funding for teachers' pay and pensions in 2024-25 and consolidating the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) into the entitlement rates in earlier years.

Historically, these grants were separate to address the increased costs from a 2018 pay rise and 2019 pension rate increase in schools. By 2023-24, these funds were integrated into Early Years funding, raising the hourly rate by 7p to support the associated costs. The 2023 and 2024 STRB recommendations of a 6.5% and 5.5% pay award, led to additional grant funding rolled into the 2024-25 and 2025-26 funding rates to mitigate the impacts of the pay increase and employer pension contribution adjustments.

Following the grants being absorbed into the Early Years rate, mainstream schools with nurseries, which previously received these separate grants, were eligible for the new supplement of Quality, that helped address the additional costs they faced.

The Early Years Funding Operational Guide 2025 to 2026 released by the DfE states the following:

*'We encourage local authorities to consider using the quality supplement to distribute the additional funding they receive in 2025 to 2026 in respect of teachers' pay, though we acknowledge the varied approaches that local authorities have adopted to date in distributing this funding locally.'*

*'As with all other supplements, it is for local authorities to determine the appropriate metric for allocating funding, so long as their approach is in line with the principles set out above.'*

*'We continue to encourage local authorities to consider the purpose for which this funding has been provided when designing their approach to local distribution. They could continue to target the funding to take account of additional pressures that some providers might face in relation to their teaching staff.'*

In the three and four year old indicative allocations for 2025-26, the additional hourly rate of funding received as a result of the rolling in of the pay and pension grants is 21p. The equivalent amount for 2024-25 was 14p.