



Subject Heading:

Early Years Funding 2025-26

Report Author:

**Hany Moussa – Principal Education
Finance Officer**

Eligibility to vote:

**All school and academy members and
the PVI representative**

SUMMARY

This report provides details of the consultation with early years providers on funding for financial year 2025-26, the outcome of which will be reported at the meeting.

RECOMMENDATIONS

The Schools Funding Forum agrees funding rates for 2025-26. Recommended rates will be determined following the closure of the funding consultation with providers. To be agreed:

1. The base hourly rate for:
 - a. 9 months to two year olds (under twos) entitlement,
 - b. two year olds – working parents' entitlement,
 - c. two year olds – disadvantaged families' entitlement, and
 - d. three/four year olds (universal and extended) entitlement.
2. The continuation of the quality supplement to allocate funds to schools replacing the previous years' grants which supported schools with the additional costs due to the teachers' pay award and pension contribution increase.
3. Whether deprivation rates of funding continue to be aligned with the rates that are used for schools in the National Funding Formula.
4. The level of the SEN Inclusion Fund (SENIF) to support providers.
5. The level of the centrally retained budget for LA support and commissioning.

REPORT DETAIL

Background

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, to be on a par with the current funding arrangements for the three/four year old entitlement for working entitlement. 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 | £6.16 |
| 2025-26 | £12.45 | £9.17 | £9.17 | £6.40 |
| Increase (£) | £0.34 | £0.27 | £0.27 | £0.24 |
| Increase (%) | 2.81% | 3.03% | 3.03% | 3.90% |

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.

Funding Consultation

The Schools Funding Forum was advised on 16th January 2025 of the budget cycle process for Early Years. Thereafter, the Local Authority produced proposals for the financial year 2025-26. The proposals that were reviewed were the rates for providers and other Early Years budgetary requirements, for SENIF and Central Retention.

The proposals were discussed with the Early Years Provider Reference Group (EYPRG) on the 16th January 2025 and the consultation reflects the feedback from the group, as well as other stakeholders.

The consultation was held online with details sent to all private, voluntary and independent early years providers, and to schools with nurseries. The contents of the consultation are shown at **Appendix 4A**.

The consultation ran until Monday 10th February 2025, so was still open when this agenda item was prepared. The intention is for the outcome of the consultation to be shared with EYPRG at the scheduled meeting on Tuesday 11th February 2025, due to be held before the full School Funding Forum meeting. The proposed arrangements and funding rates following discussion at the EYPRG meeting, will then be forwarded to members of the Schools Funding Forum for discussion and approval at this meeting.