



**Consultation with Early Years
Providers on
Funding for Financial Year
2025-26**

Introduction

This consultation document proposes options for the allocation of funding to early years providers for the financial year 2025-26. Providers are asked to consider the proposals and respond back to the Local Authority for further consideration by the Early Years Provider Reference Group (EYPRG) and Schools Funding Forum.

Process

The consultation period will run to Monday 10th February 2025.

A summary of responses to the consultation will be reported to EYPRG and the Schools Funding Forum in week commencing 10th February 2025 and final decisions taken by the Local Authority before funding statements are issued for the 2025-26 financial year.

Responding to the Consultation

The online link to consultation is sent to all private, voluntary and independent early years providers and head teachers of schools with nurseries.

You can contribute your views to the consultation in the online link provided in the body of the email.

If you require clarification on any point please email:

Education Finance at: education.finance@haverling.gov.uk

Amendments

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Previous

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Revised

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Early Years Funding 2025-26

1. Early Years Funding 2025-26

Early Years education is funded through the Early Years Block of the Dedicated Schools Grant (DSG). The DfE funding rates and indicative allocations for 2025-26 was issued to local authorities on 18th December 2024, along with the final allocations for the other DSG blocks.

For 2025-26, there will be four entitlements that are to be funded during the course of the year, and the DfE have provided the indicative allocations to reflect that. The entitlements are:

- 1) 9 months to 2 year olds (Under Twos)
- 2) 2 year olds (working parents)
- 3) 2 year olds (from families receiving additional support; *formerly disadvantaged families*)
- 4) 3/4 year olds (universal and extended)

Starting from 1 September 2025, the government will extend the current 15 hour entitlement to 30 hours per week for eligible working parents of children aged 9 months to 2 years and for 2 year olds. This expansion aims to provide greater support to working families by increasing access to affordable childcare.

Rates payable to the Local Authority in 2024-25 and 2025-26 are shown in the table below:

| | 9 months to 2 year olds (Under Twos) | 2 year olds (working parents) | 2 year olds (disadvantaged families) | 3/4 year olds (universal and extended) |
|---------------------|--------------------------------------|-------------------------------|--------------------------------------|--|
| 2024-25 | £12.11 | £8.90 | £8.90 ⁽ⁱ⁾ | £6.16 ⁽ⁱⁱⁱ⁾ |
| 2025-26 | £12.45 | £9.17 | £9.17 ⁽ⁱ⁾ | £6.40 ⁽ⁱⁱⁱ⁾ |
| Increase (£) | £0.34 | £0.27 | £0.27 ⁽ⁱ⁾ | £0.24 ⁽ⁱⁱⁱ⁾ |
| Increase (%) | 2.81% | 3.03% | 3.03% | 3.90% |

- (i) Please note that the 2 year old rate for 2024-25 includes £2.12 for the Early Years Supplementary Grant (EYSG) previously paid for all Early Years funding claims.
- (ii) Please note that the 3/4 year old rate for 2024-25 includes 7p for the Teachers Pension and Pay Grants (TPPG 2023-24) previously paid exclusively for mainstream schools with nurseries, and the in-year Early Years Supplementary Grant of 19p.
- (iii) Please note that the 3/4 year old rate for 2025-26 includes 7p for the Teachers Pension and Pay Grants (TPPG 2024-25) previously paid exclusively for mainstream schools with nurseries. The additional funding for 3/4 year old is therefore 24p.

Rising costs, including an increase in employer National Insurance contributions, have raised concerns about the sustainability of government-funded childcare. The DfE's increased minimum pass-through requirement from 95% to 96% is welcomed, and this ensures that more funding reaches providers. However, without an increase to the rate payable to the LA, the long term effects

of the underfunding by central government may make providers to struggle to maintain free childcare places or face closure, affecting families who rely on these services.

Despite these challenges, Havering has demonstrated adaptability in its early years provision, ensuring a diverse range of delivery models for parents. The borough has experienced growth in the number of providers delivering funded entitlements. The local authority has also strengthened support for children with Special Educational Needs and Disabilities (SEND) through its well-established SEN Inclusion Fund, by refining and targeting support. Havering has maintained high-quality early education and ensured that financial pressures do not hinder the inclusion of children with additional needs.

The funding rate received from central government is extremely disappointing and Havering seeks an alternative and fairer funding than the current arrangements. Havering continues to be underfunded by the central government’s formula for education and central core services. The local authority will continue to make representations to the Department for Education and the appropriate authorities, on the level of funding for early years at every opportunity.

1.1 The expansion of funded childcare

The expansion of funding childcare, as part of the Spring 2023 budget announcement are as per the following timetable:

| | | |
|----------------|---|---|
| Autumn 2023 | <ul style="list-style-type: none"> Childminder grants become available Staff : child ratio change from 1:4 to 1:5 | ✓ |
| April 2024 | <ul style="list-style-type: none"> 15 funded hours for working parents of 2 year olds introduced | ✓ |
| September 2024 | <ul style="list-style-type: none"> National wraparound support begins 15 hours for working parents of children 9 months plus introduced | ✓ |
| September 2025 | <ul style="list-style-type: none"> 30 hours for all working parents of children from 9 months to primary school age introduced | ✓ |
| September 2026 | <ul style="list-style-type: none"> All schools to offer 8am – 6pm wraparound care on their own or in partnership | - |

2. Teachers Pay and Pension Grants (TPPG) transfer to Early Years Block

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 (7.2%) 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 (from 23.68% to 28.68%).

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. The additional sum received as a result of the rolling in of the pay and pension grants is £730,215, in comparison to the rolling in that took place in 2024-25 which was £473,149.

As part of the annual consultation process, some of the additional funding from this rolling-in was distributed as part of the basic hourly rate in 2023-24 and 2024-25 financial years, which all providers received a proportion of, rather than just the maintained schools that formerly received the separate grants. Maintained schools received the Quality supplement that reflected the additional costs for teaching staff.

3. Indicative DfE funding of Havering's Early Years Block funding 2025-26

Local authorities receive an initial allocation of Early Years funding for financial year 2025-26 based on the latest data available which was from the January 2024 Census for the existing entitlements and DfE projected data for the new entitlements.

Based on the updated indicative data, Havering's initial allocation for 2025-26 is as below.

| | | |
|---|-----------------|--------------|
| Under Twos (New) | Cohort (PTE) | 1,896.00 |
| | Unit of funding | £12.45 |
| | Allocation | £13,454,965 |
| 2 Year Olds - Working Parents (New) | Cohort (PTE) | 1,740.66 |
| | Unit of funding | £9.17 |
| | Allocation | £9,098,256 |
| 2 Year Olds - from families receiving additional support (FRAS) | Cohort (PTE) | 480.57 |
| | Unit of funding | £9.17 |
| | Allocation | £2,511,892 |
| 3/4 Year Olds | Cohort (PTE) | 6,100.39 |
| | Unit of funding | £6.40 |
| | Allocation | £ 22,254,151 |
| Total Funding for distribution | | £ 47,319,264 |

For the existing entitlements, this will be updated from the January 2025 Early Years census although the funding that a local authority's grant allocation based on that census is not adjusted until June/July. 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.

A local authority's initial allocation could, therefore, either increase for higher numbers of participation or reduce if lower.

4. Distribution to Providers

4.1 The DfE's "**Early Years Entitlements: local authority funding operational guide 2025 to 2026**" advises Local Authorities as follows in determining the rates for the forthcoming year:

"Local authorities must determine their funding formulae before the beginning of the financial year. 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 schools forum, maintained schools, and early years providers. Local authorities must also seek approval from their schools forum to agree any entitlements funding they intend to retain to fund central functions. Local authorities are not permitted to amend their funding formulae after the financial year has started."

In determining the proposals, the revised higher 96% (from 95%) pass-through requirement will apply separately to the entitlements for:

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

There is no change for all entitlements for 2025-26 with the requirement applying to each of the entitlements individually.

In line with Havering's annual budget cycle for the Early Years budget setting, complying to the DfE guidance that has been in place for a number of years, please see below for the process the Local Authority undertook in determining the funding options and rates to be considered as part of consultation for the funding arrangements for 2025-26.

4.2 Local Authority projected numbers used for Funding Options for 2025-26

The cohort size used in projections is in line with previous years' modelling, updated to reflect the indicative PTE that the DfE have based on the indicative funding on.

Numbers for the summer term 2025, autumn term 2025 and spring term 2026 have been calculated by looking at the average change in numbers from the January base in previous years.

4.3 96% Pass-through rate to providers

Local authorities are required to allocate at least 96% of the grant to providers for all the entitlements for 2025-26, which is an increase from the arrangements of 2024-25 where the pass-through rate was 95%.

Local authorities are also required to set the level of a SEN Inclusion Fund to meet low level or emerging special needs.

The remaining grant is to be allocated to providers through a formula. At least 88% of the funding must be distributed through a basic hourly rate with up to 12% through supplementary factors.

4.4 Principles for the base rate minimum funding levels

The Local Authority models on a sustainable and long term model of funding. This is evident with the annual increases that has been in place for the base rates for the current entitlements via annual increases, as well as updating the model to calculate the proposals annually.

| Base Rate Factor | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|
| Under Twos | n/a | n/a | n/a | n/a | n/a | n/a | £11.05 |
| 2 year old – working | n/a | n/a | n/a | n/a | n/a | n/a | £8.05 |
| 2 year old – FRAS | £5.35 | £5.60 | £5.68 | £5.76 | £5.97 | £6.46 | £8.59 |
| 3/4 year old | £4.53 | £4.80 | £4.90 | £5.09 | £5.29 | £5.34 | £5.56 |

The DfE’s **Easy explainer: early years funding rates** advises the following:

“The overwhelming majority of the local authority hourly rate announced by DfE is to support providers with the core costs of providing entitlement hours and must be passed on to providers. A small proportion can be used to support local authorities to administer the entitlements locally.

Local authorities are best placed to determine how to use their total funding allocation to meet the needs of their communities. So, using DfE rates as a starting point, local authorities set their own provider hourly rates using their own local formulae. These formulae and the provider hourly rates are different to the rates announced by DfE and are decided at a local level.

Before deciding on their local formulae and provider hourly rates, local authorities must consult with their providers and schools forum to decide how the money will be spent.”

In line with localised processes, Havering has engaged with stakeholders, and has undertaken reviews via sector feedback, current and future local and DfE Early Years funding rates, and providers’ current and previous private charges for the entitlements which form part of the expansion.

4.5 Under Twos (9 months old to up to 2 years old – working parents)

This element of the Early Years grant has been in effect from 1st September 2024, and is part of the roll-out of the expansion in the Early Years funding. This is to fund 15 hours for eligible working parents, and from 1st September 2025, this funding entitlement for working parents will increase to 30 hours.

After consideration of stakeholder views and LA priorities (e.g. SENIF, etc.), the proposed rate to be paid to providers for this new entitlement is £11.36 per hour, which is a 2.81% increase from the 2024-25 funding rate, in line with the DfE’s % increase for this element of funding.

Proposal

(ii) It is proposed to set the hourly rate for providers for this new entitlement to be £11.36.

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| Q.1 | Do you agree for the existing under two – working parents entitlement rate paid to providers to be £11.36? |
|-----|--|

4.6 2 Year Olds – Working Parents

This element of the Early Years grant has been in effect from 1st September 2024, and is part of the roll-out of the expansion in the Early Years funding. This is to fund 15 hours for eligible working parents, and from 1st September 2025, this funding entitlement for working parents will increase to 30 hours.

After consideration of stakeholder views and LA priorities (e.g. SENIF, etc.), the proposed rate to be paid to providers for this new entitlement is £8.29 per hour, which is a 2.98% increase from the 2024-25 funding rate, similar to the DfE’s % increase for this element of funding.

Proposal

(ii) It is proposed to set the hourly rate for providers for this new entitlement to be £8.29.

| | |
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| Q.2 | Do you agree for the existing two year old – working parents entitlement rate paid to providers to be £8.29? |
|-----|--|

4.7 2 Year Olds Funding – Families Receiving Additional Support (FRAS)

This entitlement has been in place for a number of years and this is to support children from disadvantage families. This funds 15 hours for those applicable families.

As part of the revised DfE funding arrangements for this entitlement to providers, LAs have to make a provision for SENIF and prospectively a supplement for this entitlement.

The DfE guidance and regulations for this entitlement is as follows:

- a requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents
- new deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements

DfE states “*Supporting children from families receiving additional support is a priority. For this reason, we require local authorities, through regulations, to ensure that the final hourly funding rate (that is the base rate, plus supplements if applicable) they pay to providers for the entitlement for families of 2-year-olds receiving additional support is at least equal to the final hourly funding rate for the 2-year-old working parent entitlement at individual provider level.*”

After consideration of stakeholder views and LA priorities, the proposed rate to be paid to providers for this new entitlement is £8.85 per hour, which is a 3.03% increase from the 2024-25 funding rate, in line with to the DfE’s % increase for this element of funding.

Proposal

- (i) It is proposed to set the hourly rate for providers for this new entitlement to be £8.85, to take effect from 1st April 2025, with no additional supplements. This is in line with the DfE requirements for the overall funding for two year old - Families Receiving Additional Support (FRAS) to be higher than the two year old – working parent entitlement, and

support those families who are not able to pay for additional costs (e.g. consumables, etc.) that nurseries may apply.

| | |
|-----|---|
| Q.3 | <i>Do you agree for the existing two year old – from families receiving additional support (FRAS) entitlement rate paid to providers to be £8.85?</i> |
|-----|---|

4.8 3 & 4 Year Olds Funding

In line with the steer from the DfE, shown in section 2 of this document, the LA is proposing to continue with the quality supplement to distribute the additional funding. This would support mainstream schools with nurseries, who are losing the separate grant funding, which was to support the additional Teachers Pay award and Teachers' Pension Employer contribution, whereby the costs for each of those increased by 5.5% and 5.0% respectively in financial year 2024-25.

The proposed option for consideration, aligns with the previous years' principles. The proposal provides the protection for the TPPG to schools via the Quality and base rate factors. This will be split as £265,000 of the overall transfer (£730,215) for the additional grants, back to those eligible schools via the Quality Supplement, which is an increase from the current level of £191,693.

The remaining balance of the transfer of £465,215, is allocated via the base rate, therefore leaving the base rate to be £5.78 to be applicable for claims by all provisions delivering the 3/4 year old entitlement. The overall amount via the Quality and base rate factors matches the additional costs that schools will incur will. The proposed base rate is a 3.96% increase from the 2024-25 funding rate, higher than the DfE's % increase for this element of funding.

Proposal

- (i) It is proposed to set the hourly rate for providers for this new entitlement to be £5.78, to take effect from 1st April 2025, with the Quality and Deprivation supplements.

| | |
|-----|--|
| Q.4 | <i>Do you agree for the existing three/four year old entitlement rate paid to providers to be £5.78 with a Quality supplement?</i> |
|-----|--|

4.9 Supplementary factors

As well as the basic hourly rate, local authorities can also allocate funding through a limited range of supplementary factors. Up to 12% of the formula funding can be allocated through supplementary factors which can include:

- deprivation (mandatory supplement); local authorities must use this supplement to recognise deprivation in their areas,
- rurality or sparsity (discretionary supplement); to support providers serving rural areas less likely to benefit from economies of scale,
- flexibility (discretionary supplement); to support providers in offering flexible provision for parents; this could, for example, childcare wraparound care, out-of-hours provision, or to encourage a particular type of provider in an area (such as to meet a need for childminders in an area),
- quality (discretionary supplement); to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area), and
- English as an additional language (EAL) (discretionary supplement).

In Havering, following past consultations, only the mandatory deprivation factor is used. The LA has reviewed the feasibility and reliability of using other optional supplements and recommends, with the exception of a supplement for TPPG, that they are not adopted in 2025-26. A further review will be carried out for 2026-27.

It has been agreed previously that the funding rates allocated for deprivation align with those of schools, using the Income Deprivation Affecting Children Index (IDACI).

In Havering, funding for IDACI is currently allocated at the same rate for schools and early years providers. If this were to continue for 2025-26, funding rates would be as follows:

| Band | Hourly rate | | Annual rate (38 weeks x 15 hours) | | % change |
|------|-------------|---------|--------------------------------------|---------|----------|
| | 2024-25 | 2025-26 | 2024-25 | 2025-26 | |
| A | £0.78 | £0.78 | £444.60 | £444.60 | 0.0% |
| B | £0.59 | £0.59 | £336.30 | £336.30 | 0.0% |
| C | £0.55 | £0.56 | £313.50 | £319.20 | 1.8% |
| D | £0.51 | £0.51 | £290.70 | £290.70 | 0.0% |
| E | £0.33 | £0.33 | £188.10 | £188.10 | 0.0% |
| F | £0.27 | £0.27 | £153.90 | £153.90 | 0.0% |
| G | £0.00 | £0.00 | £0.00 | £0.00 | 0.0% |

Using the revised rates and methodology with October 2024 pupil data, the required budget for 2025-26 would be £417,235.

| | |
|-----|---|
| Q.5 | <i>Do you agree that deprivation remains the only supplementary factor used in Havering's formula and the rates of funding continue to be aligned with the rates used in the schools' national funding formula?</i> |
|-----|---|

5. Special Educational Needs Inclusion Fund (SENIF)

5.1 Funding Proposal 2025-26

Since 2024-25, Local Authorities had to extend the SENIF to be funded from all of the Early Years entitlements.

SENIF is in place to support children with additional needs and ensure that they have the resources and aids to thrive within their setting.

SENIF is separated into two parts:

- the Early Intervention and support part of the fund is for children with lower level or emerging SEN, and is primarily for equipment, adjustments and support for adjustments within the setting, and
- Complex needs, which is for children that are on the EHCP pathway and require regular adult support or 1:1.

Training is a core part of the CAD 0-5 offer, there is no requirement for settings to pay or apply for this as it is free to all provisions (childminders, PVI's and maintained schools) at the point of delivery.

The demand for Special Educational Needs Inclusion Fund (SENIF) support in Havering has risen significantly, as reflected in the increasing number of children under five with an Education, Health and Care Plan (EHCP). Between 2022 and 2023, there was a 60.2% increase in EHCPs, followed by a further 52.3% rise in 2024, bringing the total to 454 children.

| | 2022 | 2023 | 2024 |
|-----------------------|------|-------|-------|
| EHCP – Under 5 | 186 | 298 | 454 |
| Change (%) | | 60.2% | 52.3% |

Source: SEN2 Census (Jan-24)

In response to this growing need, Havering has ensured that the SENIF budget is refined and targeted effectively, enabling early years providers to support children with emerging or complex needs. The local authority's longstanding commitment to the SENIF, which has been in place for over a decade, has been instrumental in maintaining inclusive, high-quality early education. This measure ensures that financial constraints do not become a barrier to inclusion and that children with additional needs receive the support required to thrive in early years settings.

In order to ensure that the SENIF has the appropriate level of budget, it is proposed that all eligible funding streams contribute to the overall SENIF budget, with the split worked out on pro-rata of the current demand to the new entitlements. This will be an increase from £1.114m to £1.678m for 202-2. This is broken down as follows:

| | Under Two | Two Year Old - Working Parent | Two Year Old - Disadvantaged | Three/Four Year Old (Universal/Extended) | Total |
|-------|-----------|-------------------------------|------------------------------|--|------------|
| SENIF | £615,144 | £453,629 | £0 | £609,501 | £1,678,274 |

| | |
|-----|--|
| Q.6 | <i>Do you agree that the SENIF budget is increased to £1.678m to meet the additional demand for support?</i> |
|-----|--|

5.2 **SENIF arrangements**

Funding applications have increased exponentially and the fund is finite. This should be reserved for the most complex cases and many needs can be met through the support of your Area SENCo/Advisory Teacher, as well as guidance from the Ordinarily Available Provision, therefore not requiring any applications for SENIF support.

The Local Authority will be reviewing arrangements for SENIF once the roll-out for all the entitlements has fully embedded, to review the increase in the overall eligible cohort and the number of applications and types, to further refine the process to ensure inclusivity across the borough.

The timetable for review will be as follows and any changes will be communicated to all providers, prior to the commencement of the new academic year, effective from 1st September 2025:

- Summer 2025 – continue with current arrangements / review of current arrangements
- Autumn 2025 – continuation or update of current arrangements

6. Central Retention

Local authorities are able to centrally retain funding to lead and support the Early Years sector to deliver excellent quality provision, and to administer the distribution of Early Years Funded Entitlement and related supplements system.

The centrally retained funding supports the Local Authority to deliver their various statutory duties relating to early years, and to ensure sufficient, sustainable, high quality, accessible early education and childcare.

Any reductions to the central retention which funds a range of services, may result in a reduction in the range and amount of advice and support (including financial support) to providers. It is through these central services that we are able to take actions to mitigate any changes brought about by the DfE.

The centrally retained funding is used to fund a number of services and activities across all sectors including mainstream, private, voluntary, independent sectors, and childminders to promote quality and improve outcomes for children in Havering, including;

- Provide support and advice to settings in relation to quality of early education and childcare, Ofsted and statutory requirements, with a focus on settings at requires improvement or inadequate, as well as providing targeted support around work with vulnerable groups.
- Support and advice to settings in relation to support for children with SEND, with a particular focus on inclusion, quality and early identification of need.
- Meeting the Council's statutory duties to ensure a sufficiency of places for funded 2, 3 and 4 year olds across Havering.
- Monitoring and delivering sufficiency.
- Providing support, advice and to promote business sustainability.
- Individual commissioning of provision for the most disadvantaged families.
- Delivering census, compliance with DfE statutory guidance and requirements.
- Brokerage of places for vulnerable children and children identified as disadvantaged.
- Managing the funded entitlement by advising providers, processing, administering and making payments, including support for the Provider Portal.
- Delivering census.
- Maintenance and development of the Provider Portal and linked systems.
- Supporting communications and publicity, including promotional activities to support take-up of funded places, 30 hours, EYPP, Inclusion Fund, and DAF uptake.
- Implement a number of eligibility assessments, including the eligibility for free school meals of a pupil who is being provided with early years provision, the eligibility of a child for prescribed early years provision, or the eligibility of a child for the early years pupil premium.
- Audit functions to ensure funding has been allocated and spent in line with the regulations and policies in place.
- Strategic and operational leadership and management of the early years system and its finances.

The distribution set by the DfE for central retention means that an LA can only use a maximum of 4% for central support, and the remaining 96% is paid direct to providers.

Havering has in previous years' retained less than the previous thresholds set by the DfE, in order to make the most amount of funding available to providers. However with the expanded entitlement roll-out that took effect from 1st April 2024 and be fully operational from 1st September 2025, Local

Authorities need to lay the infrastructure in order to support the additional demands as a result of the roll-out.

In order to support the Local Authority, it is proposing at applying the current central retention level of 4% for all eligible funding streams, in order to support with the roll-out. This will be an increase from £1.361m to £1.893m for 2025-26. This is broken down as follows:

| | Under Two | Two Year Old - Working Parent | Two Year Old - Disadvantaged | Three/Four Year Old (Universal/Extended) | Total |
|----------------|-----------|-------------------------------|------------------------------|--|-------------------|
| 2024-25 | £186,897 | £229,396 | £103,528 | £841,069 | £1,360,890 |
| 2024-25 | £538,199 | £363,930 | £100,476 | £890,166 | £1,892,771 |
| % | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Change | £351,302 | £134,534 | -£3,052 | £49,097 | £531,881 |

This will enable the LA to build on the structure for the current year for central support, that includes and not limited to the following, alignment of the SEND 0-5 Central Support, recruitment for staff in order to undertake the additional workload as part of the expansion, additional costs due to inflationary factors, and the continuation of training courses and support for providers. This list is not exhaustive and the LA is continuously reviewing the central support arrangements, in order to put in place a service that fulfils its obligations to the sector.

The breakdown of services currently and to be funded from this are as follows:

| Service | 2024-25 (£,000) | 2025-26 (£,000) | Change (£,000) | |
|---|-----------------|-----------------|----------------|---|
| Audit | 35 | 40 | 5 | Increased costs year on year |
| Database and Local Offer | 82 | 230 | 148 | Licensing, software updates and Local Offer |
| Early Years Admissions and Organisation | 394 | 489 | 95 | Additional staff and increased costs year on year |
| Early Years Quality and Assurance Team | 433 | 445 | 12 | Increased costs year on year |
| Finance | 124 | 132 | 8 | Increased costs year on year |
| SEND 0-5 Central Support | 293 | 556 | 263 | Re-alignment of funding stream |
| Grand Total | 1,361 | 1,892 | 531 | |

| | |
|-----|--|
| Q.7 | <i>Do you agree that the central retained budget for LA support is increased to support the additional resources to be invested as part of the expansion of the childcare entitlement, with a budget of £1.892m?</i> |
|-----|--|

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